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Social Tapestry of Economic Life from Mark Granovetter's Idea of Social Embeddedness

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ABSTRACT

This essay challenges the "over-socialized" perspective of classical economic sociologists and the "under-socialized" conception of classical economists as "homo economicus," contending that economic actions are deeply rooted in society. In doing this, I have fully relied on Mark Granovetter's idea of social embeddedness, which critiques both the over-socialized view of people as merely puppets of normative social conduct proposed by some sociological theories and the under-socialized view of atomistic rational actors frequently promoted in economics. Rather, economic agents are thought of as balanced actors who make decisions and act in certain ways, either through generalized morality or the abstract logic of the market or through continuous, tangible social relationships, trust, and network structure. Taking inspiration from earlier thinkers like Karl Polanyi, this essay broadens its scope to explore the socio-economic landscape of Nepal in depth. It vividly illustrates how economic activities are intricately linked to kinship, ethnicity, power dynamics, and cultural obligations—ranging from Dhukuti (ROSCA) to Guthi systems, remittances, community forestry, and the complex networks of caste and patron-client relationships. The essay delves into the nuances of embeddedness, including its potential downsides in addition to the methodological challenges of its study. It wraps up with a strong assertion that economic life is inherently social, advocating for a holistic perspective that merges economic rationalities with the social fabric shaped by human interactions and structures, which is essential for both accurate analyses and effective interventions.

Introduction:

The idea of homo economicus, for a long time, the prevailing story told in classical and neoclassical economics, has painted economic action as the domain of the rational, self-serving individual. This character, whom Thorsten Veblen might have humorously described as a "lightning calculator of pleasures and pains," is envisioned as someone who navigates a market landscape that's been scrubbed clean of the messy, often contradictory realities of social life. However, this perspective often feels like trying to understand a plant by only looking at a dried, pressed specimen, completely overlooking the vibrant ecosystem that gives it life. This essay aims to challenge these "under-socialized" views that strip economic actors of their social essence. At the same time, it questions the "over-socialized" perspective sometimes found in sociological circles, which can unintentionally portray individuals as mere robots, passively absorbing and acting out societal norms without any sense of agency or strategic thought.

Instead, this scholarly paper argues for the middle path, drawing heavily on Mark Granovetter's (1985) influential framework of social embeddedness, this perspective postulates that economic actions are not just casually influenced by society; they are deeply and intricately shaped by the ongoing, concrete social relationships and networks that individuals are woven into. It presents a more nuanced understanding: economic actors are neither the isolated utility maximizers of economic stereotypes nor the passive recipients of cultural scripts. Rather, they are "balanced" agents, whose choices and behaviors are intricately formed, constrained, and enabled within the rich, dynamic fabric of their social context.

To make this argument, let's take a step back and look at some intellectual roots, especially the pioneering ideas of Karl Polanyi. He introduced the idea that the economy is historically "embedded" within social institutions, which gives us an important macro-historical context. Following his footsteps, we attempt, in this paper, to examine concisely the limitations of the under-socialized and over-socialized perspectives to set the state for Granoveetter's alternative. In the next attempt, we'll dive into Granovetter's concept of embeddedness, emphasizing how key factors like trust, the flow of information, and the structure of social networks play a fundamental role in shaping economic behavior and outcomes. We'll bring this framework to life with a range of global examples, from the lively informal credit markets in developing countries to the complex networks that fuel innovation in high-tech industrial areas. We'll pay special attention to the rich socio-economic landscape of Nepal, illustrating how various elements—from traditional Dhukuti systems and Guthi land trusts to the modern remittance economy and community forestry projects—are intricately linked with kinship, ethnicity, power dynamics, and cultural responsibilities.

Finally, by exploring the subtleties and potential "dark sides" of embeddedness, and methodological complexities of embeddedness—since social ties can both include and exclude—we'll wrap up by asserting that economic life is fundamentally social. We'll advocate for a holistic, interdisciplinary approach that acknowledges the interconnectedness of economic rationalities and the social fabric, arguing that this perspective is crucial for developing more accurate analyses and, ultimately, more effective and fair solutions to the complex socio-economic challenges we face today.

The "Under-socialized" Conception: Homo Economicus and the Limits of Asocial Markets

At the heart of classical economics lies a rather stark view of human behavior, one that stretches from Adam Smith's famous "invisible hand" to the intricate mathematical frameworks of modern rational choice theory. This perspective paints individuals as isolated entities, often overlooking the social fabric that binds us. In this influential model, people are seen as having fixed preferences, access to nearly perfect information, and the ability to make choices that maximize their personal satisfaction—usually measured in material or monetary terms (Becker, 1976). When social interactions do make an appearance, they're often dismissed as mere "frictions" or "transaction costs" that need to be minimized, rather than integral parts of the economic landscape. While Adam Smith recognized the importance of sympathy and social connections in his Theory of Moral Sentiments (1759/1982), it was his Wealth of Nations (1776/1976) that emphasized self-interest as the driving force behind economic success, leaving a lasting impact on economic thought. This approach, while allowing for the creation of neat and elegant mathematical models, often sacrifices a sense of real-world complexity, depicting a world filled with calculating individuals rather than socially embedded beings. Yet, this undersocialized framework, despite its appeal in certain academic circles, struggles to hold up against the intricate realities of everyday economic life.

