

Profit as Social Rent: Embeddedness and Stratification in Markets

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Abstract

This article shows how research on the social structure of markets may contribute to the analysis the growing income inequality in contemporary capitalist economies. The author proposes a theoretical link between embeddedness and social stratification by discussing the role of institutions and networks in markets for the distribution of economic profits between firms. The author claims that we must understand profit and free competition as opposites, as economic theory does. In the main part of the article the author illustrates six typical mechanisms of rent extraction from networks or formal and symbolic rules that embed markets. They emerge from material as well as symbolical access to and influence on the orientation of other market actors. Social structures in markets lead to unequal chances for rent extraction, even if actors produce them for coordination rather than for accumulation purposes. This is how market sociology and theory of capitalism can be linked more closely.

Keywords

economic sociology, profit, capitalism, embeddedness, stratification

In the past few years, the growing inequality between wages and profit income has been at the center of public and sociological debate in Europe and North America. This includes intense debate about the causes for the growing polarization between middle to high and top incomes, which was spurred by Piketty's (2014) seminal work on wealth inequality. Ample research shows two important factors that explain the rise of profit income. First, since the 1980s, labor flexibility strategies and an increasing reorientation of management activities toward shareholder value within firms have reduced stakeholder influence within large corporations, especially those directly financed through capital markets (Boltanski and Chiapello 2005; Fligstein 2002; Krippner 2012). Second, a political paradigm shift toward reducing capital gains taxes by the state and increasing global free trade has taken hold of

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nearly all political parties, which has severely reduced nation-state capacity to tax capital and corporations (Campbell 2004; Glyn 2006; Useem 1984). These processes resulted in a steep increase in the aggregate rate of firm profits in comparison with wages over the past decades.

However, there is also a third story to tell about the growing polarization of wealth and income, and that is the growing dispersion of economic income *across* firms. Income inequality does not trace back completely to within-firm inequality, for example, to the widening gap between top executive compensation and average worker pay. The rise in income inequality is also caused by growing interfirm inequality (Holzer 2011; Song et al. 2015).¹ Many studies suggest the unequal distribution of economic value across firms is an important driver of growing income inequality *within* groups of workers (Card, Heining, and Kline 2013; Krueger and Summers 1988). This observation is particularly puzzling because, from an economic point of view, the growing rent differentials between firms signal incomplete competition, which is not what we would expect after four decades of deregulation and market competition policies. Why would more competition increase revenue inequality between firms instead of reducing it?

This article provides a sociological view on the distribution of profits across firms within markets to understand this puzzle. I argue that we must account for the role of uncertainty and the social, political, and cultural embeddedness of markets as a potential source of firm rent dispersion. I reexamine some major arguments in the sociology of markets and ask about their distributional dimensions. I show that market embeddedness is not only a source of market stability and successful coordination, but it also opens up opportunities for firms to gain rents from their particular social position within a market.

The concept of social rent I apply here denotes the chance to exploit value from social position and institutional rules, as much as rents drawn from the ownership of land (Sørensen 1996). Social rents can be gained from social positions independent of one's strategic behavior; they stem from the structure of social relations in a market. However, these social relations are not created for distributive purposes but emerge from a mutual effort to overcome the uncertainty of economic action. I will show that, to establish a theoretical link between market sociology, capital accumulation, and social stratification, we must (1) remember that profit and competition are opposing concepts and (2) go beyond a one-dimensional "monopoly power" approach to see multiple sources of unequal distribution of value in markets. We must seek the roots of inequality in the social structures of markets, in which rational actors react to the uncertainty of individual rational action in complex strategic interactions, as well as to the uncertainty of economic processes over time in capitalism. Even though the social market structures and mechanisms cited here have been central to new economic sociology, their stratification consequences have not been spelled out in more detail. I will show how these mechanisms in the social structure of a market endow some firms with a higher chance of gaining profits.

My theoretical argument proceeds in three steps. First, I show that different approaches to economic sociology have placed market stability at the center of their arguments while showing limited attention to questions of value distribution and accumulation through markets. In economic sociology, as well as in contemporary sociological analyses of capitalism, profit and competition end up on the same side, as twin sources of uncertainty and instability. Second, I then argue that economists have placed uncertainty at the heart of their profit theory and therefore point to the distributive consequences of the fact that markets do not function as the economic models predict. Third, by applying the concept of social rent to capture how value may be extracted from market structures, I reexamine network and field perspectives of markets and look for potential bridges toward the question of rent and

stratification. Finally, I illustrate six mechanisms of rent extraction from the embeddedness of markets. All six mechanisms center on the *socially distributed access to, or control over, the action orientations of other market actors*. In the conclusion, I argue that these mechanisms can provide first sketches of a sociology of profit, in which an important contribution of economic sociology to the analysis of capitalism becomes apparent. The epiphenomenal character of formal and informal social relations in all markets influences *which* firms may lay their hand on which parts of economic value. This opens an eye on (1) capitalism as a process of exploiting *all* forms of social organization and (2) the threat of uncertainty in a free market as a quenchless source of accumulation and inequality dynamics.

PROFIT VERSUS COORDINATION IN ECONOMIC SOCIOLOGY

Many economic sociologists see textbook economics as their primary competitor, even though economists have only rarely taken up this challenge. Sociologists have been pointing out the explanatory deficits of equilibrium models of perfect market competition, the implausibility of their rationality assumptions, and their oversimplified model of social coordination for over three decades now (Etzioni 1988; Granovetter 1985; Swedberg 1994; Whitford 2002). With their interest in markets as a particular form of social order, economic sociologists often focus on the *stability* of markets (Beckert 1996; Smelser and Swedberg 1994). Explaining the institutionalization and stabilization of markets is a remarkable and demanding task, because it seems to contradict the assumption that market competition is defined by interest “struggle” (Weber, Roth, and Wittich [1922] 1978:82). Durkheim ([1893] 1997:152) was already skeptical that any stable social order could be built on individual interest. If we assume all market actors to be fully informed rational maximizers, stable coordination of any social order becomes precarious (Beckert 2009). Economic sociologists posit that the classical sociological question of order is unanswered in a crucial arena of contemporary everyday interaction: markets (Beckert 1996:827).

