

between a proposed cause and its effect, and not simply a correlation.

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SOCIAL RATIONALITY

Rational choice approaches have had an important impact on economic sociology. Among these approaches, 'social rationality' is gaining ground. It covers a number of approaches within sociology and other social sciences which share the assumptions that individuals actively and more or less intelligently pursue goals under constraints *and* that their individual rationality (i.e. the goals they pursue and the way they pursue them) is heavily influenced by social (including structural and cultural) conditions.

Traditionally, rational choice approaches have been based on the assumption that individuals are 'naturally' rational (in the sense that they by nature base their actions on calculating what course of action best serves their self-interest). Because human beings frequently don't conform to this assumption, rational choice approaches were augmented with research on 'biases'

and 'anomalies'. The 'social' in these approaches is separated from rationality and is seen as the process and product of interaction among selfish individuals (involved in information transfer, coordination, conflict, negotiation, contracting and collective action). Individuals maximize their individual outcomes but this can leave the joint outcome less than it could be. The function of institutions is to get collective outcomes closer to a social optimality (in which the joint outcome is optimized).

Important as it was, this development was not satisfactory from a sociological point of view because it neglected three important aspects. First, it is likely that during the course of human evolution, rationality and social aspects co-evolved (albeit not perfectly hand-in-glove). Thus individual rationality cannot be generally juxtaposed with 'the social'. Second, social influences can affect individual rationality positively and negatively, and they can affect the criteria for rationality. Thus, contrary to the 'natural rationality' assumption, there are likely to be social arrangements directed at enhancing individual rationality, in part by prompting situationally different 'logics of action' or frames. Third, these arrangements are likely to fail to some degree in certain areas (such as conflict of interest situations and discrimination). Thus, it is likely that societies create social arrangements that compensate for important lapses in individual rationality. All three points emphasize that rationality and the social are interwoven rather than juxtaposed and for this reason, the variety of approaches dealing with one or more of these aspects can be grouped under the heading of 'social rationality'.

Social environments and fundamental uncertainty

Approaches of 'natural' rationality have made great strides by paying close attention to the various effects of **asymmetric infor-**

mation and the ensuing problems of opportunism (see **rational choice theory**). Yet they neglect the fact that human rationality itself must have evolved to deal with opportunism and other problems arising from interaction. Thus, a useful way to start analysing rationality is to realize that it evolved in a context that was characterized by at least two important features: the environment was social and wrought with fundamental uncertainties (see Gigerenzer and Selten 2001). Under these conditions, one's own actions in the context of others, helplessness, cooperation and competition all raised questions about things that are essential to adaptive behaviour: meaning, causality, beliefs, intentions, trustworthiness, planning, discrimination and the like. Thus, given our ability to learn and to cognitively integrate different domains (handle symbols, create meaning), faculties to deal with problems of complexity, turbulence and uncertainty must have evolved with a strong social component, especially related to groups. A minimal list of these capabilities contains the openness to social influence (on emotions and goal-states, categorization and beliefs); the ability to feel, think and act differently as individual and as member of a group; the ability to compare oneself with others; the ability to attach oneself to others; and the underlying motivational and cognitive processes of flexible mind-sets (framing), novelty-seeking, self-categorization (identity formation), discrimination and stereotyping, self-command, the use of heuristics, and the use of groups to enhance memory. For these aspects, insights from traditional sociology become highly relevant again, albeit in a way that makes them fit into a context of goal-directed behaviour (see Forgas *et al.* 2001).

Group processes and framing

Social rationality approaches have profound consequences for what is being studied in

economic sociology. Whereas 'natural rationality' approaches deal mainly with functional (i.e. task and outcome) interdependencies and externalities, social rationality approaches require additional attention to cognitive and structural interdependencies. Furthermore, since the latter two affect goals and modes of goal pursuit, they are also vital for the question under what conditions people approximate acting the way presumed in economics. Two of the most important tools for studying these interdependencies, also in economic sociology, are group processes and a focus on different frames (or mind-sets or logics of action or orientations) as well as the conditions under which they obtain (see Lindenberg 2001).

Framing

People are seemingly able to define situations in fundamentally different ways, as belonging to a certain type of goal pursuit. For example, a situation can be defined as an opportunity for gain. In that case, specific alternatives are perceived that relate to opportunities for gain, specific knowledge, schemas, scripts and rules are made cognitively more accessible while others are inhibited. A situation framed in terms of gain generates very different kinds of decision processes and criteria than a situation framed in terms of the goal 'to act appropriately', a goal that enhances other-regard, group identity and normative considerations. People pursue goals more or less intelligently in both cases, but the criteria for what is rational differ greatly. Research in or relevant to economic sociology increasingly focuses on the fact that, ironically, the creation of wealth and collectively generated value can only be produced by a partial suspension of gain-oriented behaviour on the individual level. The more complex the economy, the more this seems to hold, because complex economies seem to require much intelli-

gent effort, intrinsic motivation, teamwork and tacit knowledge, all of which cannot be contractually enforced. Unbridled gain-oriented behaviour at the individual level ruins the cooperative relationships that are necessary for the creation of wealth. In the 'natural rationality' approach of economics, there is no room for the partial suspension of gain-oriented behaviour nor theory about the conditions (cultural, structural and social) that would bring it about and maintain it. Research in sociology focuses on ways in which this is brought about in various contexts, including the mixture of 'arm's-length ties' and 'embedded ties' between firms (Uzzi 1997) and a dynamic balance between gain and normative frames combined with relational signals between contracting partners (Mühlau and Lindenberg 2003). Tied to these issues are questions concerning the impact of specific ties and networks, culture (common understandings and matching frames), problems of myopic opportunism (which is not removed by interest alignment), and the generation of genuine **trust** (see DiMaggio 1994; Guillén *et al.* 2003).

Group processes

Fundamental uncertainty renders the interface of individual goal pursuit and group processes a vital issue, also in economic transactions. Especially the openness to social influence and the importance of comparison with others for determining one's own identity, opportunities and legitimacy, as well as the social construction of expectations, the social impact on the organization of emotions, and the impact of gender have played an important role in economic sociology. Examples are theories that link informal and formal institutions; theories of institution as devices for cognitive coordination; theories of professions; theories of markets. White (2002) is a prime example of taking social rationality seriously by linking goal-oriented beha-

viour, framing effects, reference group processes, identity formation, and network effects in order to explain the functioning of markets.

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SOCIAL RESPONSIBILITY OF FIRMS

The notion 'social responsibility of firms' or 'corporate social responsibility' describes normative requirements for businesses in regard to fair business practices and commitments to improve societal problems. In a broader sense this includes ethical as well as economic and legal responsibilities (Carroll and Buchholtz 1999). In a more narrow application, it can be defined as the voluntary integration of social and environmental concerns in business practices and