To start with, it really struggles to convey just how crucial trust and cooperation are in the world of economics. As Kenneth Arrow, a Nobel Prize-winning economist, pointed out back in 1974, a huge chunk of economic activity hinges on trust. Think about it: when you pay for a service before it's even completed, or when a supplier gives credit to a buyer, that's all about trust. In a scenario where everyone is just a rational, self-serving individual hiding behind anonymity, you'd often see people acting opportunistically, breaking contracts for a quick gain. After all, why stick to an agreement if you can profit by ignoring it? Yet, economic systems, especially those involving intricate, long-term transactions, thrive because, more often than not, people do trust one another. This trust isn't just a product of rational self-interest; it often grows from repeated interactions, shared reputations, and the social consequences that come with breaking trust in familiar communities. Sure, formal contracts and legal systems play a role, but they can be clunky, costly, and, in many places, not very reliable. That's where relational trust, built on social connections, really steps up to the plate.

Secondly, the view that downplays social influences really misses the mark when it comes to understanding how deeply social structures and institutions impact our lives. Economic life isn't just fair competition where everyone gets to shine based on their natural talents and choices. There are real power imbalances, entrenched class divides, and discriminatory practices tied to ethnicity, gender, caste, or religion that shape economic opportunities and access to resources in ways that go far beyond individual decisions made in isolation (Fligstein, 2001). Take redlining in the United States, for example. This practice systematically denied mortgages and financial services to people living in mostly minority neighborhoods. It wasn't just a collection of individual choices; it was a deeply rooted discriminatory system that caused lasting economic harm to entire communities (Rothstein, 2017). Likewise, the ongoing gender pay gap in many societies isn't just about women's "choices." It's intricately linked to societal norms around gender roles, job segregation, and biases in hiring and promotions.

Let's take a closer look at the idea that our preferences are stable and come from outside influences—this notion is pretty shaky and doesn't really reflect how we think. What we want, value, and aim for isn't just pulled out of thin air. Our preferences are constantly being shaped and reshaped by a flood of social factors: from the relentless push of advertising to the subtle (and sometimes not-so-subtle) nudges from our friends, the trends that sweep through our culture, the ever-changing fashion scene, and the intricate ways we learn from each other (Bourdieu, 1984). Even what we consider "rational" or "useful" can vary based on cultural context and historical moments, rather than being some fixed idea. Take, for instance, the craving for certain luxury items or the tendency to show off wealth—these often have less to do with their actual usefulness and more with how they signal our social status or group identity.

In short, this overly simplified model that separates economic actors from their social environments creates a picture that's easy to analyze but doesn't really match the reality we live in. It portrays an "economic man" who, as Amartya Sen (1977) pointed out, is a "rational fool"—great at crunching numbers but completely out of touch with the social world around him, leaving him feeling incomplete.

The "Over-socialized" Conception: Normative Determinism and the Passive Actor

While classical economics often depicted individuals as somewhat removed from social influences, certain branches of sociological thought—especially those linked to Talcott Parsons and some forms of structural-functionalism—tend to swing to the opposite end of the spectrum. Granovetter (1985) was critical of what he called this "over-socialized" perspective. In his view, people are seen as completely socialized beings who absorb societal norms, values, and expectations to the point where their actions become almost automatic reflections of these internalized scripts. Consequently, social order is thought to emerge from a broad agreement on norms and individuals' strict adherence to their assigned roles. When deviance does occur, it's usually attributed to incomplete socialization, social disarray, or anomie.

While this viewpoint rightly highlights the significant impact of social context—marking a notable improvement over the detached perspective of the under-socialized view—Granovetter contended that it still offers a flawed and incomplete understanding of human agency. Dennis Wrong (1961), in a pivotal critique that anticipated Granovetter's concerns, argued that this over-socialized perspective often "deflects attention from the analysis of the social-structural constraints" (p. 191) by placing too much emphasis on normative consensus and downplaying the ongoing realities of conflict, power imbalances, and the strategic manipulation of norms by individuals pursuing their own interests.

In our highly socialized world, it often seems like economic players are just following cultural norms and roles on autopilot, almost as if they've been programmed. If there's any sort of economic order, it mainly stems from shared values and moral obligations that people have internalized. But this perspective misses a key point: individuals don't just passively accept these norms; they actively interpret, negotiate, and sometimes even push back against them. People are not mere recipients of cultural scripts; they're dynamic agents who navigate their social landscape with a mix of compliance, creativity, and resistance.