However, there is a conceptual downside to giving priority to social coordination, namely, lowered attention to the *distributive dimension* of markets. Social interaction can be coordinated with many different distributional outcomes, and inequality is a central challenge for legitimation in capitalist societies. Mainstream economists have narrowed their analytic framework for market analysis in two major ways, only one of which treats all coordination problems as solvable by self-interested maximizing individuals. The other way was driving the question of how market processes generate patterns of value distribution and stratification out of the range of legitimate queries. From a marginalist perspective, Adam Smith’s question of why prices do not fully resolve into wages and rents, but also contain an element of *profit* (Smith and Skinner 1999:153), is seen as irrelevant. The standard marginalist market model treats all preset distributional patterns and interests as *given forms of scarcity and preferences*. If we start from here, the only plausible question to ask is how, given all the distributive constraints, efficient coordination can be reached. Moreover, in the marginalist equilibrium model, prices and revenue in all product markets exactly cover the sum of labor and capital cost, wages, and interest payments. The model implies *zero economic profit*, which reveals a remarkable tension in the history of economic thought between free-market competition and the long-term accumulation of value in capitalist economies.²

Sociological thinking should not join economic theory in treating the distribution issue as irrelevant to understanding how markets work. Yet economic sociologists widely share this disregard for the distribution of economic value. Most often, the new economic sociology discusses the profit motive mostly in terms of its impact as the supreme *distortion* of the stable reproduction of economic orders. Profit seeking appears as the foremost antisocial

force that must be suspended to make markets work. In this sense, profit is the “spirit who denies” coordination and provides a permanent source of uncertainty. In the past three decades, economic sociology has turned toward the role of social, political, and cultural structures in orientating “intentionally rational actors” (Beckert 2009:251) under uncertainty. Uncertainty emerged as an important concept to describe the problem of coordination and stability in markets.

In his seminal article, Granovetter (1985:487) criticized both economic theory and a norm-oriented sociological approach for de-contextualizing and atomizing individual behavior. He claimed that “most behavior is closely embedded in interpersonal networks” (p. 504) and argued that this social overlay of market action means individual behavior is “departing from pure economic motives” (p. 490). Even though “distrust, opportunism and disorder are by no means absent” (p. 491), the economic profit motive stands in clear contrast to the social orientations personal networks provide for individuals. This left profit seeking intact as a core part of economic action that is embedded in social orientations. Granovetter did not discuss profit opportunities in the context of personal networks. Thinking about the distributive consequences of personal network structures does not imply that individuals engage in personal networks only for economic reasons. However, the idea that market action may provide stability *and* profitability at the same time is driven out of the picture if profit seeking and social orientations are dichotomized (Krippner 2001). Most network approaches in economic sociology do not consider the distributive effects of networks but instead focus on information processing through networks and the mutual creation of a stable and reliable sphere of action. White (2002), for example, claimed that for market actors the “underlining impetus is gaining shelter from uncertainty” (p. 3222). He went even further than Granovetter (1985:8) in doubting the role of purely economic motives by claiming that producers’ motives are not only embedded but are socially “constituted.” Still, profit gains do not play a role for the analysis of market structures. Some authors, however, point to possible links between information processing and value distribution, which we will discuss further in the following sections.

From the embeddedness perspective, economic interaction is full of problems of double contingency (Beckert 1996). Uncertainty confronts all actors in three typical problems of economic interaction: the determination of value, the establishment of stable cooperation, and the control of competition (Beckert 2009). These coordination problems in markets are beyond rational calculation in which payouts for different strategies might be computed (Beckert 2002, 2016). In contrast to economists, sociologists do not believe that decision making in the face of uncertainty is a purely individual phenomenon. When actors face uncertainty, not only their networks but also institutions and shared understandings secure the ready availability of *common standpoints*. Market interactions have a “cultural, political, structural and cognitive embeddedness” (Zukin and DiMaggio 1990:14). Market embeddedness may crystallize as norms, institutions, and rules, as well as shared cognitive frames or patterns of knowledge (Beckert 2009; Callon 1998; Callon and Muniesa 2005; Denzau and North 2004).

Organizational sociologists, most prominently Fligstein (2002), emphasize formal and informal institutions as market shapers: “firms operate against an extensive backdrop of common understandings, rules, and laws. These are most often supplied by governments” (p. 3). In Fligstein’s political-cultural approach, markets are considered social fields with an inner structure of formal and informal rules, as well as a set of shared understandings concerning legitimate forms of exchange and property and typical cognitions among market actors. Even though the control of competition features prominently in Fligstein’s (1990) historical account of changing corporate strategy paradigms in the United States, he always

argues that “competition produces social-organizational responses” (Fligstein 2002:5), which means he also doubts that firms are primarily seeking profits. In his conceptual argument, Fligstein (2002) “replaces profit-maximizing actors with people who are trying to promote the survival of their firm” (p. 17). Fligstein identified four threats to firm survival: (1) input prices from organized suppliers are too high, (2) loss of market share to competitors if competition is tolerated, (3) intrafirm conflicts that jeopardize the ability to produce successfully, and (4) products may become obsolete. All four mechanisms could be understood as a decrease of profits below a certain threshold, so Fligstein is aware of the importance of profit generation for firms. Again, though, the analysis of capital accumulation patterns is unnecessarily driven out of the picture, together with the profit motive as a prime action orientation. Still, inequality and market stratification may be the result, even if profit is not the prime motivation for firm activities. Placing firm survival at the center of his concept of the firm does not necessarily mean firms’ adaptations to their institutional environments do not play an important role for value distribution. I will show how field research insights into rule setting in markets can apply to stratification issues as much as to the firm survival problem.

Across network and field approaches, economic sociologists seem to believe that profit maximization is not always the only, or even the primary, action orientation for firms. At the same time, market sociologists show that uncertainty is never a full reality for market actors. Uncertainty is an enduring threat to coordination in markets if social structures are unavailable or become precarious. Most of the time, however, market actors engage in historically formed socially and politically structured arenas, even in artificially created competitive environments. Therefore, actors will always find opportunities to interact on the basis of trust, socially accessible information, and reciprocity to control the permanent threat of defection and the unknown future. In contrast, profit maximization and pure competition represent the vanishing points of market sociology. They define a dystopian economic order in which there is no stability and uncertainty haunts all economic action. But what about capital accumulation?

In his analysis of contemporary capitalism, Streeck (2012) criticized this “always embedded” perspective of capitalist markets in economic sociology, according to which “profit-seeking capitalists, unlike neoliberal ideologues, know that their profit-making depends on the presence of supportive social relations they are therefore, out of self-interest if nothing else, willing to respect” (p. 25). Instead, he ascribed to capitalism an “inherent tendency . . . of expanding capitalist markets subverting their non-capitalist foundations through the powerful pressures emanating from markets for liberation from social constraints.” Even though Streeck shares the view that capitalism needs social structures to be stable, he favors a pessimistic Schumpeterian perspective on capitalist dynamics. He describes capitalism as a process of never-ending radical innovation that undermines all forms of social restraint, which stands in fatal contrast to the fact that capitalism’s survival as a societal form may depend on these institutional and cultural forms of restraint. Capitalists operate in embedded markets, but they tend to cut off the political, social, and cultural tree branches they sit on. This means Streeck disagrees with market sociologists on the role of stability: capitalists as a *collective* have a vital interest in embedded markets, yet as *individuals* they must constantly undermine these structures to raise profits.

