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Note from the editor

Dear reader,

This issue of the economic sociology newsletter will be a special issue about globalization. In the opening essay, Fran Tonkiss argues that the conceptual apparatus of economic sociology may be ready for the task; nonetheless the discipline has failed to engage directly with issues of globalization. Valentina Mazzucato shows what such an engagement may look like by studying the linkages between the livelihood of Ghanaese migrants in the Netherlands and the ones they left behind in their home country. Donald Light argues that economic sociology should focus on the many unintended or side effects of globalization. The global market for patented drugs, where a limited number of multinational corporations make large profits at the expense of people in need of cheap treatment, is a case in point.

Also in this issue, Francesco Guala responds to the warning of Edward Nik-Khah in the previous issue of the newsletter that "the enthusiasm for the doctrine of performativity is fostering a situation where science studies will come to increasingly resemble neoclassical economics, if not serve as its cheerleader." Daniel Beunza writes about the art exhibition which he co-curated: *Derivatives, new art financial visions*, which will be on view this summer in Madrid. The exhibition shows the work of contemporary artists who are joining academics in their intellectual exploration of the world of finance. Finally, Jens Beckert, director of the Max Planck Institute for the Study of Societies in Cologne, answers ten questions about economic sociology.

In order to make the newsletter website a more active gateway to information that is relevant for the discipline, job announcements and calls for papers will not be published anymore in the pdf-version of the newsletter, but only on the website (<http://econsoc.mpifg.de/>). Also, we will soon start a section in the newsletter with abstracts and links to new papers in economic sociology that are available online. These can be discussion papers from a series or papers that are on the webpage of the author. Therefore, all subscribers are invited to submit abstracts and links to the editor of the newsletter.

This is the last issue that I had the pleasure of editing. The next editor of the newsletter is Nina Bandelj, the Slovenian economic sociologist that is now at the University of California, Irvine. Her first issue will focus on cross-national comparative economic sociology. Anyone interested in contributing short research pieces or book reviews can contact her at: nbandelj@uci.edu. On behalf of the editorial committee, I wish her good luck, and hope she enjoys her job as much as I did!

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Is economic sociology “ready” for globalization?

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Globalization has been a critical concern for social and economic analysis in the last two decades, but its relation to economic sociology remains a complicated one. The broad concept of globalization is frequently taken to refer to a general state of socio-economic life, as well as the logic driving different economic processes of production, interaction and exchange. It implies a certain novelty, suggesting that current economic arrangements are distinctive in their form and unprecedented in their extent. A critical question therefore arises as to how far existing frameworks of socio-economic analysis can account for the features and effects of globalization. In particular, how adequate are the conceptual tools of economic sociology for analysing global relations, exchanges and problems?

At first glance, economic sociology appears well-suited to such a task. The discipline’s range of analytic interests all translate fairly clearly into a global frame: the study of markets and marketization processes; socio-economic networks; firms and organizations; historical and comparative analysis of market formation; state policies in relation to the economy; money, financial instruments and risk; economic behaviour and rationality; cultures of economic life – all of these seem ready-made for the analysis of globalization. Yet economic sociologists have not engaged very directly with issues of globalization; in contrast, for instance, with the earlier and more sustained interest evident within the sociology of culture. And where sociology *has* taken on questions of economic globalization, this often has been on the part of thinkers who would not necessarily be identified with economic sociology as a strictly defined sub-discipline: witness, for example, the work of Immanuel Wallerstein and his colleagues on the globalizing phase of the capitalist world economy (Hopkins/Wallerstein 1996; Chase-Dunn 1998, 1999), of Manuel Castells (2000) on global network society, or Scott Lash and John Urry (1994) on the economy of signs and space .

This rather detached relation has emerged in spite of the coincidence between the “resurgence” of economic sociology from the early 1980s (Carruthers 2006: 3) and the growing analytic interest in issues of globalization over the same period. Even as the development of the new economic sociology marked a definite return to economic interests within the broader field of sociology, the sub-discipline grew in directions that largely avoided what was becoming the biggest economic story in the social sciences. There are good reasons for this, which do not have to do with the short-sightedness or poor critical judgement of economic sociologists. Economic sociology, for one thing, has developed around certain empirical commitments. Its resurgence in the early 1980s stemmed in large part from the analysis of networks, and more generally it has been concerned with the detailed study of firms, market structures, economic behaviour, and the practical forms taken in specific contexts by such economic phenomena as contracts, money, property, and so on. Set against this regard for the empirical, historical and local character of socio-economic arrangements, the notion of globalization can appear simply abstract. For economic sociologists, it might be said, all economic relations should be understood as local – in the sense that they obtain between definite actors, operate in specific spaces, are shaped by certain rules, norms and institutions, and are reproduced through particular kinds of behaviour. Glossing any of this in terms of a broad logic of globalization may be a way of dodging the harder questions of how economic action, interaction and organization actually work.