Moreover, this over-socialized viewpoint fails to capture the vibrant nature of social life—how new norms come into being, how existing ones are challenged and evolve, and how both social and economic innovations take shape. If everyone is just acting out pre-written scripts, where does originality fit in? It also doesn't explain the noticeable differences in behavior among individuals who are said to share the same cultural values. For example, saying a society values honesty and fairness doesn't clarify why some people engage in deceitful economic practices while others strictly avoid them. It also doesn't shed light on the specific social mechanisms—beyond a vague moral guideline—that either promote or deter such actions. In the over-socialized model, individuals can end up being, as Harold Garfinkel put it in 1967, "cultural dopes," merely acting out a predetermined cultural script without the ability to reflect, strategize, or truly exercise their agency.

Granovetter's Embeddedness: A Balanced Perspective on Economic Actors

Navigating the tricky waters between the Scylla of under-socialization and the Charybdis of over-socialization is exactly what Mark Granovetter (1985) had in mind when he introduced his groundbreaking idea of "embeddedness." He made a strong case that economic actions aren't just about the cold, hard calculations of isolated individuals or simply about the vague internalization of broad cultural norms. Instead, he argued that economic behavior is deeply "embedded in concrete, ongoing systems of social relations" (p. 487). This seemingly straightforward idea has significant implications: it suggests that the everyday interactions, the networks of trust and obligation, and the flow of information within a person's social circles are not just side notes but are actually central to shaping their economic choices and results.

A key part of Granovetter's argument is the important distinction he makes between generalized morality—often linked to the over-socialized perspective, where people act morally because they've absorbed broad societal values—and relational trust, which comes from specific, ongoing social relationships that define the embeddedness view. He argued that trust, which is crucial for smoothing out economic transactions and minimizing the risk of wrongdoing, doesn't primarily stem from individuals sticking to abstract moral codes. Instead, it grows and thrives through direct personal connections and reliable intermediaries within one's network. People are more likely to trust those they know, whether personally or through mutual acquaintances, because these relationships come with a history of interactions and the promise of future ones. Importantly, this relational trust is often upheld by the possibility of social consequences—like reputational harm, exclusion, or missed opportunities—that can arise within these networks if trust is broken.

Granovetter pointed out that this mechanism is often much more effective at discouraging opportunistic behavior than abstract moral codes or even formal legal penalties, particularly in situations where legal enforcement is weak, expensive, or slow. He also stressed that social networks aren't just passive channels for predetermined actions; they actively shape opportunities, control access to information, and can even redefine what an "economic" interest means for someone. His earlier, groundbreaking work on "The Strength of Weak Ties" (Granovetter, 1973) illustrated this concept beautifully. He showed, somewhat surprisingly at the time, that people often discover better job opportunities not through their close friends and family—those "strong ties" who usually share the same social circles and information—but through acquaintances, or "weak ties." These weak ties serve as bridges to different social groups, offering access to fresh information and opportunities that wouldn't be found within one's close-knit circle. This insight powerfully demonstrates how the structure of an individual's social network can have real and significant economic impacts, even affecting something as crucial as career advancement. The embeddedness perspective, then, introduces us to a "balanced actor." This is someone who is intentional and makes choices, yet those choices are shaped, enabled, and given context by the specific social environment they're in. This actor isn't just a cold, calculating individual fixated on maximizing personal gain, nor are they a mindless follower simply acting out cultural norms.

Instead of being just solitary individuals, they are social creatures who skillfully navigate their relationships. They tap into their social capital—the valuable resources found within their networks—and are deeply shaped by the unique relational contexts they find themselves in. This includes the trust, obligations, expectations, and information exchanges that characterize their daily interactions. In essence, they are unmistakably human.

Intellectual Antecedents: Karl Polanyi and the Substantive Economy

Granovetter's work is truly groundbreaking, especially in how it brings together and applies ideas to modern economic actions, but it didn't just pop up out of nowhere. It's built on a rich tapestry of economic sociology and anthropology, with Karl Polanyi's monumental work, The Great Transformation (1944/2001), serving as a significant precursor. Polanyi's insights into the historical ties between the economy and society lay a vital macro-level groundwork for grasping the micro-level concept of embeddedness.

He carefully differentiated between two key interpretations of "economic": the formal and the substantive. The formal meaning, which aligns closely with neoclassical economics, describes a specific logic of rational action that revolves around making choices in situations of scarcity—essentially, how we economize our resources to achieve certain goals. This logic is universal and can be applied to any scenario involving limited resources and various alternatives. On the flip side, the substantive meaning focuses on the real, tangible ways people engage with their natural and social environments to meet their material needs and desires. It's all about how society provides for itself. Polanyi strongly argued that, throughout history and across different cultures, the substantive economy was almost always "embedded" within non-economic institutions—like kinship systems, religious duties, political frameworks, and community customs. In this perspective, the economy is shaped by society, not the other way around. Polanyi (1944/2001) pinpointed three main principles of economic integration that defined societies before they were dominated by market forces:

Reciprocity: This concept revolves around the exchange of materials between groups that are organized in a symmetrical way, like kinship groups, moieties, or villages. The movement of goods and services is often influenced more by social obligations, the act of giving gifts, and the nurturing of social ties than by the pursuit of immediate profit or trade. A classic example of reciprocity in action can be found in Marcel Mauss's (1950/1990) insightful analysis of gift exchange in ancient societies, such as the Kula ring practiced by the Trobriand Islanders, where valuable items circulate in intricate, ritualized patterns to build and sustain alliances.