In contrast to this debate, we see a shared perspective between Streeck’s analysis of capitalism and the new economic sociology in the idea that profit-seeking firms will always undermine and destroy all forms of social structures in markets. This may describe how firms’ strategies to manipulate value distribution in their direction always undermine established social structures in markets, but this does not necessarily mean that profit is actually

gained from the *absence* of social restraint (or from pure competition). Instead, I argue that we must see profits as extractable from social structures in markets, and therefore social restraint raises profit opportunities. For capital accumulation, firms do not so much need to *destroy* embedding structures as they must *replace* them with new social structures more favorable to them: an absence of social restraint in radically freed competition would tend to wipe out all profits. We open this new perspective by integrating an important insight of distributional economics that sociologists overlook when they equate profit seeking and uncertainty: profit maximization and free competition are *opposed* to each other.

ECONOMIC PROFIT AND MARKET STRUCTURES

Adam Smith mentioned profit as an inevitable part of market price, but classical economists did not discuss profit in depth (Obrinsky 1983:10; Smith and Skinner 1999:153). Smith warned against treating profit as a form of labor income and argued that the distribution of profits is “regulated altogether by the value of the stock employed” (Smith and Skinner 1999:151). In Ricardo’s corn model, the physically set rate of agricultural surplus defined the minimum rate of profit for manufacturing, because only above that minimum would agrarian producers become industrial producers (Ricardo and Sraffa 1951:xxx). Industrial profits were the difference between the price of the product and the cost of the labor to produce it (Dobb 1973:74). Thus, for classical economists, profit was a natural fruit of economic activity.

Marx fundamentally challenged the nature of profit. He described labor itself as a commodity with a *historically* and *institutionally* defined exchange value, different from its (higher) use value within production. From this perspective, the *institutional structure* of property rights and labor contracts becomes crucial for the labor surplus, that is, the unpaid portion of the working day from which profit is derived. With Marx, profit obtained a *social-structural nature*. He saw profit as an institutionally coerced form of rent appropriation, originating from the power relations within production and realized in the market. Marx claimed that profit is the result of the authority structures of the capitalist society, which give the capitalist the “privilege” to keep all revenue that exceeds the cost of labor.³

In harsh opposition to Marx, nineteenth-century economists tried ceaselessly to prove that profit was a payment for capital productivity (Dobb 1973:167; Say [1821] 1834:75; Sraffa 1960). After the marginalist revolution, the mainstream equilibrium model in economic theory broke with all production-side substantiations of profit and followed a radical subjective value approach, in which all values are derived from given preferences. In the equilibrium model, prices are set simultaneously in all markets, including markets for labor and capital. In the state of equilibrium, for every unit of capital, its contribution to the value of the product equals exactly its price on the capital market (Clark 1908:12). The relative scarcity of capital defines how much it is worth in a market economy, and producers’ willingness to pay for it will equal its potential service to the production of a good. If firm profit at a certain moment should exceed capital price for one firm (e.g., because of technological innovation), more competitors will enter the market, adopt that technology, and unit profit margin will be reduced to “normal profit”: the difference between market price and average unit cost that also equals the market price. Thus, under full competition, no economic profit exceeds the normal price of capital. There is no economic profit. This also means the apparent unequal wealth distribution *between* firms is no longer a relevant question for economic model building.

However, two heterodox economic schools have examined how the possibility of economic profit could be modeled under the assumptions of the general model. I will briefly

look at their arguments, because it is interesting to see how their accounts lead us back to economic sociology. Both schools link the distribution of profit in markets to the problem of uncertainty and the social structuring of markets. However, in these models, profit stands *in opposition* to free competition and capitalist instability, suggesting a reinterpretation of market embeddedness as a stratification topic.

The first perspective is the theory of monopolistic competition. Economists such as Joan Robinson ([1933] 1969) and Edward Chamberlin (1969) argued that all market competition is systematically distorted and can still be stable. In their formal model, market power relations are formalized as downward sloping individual demand curves, rendering it possible for firms to gain profits by reducing output and raising prices (Robinson [1933] 1969:88). Robinson argued that because of the limits to free choice in adopting technologies and entering markets, different degrees of segmentation and price discrimination are possible that allow economic profits. Chamberlin claimed that reasons for the imperfection of markets could be found in the limited degree of substitutability of products. For any producer “the volume of his sales depends in part upon the manner in which his product differs from that of his competitors” (Chamberlin 1969:72). Alteration and variation are often gradual and small. “The result is heterogeneity of prices, and variation over a wide range in outputs . . . and in profits” (Chamberlin 1969:81).

Chamberlin stressed that in this situation of heterogeneity, every producer is interrelated with all others. If new firms enter the market, the “position and shape” of demand curves of all others will not be influenced uniformly but idiosyncratically, depending on the particular local index of product substitutability in a market (Chamberlin 1969:149). He argued that if profit were examined, economists would have to step back from the goal of defining objective demand curves (Chamberlin 1969:174). Any general model of the dynamics of monopolistic competition would have to define different scenarios, on the basis of assumptions about how demand curves are interrelated in a particular empirical setting. Profit strategies in monopolistic competition may therefore produce “unpredictable reactions,” and different firms may be

frozen into a policy of routine and immobilism. Or . . . they may feel in a fighting spirit and launch an undercutting policy in the hope of running their rivals. . . . Or again, they may accept . . . the lead of one of them and abstain from price competition. (Triffin [1941] 1962:70–71)

Monopolistic competition theories had to base their models on groups of average firm behavior, otherwise “monopolistic competition throws us into the stream of general competitiveness between non-homogeneous products” (Triffin [1941] 1962:86; see also Samuelson 1967:138).⁴ In other words, approaching the profit problem from the idea of different degrees of monopoly within the equilibrium framework made economists aware of the complexity of *social interaction patterns in markets* as an important explanatory factor for value distribution.

Instead of tying economic profit to distorted competition, a second solution to the puzzle of unequal profit rates considered economic profit a risk premium (Dempsey and Schmidt 1960:248). German and Austrian economists saw profit as an “industrial reward,” a remuneration for the entrepreneur’s “greater mental effort” (Roscher, Wolowski, and Lalor 1878:2). The entrepreneurial service is taking on economic *risk* (Pierson 1926:240). Entrepreneurs serve the community by taking responsibility for providing for the uncertain future in an “act of volition” (Hawley 1907:112), and this service is rewarded with a profit (p. 96). Schumpeter (2012:132, 143) described profit as the reward for the spark of genius

with which the entrepreneur combines production factors in new ways and therefore allows economic and social progress.