This has also to do with what remain two central precepts for economic sociology, even in its engagement with globalization: the idea that economic forms are *embedded* in social contexts, and *instituted* through formal and informal rules and modes of organizations, conventions of conduct and exchange, systems of law, politics and regulation (see Granovetter 1985; Polanyi 1992). Here is a key problematic for economic sociology in addressing contemporary economies: if a core argument in economic sociology concerns the embedded nature of economic life, how well does this argument fit with globalizing market processes? The latter can appear thoroughly disembodied from any local social and spatial contexts. Rather than abandoning the embeddedness thesis, however, this may

make it even more crucial to press the claim, accepted by all economic sociologists and more than a few economists, that markets (even global ones) do not operate by themselves. The forms that markets take, rather, depends on the institutional – economic, social and political – arrangements which support them.

I would contend, on this basis, that the conceptual frameworks developed within economic sociology are very well-suited to the analysis of key features of a globalizing economy. By way of argument we might consider just three, although very central, topics within economic sociology – markets, networks, and governance

Markets

Processes of globalization can look like the triumph of the unfettered market on an international scale. Radically disembedded from local contexts, global markets – particularly those that operate through virtual networks – appear as a mode of exchange and interaction unbound by specific social and cultural settings, and beyond the regulatory reach of national governments. This is partly an effect of the rhetoric of footloose capital and runaway markets that inflects debates on globalization. Even so, there is some substance to the claim that financial exchanges within electronic markets, for instance, go beyond the calculation – let alone the control – of the human actors that are assumed to oversee them (see Castells 2000: 504).

Two responses might be made here. The first is that the hotted-up technology of these electronic networks intensifies and accelerates, but does not fundamentally alter, the basic dynamic of capitalist markets. Those precursors of economic sociology, Marx and Engels (1848: 224), of course put it very simply: the need for constantly expanding markets chases capital "over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere." This is not to say there is nothing new about global market processes, but it does suggest there is nothing novel in itself about the logic of globalizing capital: the will to expand, to seek new market opportunities, and to integrate distant actors has always been at the core of capitalist accumulation. The current period of globalization is premised on a set of technical and institutional innovations that help to extend and intensify these market dynamics, but certainly do not invent them.

The second point to make is that even highly "disembedded" markets remain susceptible to empirical analysis. Karin Knorr-Cetina's work on global financial markets, for instance, starts from the premise that these market forms *are* largely decoupled from local situations, operating rather in a global socioeconomic frame. Yet these exchanges can be understood in terms of "global microstructures" of action and interaction. This nice oxymoron – global microstructures – points to how Knorr-Cetina uses approaches from microsociology, such as interactionism and ethnomethodology, to study the intricate ways in which global exchanges take shape (see Knorr-Cetina/Bruegger 2002; cf. Stearns/Mizruchi 2005).

Thinking about financial flows through electronic networks, however, is to think about the most effectively globalized of markets. Markets in goods or labour, in contrast – if these have also been speeded up and stretched out by the advances in production and transport technologies which drive economic globalization – still operate more slowly and more locally, and remain domesticated in critical ways. For example, while the United States doubled its export trade as a proportion of GDP between 1960 and 2000, the relevant figures involved a rise from 5 to 10 per cent. The other side of the story of the US' spiralling trade deficits with China, Japan and the EU in the early years of the twenty-first century, is the fact that the world's largest economy continues to sell its own goods and services largely to itself.

Against this backdrop, economic sociology can act as a corrective to more breathless accounts of globalizing markets. Different markets, simply, are "globalized" to different degrees and at different paces (or, of course, not globalized at all). In this context Neil Fligstein, as a leading economic sociologist whose work engages with international economic arrangements, has pointed to the 'slow expansion and unevenness of global trade' which continues to be dominated by the Triad or G3 economic blocs of North America, Europe, and the Asia-Pacific (Fligstein 2001: 196; see also Fligstein 2005). What is passed off as 'global' trade, then, in fact largely refers to a well-established trade between the leading regional economies – a point missed by a generalizing conception of globalization.