Redistribution: This principle involves the organized collection of goods and resources directed towards a central authority—whether that be a chief, a temple, a feudal lord, or a state—and their later redistribution back to the community based on customs, political choices, or social needs. Ancient civilizations like Egypt and the Inca, with their extensive storehouses and centrally controlled distribution of food and supplies, as well as feudal systems where lords gathered dues and offered protection, heavily depended on redistribution.

Householding (Oeconomic): This term describes production that is arranged for personal use or for a closed, self-sufficient group, such as a family, a manor, or a monastery. The main goal here is to provide for the group rather than to sell or exchange goods in a broader market.

Polanyi argued that the emergence of the market economy in 19th-century Europe marked a significant and unprecedented shift: a conscious effort to "disembed" the economy from society by establishing a self-regulating market system. This bold initiative involved turning what Polanyi called "fictitious commodities"—land, labor, and money—into marketable goods. He pointed out that these aren't produced for sale in the same way as everyday items like bread or shoes. Labor is just human activity, land is part of nature, and money is merely a symbol of purchasing power. When human beings (labor) are treated as commodities to be bought and sold based on market trends, it means putting human lives and social welfare at the mercy of the market's impersonal rules, which can lead to social ruin, poverty, and displacement. The commodification of land posed a threat to both the environment and social stability by exposing it to speculative pressures. Similarly, the commodification of money, especially through systems like the gold standard, made national economies highly susceptible to international financial forces, often at a significant social cost.

Importantly, Polanyi described a "double movement" that defined this period. As the market system grew and tried to detach itself, society instinctively responded with "protective counter-movements" designed to shield itself from the harmful effects of unregulated markets. There are plenty of examples: the introduction of labor laws (like the Factory Acts that limited working hours), the creation of social welfare programs, the rise of trade unions, and the implementation of tariffs to safeguard domestic industries.

The ongoing struggle between market liberalization and the societal demand for social protection really highlights Polanyi's main point: an economy can't be completely separated from society without facing serious social and ecological consequences. Granovetter's research builds on Polanyi's broad historical analysis by diving into the micro-level of today's economic actions. He shows that even in market systems that seem detached, social relationships and a sense of embeddedness are still very much alive and essential. Other intellectual heavyweights have also laid an important groundwork. Max Weber (1905/2002), in his work The Protestant Ethic and the Spirit of Capitalism, carefully examined how certain religious beliefs—like Calvinist ideas of predestination and the calling—helped shape an economic mindset that was favorable to rational capitalism. This underscores the intricate connection between culture and economic behavior. Similarly, Émile Durkheim (1893/1984), in The Division of Labor in Society, made a compelling case that even the seemingly impersonal contracts in modern economies rely on a pre-existing "non-contractual element"—a shared understanding, moral solidarity, and trust that are crucial for their effectiveness.

Marcel Mauss (1950/1990), in The Gift, took the concept of reciprocity further, revealing the deep social, religious, and moral aspects of exchange in ancient societies, where gifts aren't just given freely but create binding obligations to give, receive, and reciprocate, thus weaving the very fabric of social cohesion. More recently, Pierre Bourdieu's (1986) nuanced ideas about different types of capital (economic, social, cultural, symbolic) and habitus (the ingrained dispositions that influence how we perceive and act) shed light on the complex interplay between social structures and individual choices, which often perpetuates existing inequalities.

These thinkers, each contributing in their unique way, helped shape a deeper, more socially aware understanding of economic life, setting the stage for Granovetter's more precise exploration of embeddedness in today's world.

Global Manifestations of Social Embeddedness: A World Woven from Relationships

The strength and real-world relevance of social embeddedness go beyond just theory or historical context; they shine through in a wide range of global situations and economic activities, showing that even in our globalized era, social connections are still incredibly important.

Trust and Informal Credit Markets: In many developing countries, and even in marginalized areas of developed nations, Rotating Savings and Credit Associations (ROSCAs) flourish where traditional banking options are either unavailable, untrusted, or simply not good enough. Known by various local names—like tontines in West Africa, susus in the Caribbean, chit funds in India, Arisan in Indonesia, and Dhukuti in Nepal—these groups rely entirely on existing social connections (like family, neighborhood, ethnicity, or workplace) and a strong sense of mutual trust (Geertz, 1962; Besley, Coate, & Loury, 1993). Members regularly contribute a set amount, and the total is given to one member in turn. Defaults are rare, not because of legal agreements (which are often nonexistent), but due to the strong social consequences—like ostracism, damage to reputation, and shame—that would follow. These transactions aren't faceless market exchanges; they're deeply personal and relational financial arrangements.