Frank Hyman Knight ([1921] 2002), in his famous book on profit and uncertainty, cast serious doubt on the calculability of profits as a risk premium. Economic gains will be realized in the market, a revenue on the sale of products that should cover all costs, but an element of time is involved. All costs will be paid on the basis of contracts that are concluded *in advance*. Because of the dependence of the production and distribution process on a vast number of contextual factors—especially the market context—the future is *incalculable* in probability terms. Entrepreneurial action cannot be understood as a form of gambling on risk (Knight [1921] 2002:46), because in a game, probabilities are known. Instead, economic profit stems from incalculable risks, it

arises out of the inherent, absolute unpredictability of things, out of the sheer brute fact that the results of human activity cannot be anticipated and then only in so far as even a probability calculation in regard to them is impossible and meaningless. (Knight [1921] 2002:311)

Human activity involves multiple coordination problems, the possible solutions to which cannot be forecast by stochastics (p. 231). Thus, profit distribution cannot be related back to any calculable distribution of objective risks. Knight concluded that profit gains ultimately depend on adequate “judgment” (p. 282) of economic processes. This is an entrepreneurial capacity, or a learning process, that allows the assessment of other economic actors’ actions in the relevant field; entrepreneurs can then organize and adapt the production process in a way that guarantees value realization and a surplus in the end (p. 311).

In summary, both prominent economic theories of profit tie the stratification of firms to the complex action orientation and interaction dynamics in the market, stressing the uncertainty of strategy under full competition as well as the uncertainty of the economic process over time. This suggests that the organizational structures market actors develop to overcome strategic and processual uncertainty are crucial for understanding the distribution of profits between firms. Here we see the important bridge to economic sociology that I want to stress. Action orientations and interaction dynamics in the market are shaped by the political, cultural, and social embeddedness of the market, its social structure. From this perspective, the *social structure of a market* is the most important explanatory factor for the distribution of profit among firms, because it shapes how market competition dynamics will play out, as well as how successful economic processes will be over time.

EMBEDDEDNESS AND STRATIFICATION

I will now explore six typical mechanisms of how network relations and institutional field dynamics may lead to higher profit outcomes for firms in particular positions. This entails a reconsideration of the embeddedness argument, but this time not with a notion of profit as the spirit who denies social structures but profit as a rent extractable from those structures. Conceptually, this closes the circle with Marx’s notion of profit as rent while upholding the economic argument that the distribution of profits is a question of market distortions and uncertainty as much as floor-shop-level power imbalances.

Market sociology points to two roles of social action orientations for individuals who face potential uncertainty in markets. First, groups in markets may form networks to shelter themselves from competing with others, mutually organizing a segmented structure of different action orientations. Second, if we understand markets as fields, cognitive frames and

organizational blueprints will be available in the market for adaption that promise survival and stability. Moreover, economic sociology describes the distinct role of time in markets. Economic sociologists argue that Knightian uncertainty is an important entry point for social orientations: “Perhaps more than anything else, the future—or, more precisely, images of the future formed by actors—informs decisions and thus explains outcomes” (Beckert 2016:260–61). Nobody can really know the future, so actors derive their expectations from “their social, cultural, institutional, historical, and political backgrounds” (Beckert 2016:278). This is especially visible in financial markets in which future expectations are traded (Besedovsky 2015; Esposito 2011; MacKenzie 2011). If institutions and networks structure all markets, to help overcome uncertainty of strategy and uncertainty of time, inequality of firm profits can be conceptually linked to the unequal social positions and divergent action orientations distributed across a market. But how do we micro-link embeddedness and stratification? For this, I turn to a sociological concept of rent.

The concept of rent has a special meaning in inequality studies, especially from a neo-Marxian perspective. Drawing on research on the stratification of different groups of workers, I transfer the concept of rent to firm profit distribution across markets. Sørensen (1996) argued that stratification effects may emerge because institutions and social structures determine which skills actors will be able to acquire. Access to education and training thus shapes individuals’ productivity. In a Ricardian sense, Sørensen’s (1996) rent concept refers to effortless income, gains that may be directly obtained “independently of the efforts of whoever owns rent-producing resources” (p. 1338). These resources concern not only material things or formal rules but also informal rules, group structures, and symbolic orders that define who is socially entitled to parts of the economic value (Boltanski and Thévenot 2006:32–35). Who may appropriate value without facing resistance from the social environment, as capitalists’ entitlement to labor surplus is often described?

Social rent, however, is broader; it comprises all socially legitimate claim on parts of the produced value that may rest on formal or informal entitlement. Moreover, Sørensen (1996:1347) defined rents as exclusive and a “zero-sum competition”: the incumbent gains the advantages while other actors lose it; later redistribution is possible, but originally the rent falls to one actor. This does not mean rents are necessarily *individual* gains. “Composite rents” (p. 1354) may become possible if two or more actors cooperate at the expense of other groups. Social rents are *relational* phenomena, they depend on the broader structure of interaction patterns, group boundaries, and identities. The next sections will show that networks, as well as formal or informal rules in markets, can endow certain actors or groups with material or symbolically legitimate capacities to appropriate higher amounts of value than others.

A second important aspect of social rent is its *contested* character. Social positions in markets, with economic rent opportunities attached to them, are subject to a multitude of group conflicts that concern not only formal rules in the sense of politics and law but that constitute all informal rules and identity boundaries in markets. Structures of value distribution in markets are “subject to political, institutional, and ideological projects” (Tomaskovic-Devey and Lin 2011:541). Income distributions are “socially negotiated rather than natural or optimal” (p. 541), which means they follow from a multitude of social conflicts that do not have to be directly motivated by attempts to manipulate the rent distribution but nonetheless may lead to such an outcome. Two important sources of rent will repeatedly occur: (1) *privileged knowledge* about how other actors will think, act, and organize in the future and (2) *increased control* over others’ action orientation. Networks and tacit rules in markets provide certain actors with these rent positions.

Rent Extraction from Market Networks

Harrison White assumed that firms react to the uncertainty of competition by trying to self-organize a differentiated market structure (Leifer and White 1987; White 1981, 2002). Not being able to observe customer demand directly, firms timidly observe their competitors' behavior and try to build a market niche by positioning themselves within a network of "upstream" and "downstream" production relations with suppliers and clients. White (1981) claimed that "pressure from the buyer side creates a mirror in which producers see themselves, not consumers" (pp. 543–44). Producer networks are not built for cost reasons, but to sort out niches that may provide shelter against ruinous competition. Still, social rents may be extractable from niche positions.

Quality Niches. A hierarchy of quality structures status perceptions in a market, which network research has not discussed much in regard to stratification. High- and low-quality niches will be equally profitable only if we assume that higher prices in high-quality niches necessarily correspond to higher production costs, for instance, because of a need for more expensive materials and higher skills in the labor force. But if we take into account that the construction of market niches is a social process directed at avoiding conflict, we may assume multiple subjective distinctions exist between producers in a segmented market structure that concern marketing, product design, and signaling aspects rather than production technology and material and labor costs. Successful niche boundary work becomes an important aspect of the revenue-cost relation, and a successful marketing strategy may be more important than differences in asset cost for finding your niche, especially for highly singular products (Karpik 2010; Podolny 2008).