Moreover Fligstein's work reminds us that markets, including globalizing ones, are characterized not only by dynamism, but by a tendency towards stability. The dynamic forces of competition and technological innovation, which

appear especially heightened in global markets, are always "situated in, defined by, and structured through the production of firms, their social relations with each other, and their relations to government" (Fligstein 2001: 4). It is these features of social organization – the relationships between firms, governments and other institutions – that create the relatively stable market conditions which are necessary for ongoing planning, investment, production and contracting. And it is worth noting that as much as one-third of transnational trade takes place *within* firms themselves; that is, the internal markets that operate inside multinational firms account for a significant share of cross-border market transactions. Rather than being increasingly disembedded and highly dynamic, a substantial number of "global" markets are to be found within fairly stable corporate environments.

Networks

Economic sociology has critical origins in network analysis (Granovetter 1973; White 1981; see also White 2002), and this remains one of the main contributions it has to make to the analysis of globalizing processes. It is particularly relevant to the study of multinational corporations whose operations are dispersed both spatially and structurally, as they use subsidiary and subcontracting networks to locate research, design, manufacture, assembly and distribution functions in different geographical and organizational sites. United Nations figures estimate that by the beginning of the twenty-first century there were around 65,000 companies with headquarters in three countries or more, with up to 850,000 foreign subsidiaries (UNCTAD 2002). The multinational corporation brings together economic sociology's founding interests in the study of firms and of networks, as these leading players within the globalizing economy come to organize and understand themselves as networks. This is reflected in the way that production processes may be distributed across transnational space, but re-integrated through electronic networks and computer-controlled production technologies. As the institutional drivers of globalization, then, multinational corporations are highly dependent on the technical drivers represented by new information, communications, production and transport technologies.

Corporate and technological networks represent two key ways in which economic globalization proceeds through network structures, but on a more general level the network can be seen as the organizing principle for the

global economy as a whole. In a context where economic and social interactions increasingly are based on flows of capital, information and symbols through networks, the network form – as Manuel Castells (2000: 500) puts it – comes to "constitute the new social morphology of our society". Thinking in terms of the network – extensive, fluid, rapid, dynamic – tends to displace an older way of thinking about social and economic forms in terms of *structure*, more likely to emphasise issues of order, hierarchy, and stratification.

The network idea may be better-suited to changing social, economic and technical conditions, but the contrast between these two approaches points to a real problem with conceptualizing the global economy as a kind of "network of networks". It is questionable, that is, how far such a model is able to capture structural disparities between different places and actors within the network, or make visible sites of power and of exclusion. Here again, the empirical insights of an economic sociology of networks can serve to highlight the technical gaps, social divides, and economic inequities that occur in actual (rather than conceptual) networks, and which tend to belie an inclusive language of networked "flows". DiMaggio and Cohen's work on (2005) on the uneven distribution of information via television and the Internet, for instance, provides a basis for arguing that networks fail in a way that is similar to market failure, distributing information unevenly, externalizing social costs, producing inefficiencies and reproducing inequalities.

Governance

"Network failure", like market failure, entails regulation. It is a basic tenet of economic sociology, of course, that economic arrangements are instituted and regulated by various means. Market exchanges, network relations, commodities, contracts and currencies are all organized by specific institutional forms, rules of conduct and conventional norms. The economy, to return to Polanyi, is an instituted process, held together by a variable mix of formal and informal relations, explicit and tacit rules, legal devices, social custom and policy measures. This article of faith for economic sociologists sits in an interesting relation to contemporary processes of globalization that at times are seen as simply ungovernable.

The question of governance, particularly in economic settings, goes beyond the activities of states to take in

various public, semi-public, private and civil actors engaged in steering economic processes and shaping economic outcomes. Strategies of governance in the global economy in this way range from the more or less commanding heights occupied by nation-states and international institutions, to the actions of private firms and business groups, trade unions, non-governmental organizations and social movements. These different players work both in the interest of existing global arrangements and in pursuit of their reform. Economic governance, what is more, does not refer only to positive forms of intervention, planning and regulation. Strategies of deregulation are also practices of governance. This point is particularly important given the way that global economic governance, particularly via multilateral institutions, has been pursued through programmes of deregulation and market liberalization. Market operations are conditioned by local, national and international organizations, legal frameworks and social networks: it follows that global markets are shaped by a complex architecture of political, organizational and contractual forms – at times in the direction of deregulation, at others in pursuit of tighter rules of conduct and compliance. The liberalization of finance markets and the abolition of currency controls which represented the leading edge of globalization in the 1970s and 1980s, for example, were counter-balanced by various efforts at re-regulation through international agreements and institutional fixes from the 1990s.