Ethnic Enclave Economies: The incredible achievements of many immigrant and ethnic entrepreneurs—like the Cuban exiles who reshaped Miami's economy, the Vietnamese nail salon industry in the USA, or the Korean greengrocers who became a staple in New York City—can't be fully appreciated without recognizing the strength of co-ethnic networks. These ethnic enclaves offer vital access to startup capital (often gathered from within the community), a dependable labor force, specialized knowledge, a loyal customer base, and culturally relevant business insights (Portes & Sensenbrenner, 1993; Light & Bonacich, 1988). These networks create what Portes and Sensenbrenner called "bounded solidarity" (a strong sense of obligation within the group) and "enforceable trust" (the community's ability to oversee behavior and hold individuals accountable), making it possible for business ventures that would be much tougher for isolated individuals to pull off in the broader economy.

Innovation and Industrial Districts: The remarkable energy of certain regional economies, like Silicon Valley in California or the Emilia-Romagna region in Northern Italy (known for its clusters of small businesses in ceramics, textiles, and machinery), can be partly credited to the rich, informal networks of collaboration, information exchange, and skilled labor movement that thrive among companies, research institutions, and even rival entrepreneurs (Saxenian, 1994; Piore & Sabel, 1984). It is noteworthy to discuss here that these networks often include venture capitalists who rely on trusted referrals and social ties to identify promising startups, creating a socially embedded ecosystem of finance and innovation. Innovation in these "industrial districts" often emerges not just from individual R&D efforts within separate firms, but from a socially connected process, driven by face-to-face interactions, informal knowledge sharing, and a regional culture of trust and cooperation that encourages collective problem-solving and quick adaptation.

Corporate Governance and Interlocking Directorates: At the uppermost levels of formal economic organizations, the concept of embeddedness is very much alive. Take "interlocking directorates," for instance—this is where individuals sit on the boards of several companies, creating complex networks of influence, information exchange, and social ties among leading business figures (Useem, 1984; Davis, Yoo, & Baker, 2003). These connections can significantly shape corporate strategies, sway decisions on executive pay, coordinate responses to regulatory challenges, and help spread effective management practices. They highlight that even the most "rational" corporate choices are made by people who are deeply rooted in specific social and professional circles.

Global Supply Chains: Today’s global supply chains stretch across continents and involve a bewildering mix of companies. At first glance, it might seem like they operate purely on contracts, pricing, and logistical efficiency. However, in industries that demand high levels of coordination, quality control, and quick adaptability to shifting consumer preferences—think fast fashion or high-tech electronics—these chains are often steered by long-term partnerships, mutual trust, and collaborative problem-solving among firms (Gereffi, Humphrey, & Sturgeon, 2005). Factors like reputation, reliability, and the ability to engage in relational contracting (adjusting to unexpected situations beyond the formal contract terms) can be just as important, if not more so, than cost considerations, especially when navigating complex products

The Digital Economy and Platform-Based Trust: Today’s age is a digital age and the digital economy is a modern form of embeddedness. New types of digitally mediated trust are created by platforms like eBay, Uber, and Airbnb. Economic transactions between strangers are made possible by ratings, reviews, and user profiles acting as stand-ins for reputation. Even algorithmic economies, however, depend on and create new forms of social connection and malfeasance, as evidenced by this system's social practices of reciprocity (leaving a review), the possibility of social sanction (a bad rating) and susceptibility to manipulation through fake reviews.

These examples, pulled from a wide range of scales and contexts, highlight a key insight: economic activity isn’t just a standalone entity; it’s intricately linked to the social relationships that provide it with structure, meaning, and energy.

Social Embeddedness in the Nepalese Context: A Rich Tapestry of Interconnections

Nepal, with its stunning geographical variety, diverse ethnic groups and castes, intricate social hierarchies, a history marked by periods of isolation followed by swift socio-political changes, and a lively informal economy, serves as a particularly rich and enlightening backdrop for exploring the deep social connections that underpin economic life. In this setting, the abstract idea of social embeddedness comes to life through the daily practices and institutions that influence how Nepalis earn their livelihoods.

The Informal Economy and Dhukuti (ROSCAs): In the broader context, the Dhukuti system stands out as a classic and widely recognized example of embedded finance in Nepal. These ROSCAs are intricately woven into the fabric of local communities, often organized around kinship, caste, ethnicity, neighborhoods, or workplace connections (Seibel & Shrestha, 1988; Rankin, 2002). Being part of this system relies heavily on established reputations, mutual accountability, and the strong social bonds that connect members. The consequences of defaulting are mostly social—think ostracism, public embarrassment, loss of face, and damage to family honor—rather than legal. Yet, this system operates with impressive effectiveness, offering essential capital for small businesses, helping with consumption smoothing, or covering ceremonial expenses for those who are either excluded from or hesitant about formal financial institutions. The trust that fuels dhukuti isn't just a concept; it's rooted in shared experiences and ongoing social interactions. Likewise, local shopkeepers (pasal) who extend credit (udharo) to their customers do so not by relying on formal credit scores, but through a deep, personal understanding of their customers' families, social status, character, and repayment history—an excellent example of economic transactions that are deeply embedded in personalized social relationships.