The success of this boundary work may not only depend on money spent, but also on *time passing* and the growing experience with your niche-specific producers. Compared with a new network, in an established network, boundary work can be carried out in cooperation and may therefore be cheaper and have a greater impact on the market as a whole. Experienced niche producers may also know more about their buyers than do younger ones, and not all of this knowledge can be bought from professional market analysts. Consumers will often build identities around the use of certain niche products (Warde 2015:123). Although this does not provide a strict market entry barrier for competitors, it brings into play a firm's social reputation, the subjective and perceptive elements of its quality/price ratio that depend on social recognition by all market actors.

Regarding the uncertainty over time, it is important to stress that members of experienced networks who have developed trust and shared norms and understandings over time are much more likely to cooperate in a crisis. This means the uncertainty of future economic processes may be lower. Contemporary marketing research has a similar idea of a "reflexive customer" who is not "governed by producers, but individuals [customers] governing themselves through association with forms of identity promoted by producers" (Beckett and Nayak 2008:300). If consumers build their consumption identities within producer-defined quality niches, this gives highly ranked and already well-established firms influence over how consumers will react to, and pay for, new products in the future. This reduces firms' uncertainty and gives them a claim on a higher share of the overall value if they can secure sales or high prices in the future.

Of course, in certain market contexts this logic could go the other way around: producers in well-established cliques may protract necessary innovations or pay prices to their suppliers that are too high, which reduces their profitability. For our perspective, we need to understand network relations in markets as important influences on profit distribution and stratification of firms. Empirical research should bring together network size, age, and other characteristics with profit distribution within and across markets.

Structural Autonomy. We can connect network perspective and stratification issues more closely if we take into account the *power structure within a network*. Burt argued that producer groups' relational constraints differ because of how other niches and networks around them are structured (Burt 1983). He showed that the U.S. economy consists of "at once competitive and managed markets" (p. 6). Markets are socially segmented, but those segments are dynamic. He conceptualized economic sectors as landscapes of input-output relations between firms. Firms with similar relational patterns to suppliers and customers may be described as forming an industry or a sector. Here Burt (1983) developed an explicit account of profit distribution for this managed competition: "To the extent that an organization paying suppliers and charging consumers does *not* control the price in these transactions, the organization's freedom to obtain profits is constrained" (p. 10). In Burt's perspective, stable social relations foster rent extraction, whereas competition restrains it by reducing the amount of upstream and downstream price control. Price control, however, is not only a question of market entry or production technology but also depends on the overall structure of network relations in a market. Profits are constrained for firm A if its suppliers or customers have *higher structural autonomy* than firm A; that is, the suppliers' or customers' position provides better opportunities to engage in cooperation with firm B than firm A has opportunity to engage with other groups of customers or suppliers (Burt 1983:16–20). It is an unequally distributed pattern of access to alternative social relations. Firm A's smaller number of transaction options means it has relatively low price-setting power. A firm that builds a dense cartel with other firms, but has low structural autonomy, may thus be worse off in profit terms than a less cartelized firm that attains structural autonomy vis-à-vis *two* possible groups of suppliers or customers. Structural autonomy is therefore a relational alternative to monopoly power (Burt 1983:51).

Structural autonomy also becomes important for uncertainty over time. Firm A's future actions are less uncertain for its suppliers and customers than theirs are to firm A, because the suppliers and customers have a higher chance of doing things differently. Having an alternative can be a form of insurance for future conflicts or unforeseeable events in the economic process. The more autonomous party can drive a tougher bargain and expect a higher "penalty fee" if the other firm does not keep its promises. From Burt's arguments, we can assume that stratification in markets is a question of *balance between social closure (niche effect) and openness (autonomy effect)*. It emerges from the dispersion of local bargaining power that allows or prohibits firms to claim rent above the market price (Beckert 2011:761).

Information Brokerage. The balance of closure and openness is also important for a third influence network structures can have on profit distribution. Rent extraction emerges not only from relations to varying transaction partners but also from *information processing* in and across networks. In his labor market studies, Granovetter (1973:1373) argued that there is a trade-off between perceived *quality* of information about potential employees, which increases *within* dense networks, and the *newness* of information, which increases through *outside* contacts. Firms have a greater chance of finding a highly productive employee if they can make use of "weak ties," that is, ties someone within a dense personal network has to a person outside of that network.⁵ Many rent opportunities will arise if a firm is in a position to more easily find employees with particular skills or above-average work motivation.

The importance of weak ties applies to production markets as well. In his study of management ideas and concepts traveling through networks among 700 managers from different firms in the supply chain of a big U.S. electronic company, Burt (2004) stressed the rewards managers can gain from "brokering" ideas, that is, transferring ideas from one network into a distant network. If entrepreneurial creativity can be raised by linking heterogeneous groups

(Stark and Beunza 2009), this means the network structures that link actors across niches or industries may directly contribute to the creation of profit opportunities by lowering costs or by raising revenues from enhanced technologies or management concepts. Brokered information might also provide a better estimation of the qualities of the different products in the open market: sporadic insights into other networks can help reduce quality uncertainty in on-the-spot markets (Akerlof and Shiller 2015). Again, uncertainty over time can be reduced if information access to other networks is high, because it may be easier to see a crisis coming or to learn from others' past experiences. Rents can be extracted if one can gain information about strategies that were successful, or unsuccessful, for past actors and thus avoid repeating their mistakes.

In summary, network perspectives in economic sociology suggest that personal network structures built from mutual orientation against uncertainty not only stabilize markets, but they also provide structural positions that allow the extraction of economic rent. Cluster-specific prices, imbalances of structural autonomy, and unequal chances for information brokerage are dimensions of network structures that provide unequal chances for rent gains. In all three of these mechanisms, we see a trade-off between "fitting in" and "standing out" in dense networks (Goldberg et al. 2016). Note, however, that personal networks do not consist of payment streams alone: they are formed by principles of *reciprocity* and *group identity*, which often presuppose that actors abstain from profit seeking. Networks are not built for profit reasons but emerge as mutual orientation in environments marked by fundamental uncertainty. Still, they are *profit relevant*, because they provide certain persons or groups with *more accurate estimations of, or even direct influence on, the present or probable future behavior of other actors in the market.*

Rent Extraction from Market Institutions

The field approach to analyzing market structures emerges from an encounter between neo-institutionalism in organizational sociology and the concept of social field by Bourdieu and others. Bureaucratic and hierarchical organizations, including firms, are conceptualized not as profit maximizers, but as actors seeking survival in the organizational field, or industry, that surrounds them (DiMaggio and Powell 1991; Dobbin 1994; Fligstein 2002:15). Facing uncertainty about how to practically foster their survival, they orient their practices toward legitimate organizational patterns and apply cognitive and normative principles that are shared by others in the field. Fligstein (2002:55) emphasized the material and symbolic struggle about different sets of formal and informal rules in economic fields, which he described as comprising "property rules," "governance structures," "rules of exchange," and "conceptions of control."

