

## Beyond Rational Choice and the Social Meaning of Economic Action: An Economic Sociology Perspective from Indonesia with a Focus on Papua

Imelda J. Loppies

Universitas Negeri Makassar, Indonesia

\*Corresponding Author, Email: [jloppiesimelda@gmail.com](mailto:jloppiesimelda@gmail.com)

### Abstract

This paper critically examines economic action beyond the rational choice paradigm by emphasizing the social meanings embedded in economic practices. Drawing on the perspective of economic sociology, the study argues that economic behavior cannot be fully understood through instrumental rationality alone, as it is deeply shaped by social relations, cultural values, moral norms, and institutional contexts. Using Indonesia, with a particular focus on Papua, as an empirical reference, this article highlights how indigenous and local economic practices are intertwined with kinship systems, customary law, reciprocity, and collective identity. The study adopts a qualitative and interpretive approach based on theoretical analysis and secondary data from sociological and ethnographic studies conducted in Indonesia and Melanesian contexts. The findings demonstrate that market activities in these settings function not only as mechanisms of exchange but also as social institutions that sustain social cohesion, moral order, and symbolic meaning. Market integration does not replace indigenous economic systems but produces hybrid economic forms in which rational calculation coexists with culturally embedded practices. This paper contributes to economic sociology by extending the embeddedness framework to non-Western and indigenous contexts. By foregrounding Indonesia and Papua, the study challenges the universal applicability of rational choice models and underscores the importance of culturally sensitive approaches in analyzing economic transformation and development processes.

**Keywords:** Economic Sociology, Indigenous Economy, Moral Economy, Rational Choice.

### INTRODUCTION

For decades, economic analysis has been dominated by the rational choice paradigm, which assumes that individuals act primarily as autonomous agents motivated by utility maximization, efficiency, and self-interest. This paradigm has shaped economic theory, development policy, and institutional design across diverse societies. However, growing empirical evidence suggests that such assumptions are insufficient to explain real economic behavior, particularly in socially embedded and culturally diverse contexts (Sen, 2009).

Economic sociology offers a critical alternative by emphasizing that economic action is embedded in social relations, cultural meanings, moral norms, and institutional structures (Granovetter, 2017). From this perspective, markets are not autonomous or neutral mechanisms but socially constructed institutions shaped by power relations, historical trajectories, and collective values (Beckert & Aspers, 2011).

The dominance of rational choice theory has also shaped how development success is measured. Indicators such as productivity growth, income maximization, and market efficiency are often treated as universal benchmarks of economic progress. While

such indicators provide important macroeconomic insights, they tend to marginalize non-market values and social dimensions of economic life. In many societies, economic success is not solely evaluated in terms of accumulation but also in terms of social harmony, moral legitimacy, and collective well-being.

From a sociological perspective, this narrow understanding of economic rationality obscures the complex motivations that guide everyday economic practices. Individuals do not simply respond to price signals or incentives but interpret economic opportunities through culturally specific frameworks of meaning. Economic decisions are therefore embedded in social expectations regarding generosity, obligation, prestige, and reciprocity. These expectations shape not only what people do economically, but also how they justify and evaluate their actions within their communities.

In Indonesia, economic action is historically intertwined with communal institutions and moral frameworks that predate the modern market economy. Concepts such as mutual assistance, collective deliberation, and customary law continue to influence patterns of production, exchange, and redistribution. These practices illustrate that economic behavior is

inseparable from broader social relations and cultural norms.

Papua represents a particularly significant case within the Indonesian context due to the persistence of indigenous economic systems and strong kinship-based social organization. Despite increasing exposure to market mechanisms, Papuan communities often evaluate economic actions in terms of their contribution to social cohesion and moral responsibility rather than individual gain. Wealth accumulation without redistribution may be viewed as socially problematic, while generosity and sharing enhance social prestige and legitimacy.

Understanding economic action in Papua, therefore, requires analytical tools capable of capturing both material and symbolic dimensions of economic life. An economic sociology perspective is especially well-suited for this task, as it foregrounds the embeddedness of economic behavior in social relations, cultural meanings, and institutional contexts. By situating economic action within these broader social structures, economic sociology provides a more comprehensive framework for analyzing economic transformation in culturally diverse societies.

Indonesia provides a compelling context for examining socially embedded economic action. As a culturally diverse society with strong communal traditions, economic practices are often shaped by kinship obligations, customary institutions, and moral expectations. These dynamics are particularly visible in Papua, where indigenous economic systems persist alongside expanding market integration. In Papuan communities, economic exchanges frequently involve symbolic value, social prestige, and moral obligation. Practices such as gift exchange, redistribution, and collective labor cannot be adequately explained through rational choice logic alone (Robbins, 2013). Ignoring these dimensions risks producing development policies that are ineffective or socially disruptive.

This paper aims to examine economic action beyond rational choice by highlighting the social meanings embedded in economic practices in Indonesia, with a focus on Papua. Using an economic sociology framework, the study argues that understanding economic action requires moving beyond instrumental rationality toward a socially embedded and culturally grounded perspective.