Traditional Socio-Religious Systems: The Guthi: A notable feature of the Newar community in the Kathmandu Valley, the Guthi system stands out as a historically rich socio-religious land trust or endowment (Regmi, 1978; Gellner, 2001). Guthi lands are typically set aside to support temples, carry out specific religious rituals, host festivals, and serve various communal or charitable purposes. When it comes to managing Guthi resources—like land cultivation and generating income from assets—the focus has traditionally not been on individual profit. Instead, decisions are shaped by a sense of collective responsibility towards deities, ancestors, and the broader community. The way Guthis are managed and the economic activities they engage in are closely tied to kinship connections, often overseen by particular lineages or dewali guthi, along with hereditary ritual roles and a shared community identity. Even as modernization, land reforms, and shifting social values put pressure on the system, the Guthi remains a strong symbol of an economic model that prioritizes social and religious continuity, community welfare, and the safeguarding of cultural heritage over mere market-driven motives.

Caste, Ethnicity, and Labor Markets: Even with legal reforms aimed at eliminating caste-based discrimination, Nepal's historical caste system and intricate ethnic hierarchies still play a significant role in shaping economic opportunities and outcomes. Traditional occupational castes, now known as Dalits, who historically took on specific artisanal or service roles deemed ritually impure by higher castes, continue to face considerable discrimination and limited mobility in many job markets, especially in rural areas (Gellner, 2007). Access to essential resources like capital, quality education, influential social networks—crucial for entrepreneurship and landing better-paying jobs—and even political connections can be heavily influenced by a person's caste and ethnic background (Bennett, 2005). These social dynamics are further complicated by gender, as women, in particular. from Dalit communities, or other marginalized groups, often face a double burden of exclusion that severely restricts their economic agency. This isn't just about individual skills, preferences, or "human capital" in a vacuum; it reflects deep-rooted social structures that shape economic opportunities, giving some groups a leg up while creating significant hurdles for others.

The Remittance Economy: Networks, Obligations, and Social Transformation: The money sent home by Nepalese workers abroad—mainly in India, Malaysia, the Gulf Cooperation Council (GCC) countries, and increasingly, beyond—plays a huge and vital role in Nepal's national economy, reportedly making up a significant percentage of its GDP (World Bank, 2023). While precise figures fluctuate, its scale is undeniable. This massive flow of money is intricately tied to social networks and family obligations (Seddon, Adhikari, & Gurung, 2002; Thieme, 2008). The choice to migrate is rarely made in isolation; it's often a family decision, funded through kinship networks, loans from local moneylenders who depend on social collateral (like family reputation and land), or by selling family assets. The sending and use of remittances are strongly guided by social norms that emphasize supporting family back home, investing in children's education and healthcare, improving housing, and often acquiring land or other assets that signify social status and ensure future security. Even the transfer of funds frequently relies on informal methods like the hundi system, an underground banking network that thrives on trust, ethnic connections, and established business relationships, operating mostly outside formal financial regulations but often providing quicker and cheaper options.

Community Forestry User Groups (CFUGs): Collective Action, Social Capital, and Local Governance: Nepal's community forestry initiative is celebrated worldwide as a groundbreaking and largely effective approach to handing over forest management duties and benefits to local user groups (Ojha, Persha, & Chhatre, 2009; Agrawal & Gibson, 1999). The success of many CFUGs relies heavily on the social capital within these communities—things like shared norms of cooperation, levels of trust, established leadership, and agreed-upon ways to make decisions, manage resources, and share benefits. The economic advantages that come from the forests (like timber, fodder, medicinal plants, and other non-timber forest products) are ideally generated and distributed through processes that are deeply rooted in local social dynamics. However, these dynamics also reflect local power structures, and challenges around including or excluding marginalized groups (such as women, Dalits, and poorer households) in CFUG decision-making and benefit distribution continue to persist, underscoring how social structures- and the gendered norms within them- shape economic outcomes.

Political Economy and Patron-Clientelism: The Currency of Connections: In Nepal, gaining access to state resources, lucrative business licenses, government contracts, and even navigating bureaucratic hurdles is often heavily swayed by personal connections, political ties, and complex patron-client relationships. The widespread culture of chakari (which refers to sycophancy or currying favor with influential figures) and the reliance on afno manchhe ("one's own people" – a network of contacts) means that achieving economic success can hinge as much on who you know and your ability to adeptly maneuver through these informal networks as it does on market competitiveness, entrepreneurial talent, or merit (Panday, 1999). This "source-force" culture clearly shows how economic activities are deeply intertwined with, and often influenced by, political and social power dynamics. This can sometimes result in inefficiencies, corruption, and unfair distribution of opportunities and resources.

Each of the examples from Nepal powerfully demonstrates that economic actions aren't just random events happening in isolation. Instead, they are intricately connected to the complex web of kinship, ethnicity, caste, religion, political ties, and long-standing community obligations, all of which create a rich and intricate social fabric that shapes economic life.