Tacit Rules and Standards of Production. Organizational patterns and rules are not only reproduced *within* organizations, but they also affect the cognitive and normative constraints that shape and restrain all activities in a market, that is, the political and cultural properties of the social space in which economic interactions take place. This means competing firms in a market stand in conflict over resources *and* share common rules, perceptions, and practices, *both* at the same time. In his work on market structures, Fligstein stressed that building a stable market order with clear roles and action orientation is the primary goal of action, yet the field structures he describes are clearly not neutral in distributional regard. Fligstein (2002:243) described "rent-seeking" behavior by all market actors, especially by state and labor groups who try to influence formal and informal rule setting in a market. Yet these elements have not been spelled out in a systematic way.

Fligstein's (1990:300) term *sociological efficiency*, which he coined in contrast to economic notions of efficiency under scarcity, helps us understand the distributional dimensions of his approach. Sociological efficiency means all cost-revenue relations for any possible form of economic action are defined against an already given background of shared understandings in the market about how production and distribution processes can and should be carried out. Firms that have a high degree of power to set these standards or define legitimate products and production processes thus have a potential cost advantage. They might be able to constrain other market players within the organizational patterns they have developed, reducing competition through technology and market entry as well as by restricting what other market actors perceive as legitimate or feasible. Such firms can thus extract a rent from the social reputation that allows them to manipulate others' possible cost-revenue patterns. This rent is gained from normatively and cognitively constraining others (Callaghan 2011), and it gives powerful firms an advantage in assessing how other market actors will likely react to future situations or crises, because others will tend to follow their lead. Fligstein's notion of "conceptions of control" shows that firm activity is all about controlling the market environment through cognitive and normative ideas set by the more powerful firms for present and future behavior.

Similarly, the industrial economics approach to understanding global value chains stresses that in the context of growing international mobility and competition, firms will react by intensifying economic self-organization at the market level. Porter (1998) argued that the global economy is centered around clusters, such as the textile industry in northern Italy or the California wine industry. These clusters cross traditionally defined "industries" or "niches," for example, in the California wine cluster, agriculture, tourism, and the restaurant sector are intermingled. Clusters are described as a midposition between competition and hierarchical organization. In contrast to the implicit isomorphism in neoinstitutionalist field approaches, industrial economics stresses the "linkages and complementarities across industries and institutions" (Porter 1998:79) for the organization of market competition. Porter described formal and informal standardization as a coordinated effort of "organizing the value chain" (80), dividing it into specialized steps and tasks that give a certain cluster competitive advantages over firms that are not entangled in a cluster. Such *reflexive organization of interfirm relations in a value chain* allows rent extraction by those who come to define the standards and draw the map. If these normative and cognitive maps are used by all others this will provide different market actors with different cost-revenue structures that can be more or less profitable to them.

Two more aspects of the field approach are relevant here. Fligstein stressed the political and the cultural side of field rules and conceptions. This opens two additional ways for gaining social rents that have less to do with the inner structure of firms and production, and more to do with market-specific politics and cultures.

Rule Setting and Implementation of Rules. The field approach points toward the inevitably *political* dimension of all market action, which provides a second source of unequal distribution of value in markets. Fligstein stressed the role of the state: if many firms accept shared organizational, management, and production standards and patterns, these often become legitimized and reaffirmed in state and administrative decisions and law making. Moreover, in crisis situations or because of public pressure, the state may try to intervene in markets' self-created order; this often happens in labor and financial markets, but it also occurs in goods markets such as food and water. The formal and informal rules of a field are also subject to continuous conflict among the actors involved (Fligstein 1996). Formal rules and official cognitions are rarely set top down by

political institutions; rather, they are subject to cooperation and conflict between firms in the market.

In Fligstein's depiction, structures of governance and state-firm or state-private organization cooperation are not external to the market process, in contrast to how political economists often conceptualize economic governance. If state officials and administrative agencies are acting *within* a market and engage in a struggle about the rules and boundaries of the "game," this means there is another possible source of economic rent extraction.

State agencies in the field have an *unequally distributed chance of influencing* rule implementation. Firms or labor organizations, who are acknowledged as experts, have cooperated in rule setting in the past, and have a reputation for engaging in the good of the market as a whole, might be able to gain profits from their position, irrespective of their economic position in a market. They have gathered "symbolic capital" (Bourdieu 2002) they can exchange for economic capital. This ties to trust and reputation among administrative agents in a field. For instance, such firms might gain exemptions from certain rules when state officials have *discretion authority in rule implementation*. Their knowledge about potential loopholes will be higher, perhaps because they have better access to professional law expertise. Moreover, Bourdieu (2005:127–29) argued that *not* making use of formal rules, and instead trying to reach agreements through consultation with certain firms in a field, is a way for officials to gain effective control over a field. Finally, rule implementation is a question of bureaucratic micro-control in a field, and an administrative body can only reach this "if, following procedures that remain under its control, it confronts official representatives of the officially recognized interests" (Bourdieu 2005:104). Therefore, firms with high reputations as rule setters with a communal orientation (1) will be endowed by the state administration with the *legitimacy to speak for many others*, which gives them a chance to influence the cost-structure even of firms that are economically more relevant. A similar example concerns the (2) *opening of new markets or market segments* within a field. Especially in fields such as technology or communications, new action fields are often created through administrative processes, such as a public auction of licenses or open competitive bidding for developmental subsidies or public-private partnership in infrastructure projects. A good reputation with state and private administration can (3) *raise a firm's creditworthiness*, especially within economic regimes that have traditionally strong and institutionalized state-bank relations, such as Germany (Deeg 1999). For example, the political influence on market rules exerted by German semipublic savings banks is much higher than their economic scale warrants (Münnich 2016). Some firms, such as partially state-owned automobile or large infrastructure companies, as well as companies whose leaders have engaged in business associations or political commissions, sometimes have an (4) *effect on public discourse* that outweighs their economic relevance in job numbers or wealth creation. Research on all these forms of political consultation and micro-corporatist rule implementation needs to be taken into account, because these processes constitute potential opportunities for rent extraction and firm stratification.

Again, we see uncertainty over time as another source for rent gains. Access to or influence on the early stages of administrative decision making provides a chance for certain firms to develop their projects earlier than others. This will limit the uncertainty of the economic process for them compared with others and therefore open up price or revenue streams that are not yet open to other firms.