To a significant extent, indeed, globalization might be understood as an international version of managed capitalism. Comparative advantage in a global system is in no small part based on the strategic ability of nation-states (singly or in federation) not only to capitalize on but to insulate themselves from free markets, and to regulate in their own interests. This is not an unbridled global market. Rather the current system represents degrees of managed capitalism for some, and a path to globalization which is highly determined by the requirements of the International Monetary Fund or World Trade Organization (WTO) for much of the rest. In this sense there is no contradiction to be found in the fact that the United States retains certain highly protectionist impulses at home even as it acts as the leading advocate of globalization abroad; the model also works for the European Union, which can doggedly hold out on agricultural subsidies at the WTO, while arguing in the same forum for liberalization of the international trade in services, including basic public and municipal provision. An economic sociological perspective makes clear that the liberalization of water supply and

services, to take a critical example, involves not merely the opening up but the construction of a "free" market in this domain – one dominated by a small number of multinationals, and including substantial European interests.

Conclusion

Globalization is one of the most pervasive, and often most poorly-defined concepts, in contemporary social analysis. It is right for sociologists to be sceptical about such generalizing conceptions; the contribution of economic sociology in this setting is to specify the socio-economic agents and exchanges, the institutional and organizational forms, the regulatory conventions and networks, that can disappear into an abstract logic of globalization. This is to say something about how economic sociology serves the discipline more generally. The ways in which economic phenomena are being reshaped by processes of globalization only makes necessary a renewed attention to some central concerns within the sociology of economic life – issues, that is, of production, labour, class, inequality and power (see Tonkiss 2006). There is still an argument, in a mobile world, for pinning such things down in specific spaces. Of course the issue of location is not only a problem for economic sociologists. The discipline more broadly has been brought into question as too nation- or state-centred to be adequate to the analysis of new global realities. This more general problem for the discipline, however, has particular resonance for economic sociology, given that the restructuring of economic relations has been so crucial to the increasingly mobile character of objects, ideas, information, images and agents. Still, economic arrangements, even under conditions of globalization, are hard to decouple from social, political and cultural contexts. If economies are properly seen as instituted processes, then the global economy is no exception. The organization of economic relations, the architecture of economic regulation, the terms of global exchange – all are instituted at various scales via a complex governance mix of states, corporations, private interest groups, non-governmental organizations and social movements. It may at times be analytically difficult, but this makes it no less important, to insist on the embedded and instituted character of economic processes which are increasingly international in character.

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Migrant transnationalism: Two-way flows, changing institutions and community development between Ghana and the Netherlands

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1 Introduction

Migrants are increasingly leading transnational lives, impacting the institutions² that shape local economies both in their place of residence as well as in their home communities. Scholars of transnationalism argue that advances in information and communication technology, cheaper air travel, and modern capitalist production relations of the past half century have given rise to new and increased flows of people, goods, money and ideas that connect seemingly disparate locations of the globe (Glick Schiller et al. 1995; Portes 1998; Vertovec 1999; Levitt 2001). Although migrants have been linking communities of origin with those of residence throughout history³, the intensity of these contacts, made with greater frequency and speed have resulted in qualitative changes in the way people organize their social lives (Foner 1997) and produce social, economic and cultural processes that cross borders of nation-states. As such, transnationalism brings into question notions of space where social, economic and cultural phenomena are assumed to overlap perfectly on one geographic space, usually a village, region, agro-ecological zone or nation (Mazzucato et al. 2004; Pries 2002).

This paper reports on an interdisciplinary research program conducted at the University of Amsterdam and Vrije Universiteit Amsterdam, the Ghana TransNet program⁴, which uses a transnational perspective to study how migrant linkages with their home country affect the institutions that shape the economies of both their place of residence and their home communities. The program

takes the case of Ghanaian migrants based in the Netherlands and their networks with people back home.

Studies on migrants are of two kinds. There are those that study migrants from the perspective of the developed country in which they live. These studies focus on migrants' actions in the receiving country as testimony of their integration or lack thereof within the country's economy and society (Snel et al. 2004). A second type of study focuses on how migration affects the development of countries from which they come. These studies focus on migrant remittances as a source for development of their home country (Ratha 2003). This paper argues that to fully understand the processes involved in migrants' lives as they relate to creating a livelihood for themselves in the receiving country and their participation in home country affairs, one needs to adopt a transnational perspective, that is, to study both contexts and the linkages that exist between the two contexts.