Arguments, Nuances, and Critiques of Embeddedness: Acknowledging Complexity

The idea of embeddedness offers a rich and insightful way to look at economic actions, but it comes with its own set of nuances, criticisms, and methodological hurdles. Recognizing these complexities actually enhances its usefulness rather than detracting from them.

Strengths: Realism and Explanatory Power: One of the most striking strengths of embeddedness is its realism. It recognizes that economic actors are fundamentally social beings, and their actions can't be fully understood—or predicted—without considering their social context. This viewpoint sheds light on various phenomena that purely asocial economic models often miss, like the enduring nature of trust and cooperation, the impact of culture and power on economic results, the strength of informal economic institutions, and the very processes involved in creating and regulating markets. It serves as a crucial link between individual interactions and broader social and economic structures.

Degrees of Embeddedness: Not All Actions are Equal: Granovetter, along with scholars like Viviana Zelizer (1988, 2012), pointed out that not every economic action is equally embedded. Some transactions, especially those happening in highly standardized, anonymous markets (think of a small investor buying shares on a major stock exchange or a quick purchase at a supermarket), might seem to fit the "under-socialized" model more closely. Yet even these transactions are shaped by socially constructed rules, legal frameworks, and shared understandings (like the meaning and value of money or consumer protection laws). The level and nature of embeddedness can vary widely across different economic sectors, cultures, and historical contexts. Zelizer's work, for example, brilliantly illustrates how money, which might seem like the most impersonal economic tool, actually gets "earmarked" and takes on social significance based on its origin, intended purpose, and the relationships at play.

The "Dark Side" of Embeddedness: When Ties Bind and Blind: While social networks are often praised for fostering trust, cooperation, and the flow of information, they can also become breeding grounds for exclusion, collusion, corruption, and nepotism (Portes & Sensenbrenner, 1993). Strong ties within a group can create a sense of solidarity, but they can also lead to discrimination against outsiders and foster suspicion. When networks become too dense and closed off, they can hinder innovation and adaptability, a phenomenon known as "the liability of strong ties" in certain contexts. In Nepal, for instance, patron-client networks exemplify embeddedness but often result in inefficiency, rent-seeking, and significant inequality.

These networks, while beneficial for insiders, actively block opportunities for those without the right connections, reinforcing caste, ethnicity, and political divides. Organized crime syndicates, price-fixing cartels, and collusive bidding contracts are all examples of economic actions embedded in networks, but they come with distinctly negative social and economic repercussions. Therefore, embeddedness isn't inherently "good" or "bad"; its effects are highly context-dependent and often represent a double-edged sword.

Methodological Challenges: How is it possible to measure the abstract term “embeddedness”? Measuring and operationalizing embeddedness for sound empirical research can become extremely problematic. However, this paper reviews already established arguments. Thus, it can be stated that as this paper relies on firm secondary sources and qualitative examples, a primary empirical study would have to face such problems head-on. Different methodologies have been attempted by researchers. Quantitative Social Network Analysis (SNA) offers useful tools for visualizing relational structure, identifying key actors, and measuring network density or centrality. But it is less adept at understanding the qualitative subtleties of trust, obligation, and common sense in these relations. It is here that qualitative methods come on their own. In-depth ethnography, case studies, or interviews are necessary to uncover the 'why' of network structure—the cultural significance and power relations that lend relations to their force. Increasingly, researchers advocate for mixed method designs that combine the structural results of SNA with the richness of ethnography to enable a richer explanation. Finding the proper equilibrium between quantitative methods' search for generalizability and the nuanced contextual knowledge provided through qualitative perspectives is arguably embeddedness scholars' biggest challenge.

The Risk of Functionalism or Cultural Determinism: The Dance of Structure and Agency: If we apply this concept without a critical eye, we run the risk of attributing all economic behavior solely to existing social structures or dominant cultural norms. This could lead us into a new kind of determinism that overlooks individual agency, strategic choices, and the potential for change driven by economic reasoning or social movements. It’s crucial to avoid a rigid perspective and instead view embeddedness as a dynamic interaction between structure and agency. While social structures do shape and limit our actions, individuals—through their choices and interactions, whether they’re innovative or rebellious—can also alter, reinforce, or even transform those structures over time.

Grasping these subtleties allows us to apply the embeddedness framework more thoughtfully, recognizing its strengths while also being aware of its limitations and complexities.

Positioning and Synthesis: The Essential Social Aspect of Economic Life

As I firmly position myself in this ongoing discussion, I find the evidence and arguments to be incredibly persuasive: economic actions are fundamentally rooted in social contexts. Mark Granovetter's framework, with its balanced perspective, provides the most insightful lens for understanding this complex reality. While the analytical tools developed by economics—especially those that focus on rationality, incentives, and market dynamics—certainly shed light on some aspects of economic behavior, they often present an incomplete and sometimes skewed view when applied too broadly, without a nuanced understanding of the significant influence of social context.