In summary, costs and revenue depend not only on what firms do within the framework of a given structure of formal and informal institutions; in addition, influencing that rule structure is a viable way of changing flows of value without changing firm activities in the narrow sense. The argument here is that business and corporate actors' political

engagement is important not only in the political sphere but also within specific markets. For example, Useem (1984) examined how an inner circle of business elites became politically influential in U.S. politics during the 1970s and 1980s. If we link his insights to Fligstein's focus on politics *in* markets, we can draw the conclusion that inner circles of politically influential groups of firms or management elites will often be able to extract extra profits by influencing the rule structure of the market. However, the importance of political institutions in a field exceeds their strategical use in rent seeking: even when actors engage in rule setting without an eye on their own profit, rule implementation is necessarily full of inconsistencies and injustices that have stratification consequences. It would be interesting to study empirically how political implementation processes in a field alter profit distribution among firms over time.

Valuation and Preference Setting. Social field position not only relates to material resources or organizations, but it comprises "indissolubly material and symbolic exchanges" (Bourdieu 2002:286). "The social structure of a field is a cultural construction whereby dominant and dominated coexist under a set of understandings about what makes one set of organizations dominant" (Fligstein 2002:68). The field perspective argues that all field actors are engaged in conflict as much as they are tied together by shared understandings about what is valuable and legitimate in the field. Not only are there direct economic gains for those who produce the organizational standards applied by others, but state and nonstate institutions set shared patterns of *valuation* within a field. If we assume that influence on those patterns of valuation is unequally distributed, we see another set of social positions from which firms may extract rent unequally.

Boltanski and Thévenot (2006:37) argued that all social conflicts have a symbolic side in which actions are criticized or justified by referring to mutually acknowledged criteria for unequal distributions of value and hierarchies of "worthiness." Economic sociologists have shown that market actors with high symbolic capital will influence how field-specific status ranking of different products is defined (Aspers 2009; Karpik 2010; Zelizer 1992). This provides all market actors—producers and buyers alike—with a template as to which products and services they will recognize as valuable and sell or buy at higher prices. Moreover, in high-price markets such as luxury goods or high tech, a structure of professionalized evaluators or experts will often emerge, such as magazines and professional rankings. Valuation patterns are not directly related to prices—indeed, they refer to explicitly non-monetary values such as "beauty, purity, might, or . . . moral standing" (Beckert and Aspers 2011:27)—that do not directly translate into prices. Still, they prestructure preferences and supply and demand and therefore indirectly shape market prices. Firms that have higher symbolic power over these patterns of valuation, as well as those that have direct resource-based power over experts and within-field media, will thus be able to extract economic rents.

The unequal power structure that shapes these rent opportunities can be described with Lukes's concept of three-dimensional power. Not only can powerful actors use instruments or shape agendas against the will of their transaction partners, but they can also cognitively or normatively "influenc[e], shap[e] or determin[e] his very wants" (Lukes [1974] 2005:23). For example, firms with high status as product innovators, such as Apple for computers and smart phones, will have influence over consumer preference building as well as the mindsets of other firms in the field. This does not necessarily mean others will copy them, but their actions will be focal points even for deviating firms.

Again, this both opens possibilities for a higher share of revenues and allows a lower degree of uncertainty over time for symbolically high-ranked firms, because they influence what others in the market look at. In his concept of *habitus*, Bourdieu (2005: 204–208) stressed that symbolic understandings within a field not only prestructure *present* behavior,

in the sense of reproducing the field structures, but they also shape innovation processes by making some development directions more probable and setting the agenda of marketwide trends. New product lines by a symbolic leader will cause many other firms to follow in a similar direction, which the first firm could economically exploit through copyright and patent law. Moreover, bold radical innovations may be less risky for a firm that has a high reputation for setting trends and having invested successfully in the past. In most markets, valuation experts cannot be paid outright for favorable assessments. Because these experts refer to noneconomic aesthetic or moral criteria, firms vying for economic rents will invest in cultural capital. Symbolic leaders in a field may gain their position by sacrificing immediate economic gains and time to preserve professional or aesthetic standards.

In summary, the field approach gives us an idea of how economic rents may be exploited from the tacit rule structures of markets. Rent mechanisms depend on unequal access to or influence on the action orientation of all other market actors. This provides some firms with a chance to politically set the rules or culturally shape internal market rankings of producers and products in a favorable direction. Moreover, economic processes over time will be less uncertain for such firms: the behavior of all other market actors will be easier to calculate because they have nonmonetary influence on others' perceptions and normative restraints.

CONCLUSIONS

I can now sum up the argument and provide a comprehensive look at the concept of profit as a social rent. I started with the observation that unequal distribution of economic wealth is explicable not only by a macroeconomic shift from labor to profit income, but also by a growing dispersion of value distribution *between firms within the same market or sector*. This is reason enough to look at economic sociologists' insights about the social structure of markets and ask about their possible contribution for a better understanding of why and how profits are unequally distributed between firms. Economic sociologists have not discussed this relation between social stratification and the embeddedness of markets in depth; instead, they focus primarily on problems of coordination faced by rational market actors. A false conceptual association of profit seeking and free competition as the "evil twin faces" of free markets inhibits a deeper look at the relation between embeddedness and stratification.

In contrast to this perspective, by looking at economic profit theory, we are reminded that competition and profit should be treated as opposites. Distributional economists argue that the organization of market relations and the uncertainty of economic success over time must be placed at the heart of the profit question. Taking up their point and reentering market sociology leads to the insight that value distribution in markets is shaped by social relations, by the local rules and action orientations they define for actors in a market. I argued that the concept of social rent can help us understand how social positions within market structures allow higher and lower profit gains by different firms. Economic rents are extractable from social positions that provide *better knowledge and control of the action orientation of other market actors*. I explored *six mechanisms* described in economic sociology and discussed them with a focus on how they provide certain groups or actors with rent entitlements. I also discussed which stratification patterns derive from different forms of embeddedness.

Table 1 sums up the six different rent extraction mechanisms that I showed are the two prominent approaches to market structure in economic sociology. In the *network approach*, rents are distributed along a continuum that strikes a better or worse balance between social closure and openness of personal networks. Rents may be claimed if (1) quality niches link suppliers and buyers over time and allow long-term stabilization of price and revenue structures for insiders, (2) relatively high structural autonomy increases access to alternative

Table 1. Embeddedness and Stratification.

Concept of Embeddedness	Stratification principle	Rent-providing structures
Markets as networks	Balance of social closure and openness	1. Quality and producer niches 2. Structural autonomy 3. Information brokerage
Markets as fields	Unequal access to and influence on the action orientation of others	1. Tacit rules and production standards 2. Rule setting and implementation 3. Valuation and preference setting

cooperation partners for some firms but not others, or (3) brokerage of trustworthy information through weak ties serves as a valuable source that reduces the potential costs of unforeseeable events for firms that stand between tight networks.