## METHODS

This study employs a qualitative and interpretive research approach consistent with the epistemological foundations of economic sociology. Rather than testing hypotheses through quantitative modeling, the research focuses on understanding the meaning, context, and social relations underlying economic action.

The study is based on three primary sources of data:

1. Theoretical analysis of key works in economic sociology, moral economy, and cultural sociology;
2. Secondary qualitative data from ethnographic and sociological studies conducted in Indonesia, Papua, and Melanesian societies;
3. Contextual interpretation of indigenous and local economic practices as reported in existing empirical research.

Data analysis follows a thematic interpretive strategy (Flick, 2018), focusing on how economic actions are socially constructed, morally evaluated, and culturally embedded. This approach enables a nuanced understanding of economic behavior beyond formal rational choice models.

The choice of secondary qualitative data is particularly appropriate for this study, given the focus on meaning, interpretation, and social context. Ethnographic studies provide rich descriptions of economic practices as they are lived and experienced by social actors, allowing for an analysis that goes beyond surface-level economic outcomes. By synthesizing findings from multiple studies, this research identifies recurring patterns and shared themes that characterize economic action in Indonesian and Papuan contexts.

Rather than seeking statistical generalization, this study aims for analytical generalization by linking empirical insights to broader theoretical debates in economic sociology. This approach enables the findings to contribute to ongoing discussions regarding the limits of rational choice theory and the relevance of embeddedness, moral economy, and cultural analysis in understanding economic behavior.

## RESULTS AND DISCUSSION

### The Limits of Rational Choice in Explaining Economic Action

The findings indicate that economic action in Indonesia, particularly in Papua, cannot be sufficiently explained through the rational choice paradigm.

Empirical studies demonstrate that individuals frequently prioritize social obligations, moral commitments, and collective interests over individual profit maximization. These findings support critiques that rational choice theory overlooks ethical reasoning, social norms, and institutional constraints (Sen, 2009; Ostrom, 2010). Economic decisions are embedded in expectations of reciprocity, trust, and communal responsibility. As a result, rational calculation represents only one dimension of economic action rather than its primary driver.

### **Embeddedness and the Social Construction of Markets**

The results strongly support the concept of embeddedness. Economic actions are situated within networks of social relations that shape trust, cooperation, and access to resources (Granovetter, 2017). Market transactions in Indonesia and Papua are rarely impersonal; instead, they are mediated by kinship ties, community membership, and long-term relationships. Markets function as cultural and institutional arrangements in which values, norms, and power relations play a constitutive role (Beckert & Aspers, 2011). Under conditions of uncertainty, economic actors rely on shared expectations and social institutions rather than purely calculative rationality (Beckert, 2009).

### **Cultural Meaning, Habitus, and Economic Practice**

The findings further demonstrate that economic action is shaped by cultural meanings and social differentiation. Money and commodities are not treated as neutral instruments but are morally and symbolically categorized depending on context (Zelizer, 2010, 2012). Bourdieu's concept of habitus helps explain how economic practices are guided by internalized dispositions rather than conscious calculation (Bourdieu, 2010). What counts as "rational" behavior varies across societies, confirming that economic rationality is socially produced rather than universal.

### **Moral Economy and Indigenous Economic Systems**

The results highlight the importance of moral economy in indigenous contexts. Economic actions are evaluated according to norms of fairness, reciprocity, and social justice rather than efficiency alone (Scott, 2009). In Papuan and Melanesian societies, practices such as gift exchange and redistribution serve to maintain social cohesion and moral order (Robbins, 2013). Market integration does not eliminate these

practices but interacts with them, producing hybrid economic forms (Gudeman, 2008; Tsing, 2015).

### **Economic Action in the Papuan Context**

Economic practices in Papua are deeply embedded in local institutions and kinship relations. Market participation is reinterpreted through local values, resulting in economic behavior that balances rational calculation with moral and communal obligations. Development interventions based solely on market rationality often fail to recognize these dynamics. As Ferguson (2015) argues, development models that ignore local moral economies risk policy failure and social resistance. Overall, the results demonstrate that economic action in Indonesia, particularly in Papua, is shaped by a complex interaction between market rationality, moral economy, and cultural embeddedness. Rather than replacing indigenous economic systems, market integration produces hybrid forms that reflect local values and social institutions.

### **CONCLUSION**

This paper demonstrates that economic action in Indonesia, particularly in Papua, cannot be reduced to rational choice logic alone. Economic behavior is deeply embedded in social relations, cultural meanings, moral norms, and institutional contexts. An economic sociology perspective reveals that markets are not neutral mechanisms but socially constructed institutions. Understanding economic action, therefore requires attention to social embeddedness, moral economy, and cultural context.

More broadly, this study demonstrates that economic sociology offers essential conceptual tools for analyzing economic transformation in non-Western contexts. By foregrounding social meaning, embeddedness, and moral economy, economic sociology challenges reductionist models and opens space for more inclusive and context-sensitive forms of analysis. As global economic integration continues to intensify, understanding how local actors reinterpret and reshape market forces becomes increasingly important. The Indonesian and Papuan cases illustrate that economic globalization does not produce uniform outcomes but interacts with existing social structures in complex and uneven ways.

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