The concept of the "under-socialized" homo economicus, that somewhat ghostly idea, really misses the mark when it comes to understanding the real lives of economic actors. These individuals are not just numbers on a spreadsheet; they are parents, children, friends, neighbors, community members, and citizens. Their economic choices are deeply intertwined with their various social roles, relationships, and responsibilities. To think of economic decisions as mere calculations, devoid of any social context or relational impact, is to overlook the essence of what drives human behavior and action. On the flip side, the "over-socialized" perspective, while it rightly highlights the influence of social factors and norms, can sometimes downplay our ability to think strategically, embrace individual differences, negotiate, and actively shape our own paths within those social structures.

The detailed examples we have discussed show that the embeddedness perspective isn't just an academic choice; it's essential for truly understanding how the economy functions in real life. Policies that are crafted solely based on abstract market theories, without taking into account the existing social networks, power dynamics, cultural values, and informal institutions, are not only likely to miss the mark but can also lead to unintended and harmful outcomes. For instance, microfinance programs in Nepal tend to thrive and be more sustainable when they align with, or at least respect, the local informal savings and credit groups (like Dhukuti) and trust networks, rather than trying to impose a completely foreign model (Rankin, 2001). Development initiatives that overlook local power structures, caste and ethnic hierarchies, or gender dynamics often fail to reach those they aim to help, or worse, can unintentionally deepen existing inequalities.

But acknowledging embeddedness alone is insufficient. Adopting socially conscious policy is fraught with difficulties of its own. Interventions intended to capitalize on community links can be appropriated by established power structures in a setting such as Nepal, where local elites divert the advantages to their own networks of patrons and clients. Political and social opposition to inclusive programs may arise from ingrained gender or caste standards. Furthermore, the efficient monitoring and assistance needed for such complex, context-specific programs may be hampered by a lack of resources and state capacity. In addition to a well-crafted policy, overcoming these obstacles calls for a political plan that manages power relationships and encourages sincere involvement from underrepresented groups.

Even in our increasingly globalized economy, which many see as a detached space ruled by faceless market forces and rapid financial transactions, there are still significant and often unexpected ties to the social fabric. At its core, international business thrives on complex networks of trust, a deep understanding of different cultures (or, more often than not, a lack of it), and intricate political connections. Despite the advanced technology and algorithmic trading that define global financial markets, they remain vulnerable to social influences, herd mentality, and emotional waves—elements that are inherently social in nature. Moreover, the regulatory systems designed to oversee these markets are themselves shaped by intense social and political dynamics (MacKenzie, 2006).

Conclusion: Merging the Economic and the Social for a Fuller Perspective

The ongoing discussion between strictly "economic" and more expansive "socio-economic" interpretations of human behavior often highlights artificial divides rather than reflecting the reality we experience. Both historical and modern evidence strongly indicates that economic life has never been a self-sufficient domain ruled solely by its own unchanging, asocial principles. Mark Granovetter's (1985) idea of social embeddedness offers a vital and lasting framework, clearly showing that economic actors are not the detached, utility-maximizing figures of classical economic theory, nor are they merely passive followers of social norms as some sociological models suggest. Instead, they are "balanced" individuals, driven yet deeply social, whose decisions and actions are intricately influenced by their real, ongoing social connections, the networks they belong to, and the shared meanings they create together.

Karl Polanyi's insightful historical analysis of the "great transformation" laid the essential groundwork by showing us how, for most of human history, economies have been intricately woven into social institutions. He highlighted how the ambitious 19th-century effort to create a completely dis-embedded, self-regulating market turned out to be a challenging, socially disruptive, and ultimately unsustainable endeavor. From the complex Guthi systems and widespread informal credit markets in Nepal, which connect economic activities to deep communal and kinship ties, to the vibrant ethnic enclave economies that fuel immigrant entrepreneurship and the tightly-knit innovation hubs that propel technological progress in industrialized countries, the social fabric consistently shapes the context, constraints, and opportunities for economic actions.

Grasping this deep social embeddedness goes beyond just an academic pursuit; it has significant and practical implications for economic policy, development strategies, business practices, and our fundamental understanding of social order and change. It urgently calls for a more holistic, interdisciplinary approach—one that bravely breaks down narrow disciplinary barriers and sees the economy as an integral part of the broader social, cultural, and political tapestry of human life. As we face the increasingly complex economic challenges of the 21st century—from ongoing inequality and climate change to financial instability and the evolving nature of work in the gig economy—recognizing, analyzing, and understanding the diverse and powerful ways in which economic life is socially embedded is not just important; it's absolutely critical. We must always remember that the "economic" is, and will always be, deeply and inescapably, "social."

Directions for Future Research

While this essay presents a comprehensive perspective, various areas for future research are clear. First, there is a critical need for additional mixed-methods studies that combine quantitative network analysis with in-depth ethnographic research to empirically map and explain embeddedness in specific sectors of Nepal's economy. Second, future research should look at the junction of social embeddedness and Nepal's expanding digital economy, specifically how mobile banking and online platforms create and reshape conventional networks of trust and duty. Finally, a more focused examination of how gendered norms and connections form a core layer of economic embeddedness would be a valuable contribution to both economic sociology and development studies.

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