In the *field approach*, individuals' and groups' power position over formal and informal rules and standards allows rent extraction. First, rent opportunities exist when firms can (4) define standards and rules of exchange in the field. Beyond that, the political and cultural dimensions of fields allow firms to use noneconomic symbolic power to control the tacit rules of the game and secure economic rents. I described two possible mechanisms here. First, (5) firms that have engaged in rule setting and rule implementation in the field will gain access to state administrators and other ruling agencies in the field that will see them as experts or as representatives of legitimate interest. These firms may be able to exploit a lower degree of uncertainty about future changes in the field's rule structure, or they may have easier access to new market segments. Second, (6) markets have a valuation structure, a historically shared set of understandings as to which products, actors, or worldviews are more valuable and legitimate than others within the field. If some firms have influence on valuation patterns, or the experts and media that define legitimate field knowledge, they will be able to influence supply and demand as well as price structures in the market. Certain firms have market-specific cultural capital that can put them into the *avant-garde*, which gives them a better assessment, or even partial control, of future events.

The distribution of profits in markets can only be explained if we take into account the structures that shape and direct the behavior of all other market actors. Profit seeking is not the "spirit who denies" social order but positions in the relational pattern of markets open possibilities for the accumulation of wealth. In the profit question, we see the double character of markets between the Weberian perspective, according to which the market is essentially a struggle over social positions and the resources attached to them, and the Durkheimian view, according to which social conflict triggers economic organization and differentiation efforts to stabilize life-worlds against the instability of free individual pursuit. Value distribution patterns emerge from the unequal distribution of knowledge of and control over others' future behavior, which is shaped by the structure of networks, institutions, and organizations in a market arena. To delve deeper into stratification questions, we must recognize that the social order of markets is a *distribution of degrees of uncertainty and restrained repertoires of perception and action orientations*, which has material consequences for the distribution of values, even if these consequences are not the prime motivator for engaging in mutual orientation. Unequal capital accumulation is not the result of hyper-rational firm activities to extract profit, but it is an unintended consequence of the social structures that emerge from efforts to stabilize markets and seek secure social positions within them.

It is important to remember that two distributional aspects are involved here. First, some part of the argument is about the *distribution* of economic profits between firms, independent of the overall macroeconomic rate of profit compared with the rate of labor income.

Second, if high-value firms also have a lower share of wages on average (for economic or floor-political reasons), cross-firm distribution may raise income polarization between wages and profits (as labor studies of income polarization suggest). Still, the argument here complements views that stress floor-shop and tax policy aspects of income inequality. Moreover, the classical controversy between the Marxian argument that profit is always extracted out of labor value and Schumpeter's (2012:132) position that profit emerges from innovation and is therefore "newly created value" or growth cannot be decided with this argument.⁶ It is an empirical question how much of firm profits stem from actual growth and how much is the result of social rents.

However, the conceptual dichotomy between rent and profit tends to blur our view of the twofold character of capital accumulation. Raising the profit share in regard to labor on the shop floor, or through deregulation in the political sphere, is only *one* possible form of capital accumulation. A second form is extracting economic value from other firms (and their respective profit and labor incomes) through one's social position in the market structure. For a single capitalist firm, it does not matter if the value it accumulates is, economically speaking, Schumpeterian or Marxian profit. We may well imagine firms that operate perfectly by just exploiting rents from other firms in the market, they may even pay their employees higher wages than do other firms. Marx was right in stressing that we can treat profit as rent extractable by firms because of the institutional structure of capitalism. However, from the economic sociology perspective presented here, we must also include the institutional structure of markets and interfirm relations, and we should not reduce distributive questions to the sphere of production.

To test the empirical validity of these theoretical arguments, future research should bring together firm and sector revenue structures with measures of network and field position that economic sociologists have developed for single markets or industries. Empirical research must bring together profit rates of different firms with their network position, the structural context of the field, firm engagement with political rule setting and implementation, and their role for valuation and symbolic hierarchies in the market. Such "sociological maps" of markets need to be drawn and compared to test if network broker, rule maker, or adaptive firms have significantly higher profit outcomes. Future work should also examine to what degree this contributes to the growing income inequality in Western capitalist societies. Until now, no study has provided a systematic comparison of distributional patterns in different markets with regard to their differences in social, political, and cultural embeddedness. Here, I tried to lay out some possible mechanisms and indicators for such a comparative study of market stratification.

Finally, what does this argument mean for the wider question of how we should analyze capitalism from an economic sociology point of view? First, if we want to understand the variance in profit rates across firms in the same market, we must see capital accumulation as a process that not only involves the exploitation of labor but also comprises the *exploitation of all social market relations*. Second, entangled in this is an important conceptual contribution of economic sociology to a better understanding of the dynamics of capitalism, a link that economic sociology has only rarely sought (Swedberg 2003:72). The social embeddedness of markets is not only an empirical observation that makes it possible to more accurately grasp market coordination and the stability of markets in capitalist economies. If profits are to a large degree dependent on the social structuring of markets, which is itself the result of mutual orientation in the face of uncertainty, this means *uncertainty is an indispensable and fundamental building block of capital accumulation*. Competition spurs innovation that carries individual profit gains, and market actors' reactions to the uncertainty of competition, precisely their turning toward social organization and mutual orientations, open up

opportunities for accumulation of capital. Without social structures that actors turn to whenever markets approach the ideal of free competition, no long-term unequal capital accumulation would be possible. The emergence of social organization, institution building, and network building in markets is not a counter-movement *against* capitalism but a crucial prerequisite for the distribution dynamics that keep it alive, even if not all firms can live off innovation. This leads us to a non-intended consequence of free market competition in capitalist economies: the insufficiency of full competition as a form of social coordination puts permanent pressure on all market actors to produce and reproduce social structures that entitle some firms to higher shares of profit.

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NOTES

1. Some economists explain this trend as a growing segmentation between high-wage and low-wage workers at the firm level, describing a “clustering” of high-wage workers in certain firms as the reason for their higher share in the value distribution (and therefore conceptually denying the possibility of dispersed wage-profit spreads).
2. The lack of engagement with distributive issues may help us understand why so many accomplished economists felt challenged by Piketty’s (2014) seminal work on the distribution and inequality of economic wealth distribution in contemporary market economies. Piketty’s book does not contain a detailed profit theory, but it provides a descriptive account that proves nonconsumed value turns into capital and creates future profits.
3. However, Marx assumed that because of the laws of free competition, and with rational profit-maximizing capitalists, all firms would *ceteris paribus* end up with the same profit rate. The conceptual locus of profit remained the struggle of interest within the firm.
4. Or in the words of Sweezy (1949), “monopolistic price theory rapidly turns into a catalogue of special cases, each with its own particular solution” (p. 271). As Triffin ([1941] 1962) put it, “We are left facing a world of particular markets or firms, cemented together by the pervasive influence of general economic interdependence” (p. 93).
5. Which, of course, is a mere subtype of structural autonomy.
6. In fact, their debate does not rest with the correct use of analytic concepts but refers to the deeper philosophical and normative question of who is *actually* creating the value that is embodied in innovations and to whom it should therefore belong.

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