Much has been theorised about transnationalism (for overview articles see *Ethnic and Racial Studies* 1999 22(2) and Vertovec 2001), yet empirical studies giving equal attention to both home and receiving country contexts are still at a burgeoning stage (Mazzucato 2005). The popularity of the concept of transnationalism has led to some abuse of the term. It is often used merely as a synonym for 'international'. In section two thus, the use and operationalization of the concept in the Ghana TransNet research program is specified, and the resulting simultaneously matched sample (SMS) methodology is described. Section three presents some background information about Ghanaians in the Netherlands. Section four gives examples of empirical results obtained from the program that are arrived at due to the use of a transnational perspective and an SMS methodology. Section five summarizes the main findings.

2 A transnational research program

In the "Ghana TransNet" research program, migrants' simultaneous engagement in two or more countries is directly taken into account in the methodology (Mazzucato 2005). Lives of migrants are researched by studying contemporaneously migrants and the people they transact with, who are located in various nations, be they friends, family, colleagues or others⁵. This we call an SMS methodology.

The program is composed of three projects based in three important nodes of Ghanaian migrants' transnational networks: Amsterdam where most Ghanaians in the Netherlands reside, Accra, the capital city of Ghana where most migrants have lived or passed through, and rural to semi-urban villages in the Ashanti Region of Ghana to which many migrants trace their roots. A fourth, smaller project was based in Kumasi, the capital of the Ashanti Region. The projects investigate how transnational networks affect economic activities and institutions in each of these locations.

The program consists of two phases. First, a network survey based on 17 name-generator questions was conducted among 100 Ghanaians living in Amsterdam from which a sample of 29 networks was selected based on individual characteristics of the migrant (sex, age, wealth and education) and network characteristics (size and density). There exists no baseline survey of Ghanaians in the Netherlands and a large number of migrants are undocumented. The survey was thus conducted by randomly selecting migrants encountered through different gateways (church, community leaders, hometown associations, randomly encountered migrants in markets or at the workplace). The diversity of gateways helps ensure the inclusion of diverse "types" of migrants.

The second phase consists of various research methods employed simultaneously with the members of 29 networks who reside in the three main research locations. This resulted in a total of 115 respondents. First, a transaction study recorded all transactions on a monthly basis conducted in eight domains (housing, business, funerals, church, health care, education, communication and community development projects) during the period July 2003 to June 2004. Second, in-depth interviews were carried out on the eight domains. Third, life histories were conducted, focusing on crisis moments throughout people's lives and how they resolved them. Fourth, observation and

participation in social events were employed in Amsterdam from June 2002 to February 2005 and in locations in Ghana from May 2003 to August 2004.

3 Ghanaian migrants in the Netherlands

The focus on Ghanaian migrants partially fills an important gap in studies on migrants in the Netherlands because these latter studies have almost singly focused on guest workers and people from former Dutch colonies⁶. Both these groups have a much longer history of migration in the Netherlands; however, increasingly new groups are migrating to the Netherlands (van Kessel and Tellegen 2000), which exhibit different dynamics and face different contextual factors than these older migrant groups. Ghanaians are an important group amongst the new migrants. In 2003 there were around 18,000 Ghanaian migrants recorded in the Netherlands (<http://statline.cbs.nl>), but because there are also a large number of undocumented migrants, this number is seriously underestimated⁷.

Ghanaian migrants provide a case study of economic migrants, which differs from the case of Moroccan and Turkish "guest workers" recruited to the Netherlands in the 1960s to help the country deal with a labor shortfall during a period of economic boom. First, guest workers were given official status upon arrival and were part of the state system from the very beginning. Second, they are now of pension age, make use of the Dutch welfare state, and have children already of working age that form the second generation.

The main difference with Ghanaian migrants, and all new migrant groups entering the Netherlands since the 1980s, is that they need to contend with a state that from the beginning, albeit to varying degrees, has wanted to keep them out. They started arriving in the 1980s when the economies of Ghana as well as of Nigeria, where many were working, were experiencing an economic downturn. Most migrants are still in their prime working years, they consist of both women and men and the eldest of the second generation are now reaching high school completion. Furthermore, due to stringent migration policies of the Netherlands, a large number of Ghanaian migrants have "illegal" status. Both the fact that they are a relatively "young" group and that many do not have legal status, means they make relatively little use of the Dutch welfare state.

4 Results from an SMS methodology

Below we expand upon some salient results that represent some new contributions to the literature on migration and that could be investigated with the help of the SMS methodology.

4.1 Two-way flows

Studies on migration and development singly focus on one-way flows: what migrants do for the home country. The exception are studies on the brain drain, or the departure of highly skilled people that lead to a loss of human capital for migrant sending countries (Mensah *et al.* 2005). However, other flows that go from the home country to the receiving country have hardly been studied.

While it is known that people in Ghana help migrants in supervising their house construction, manage their businesses (Smith and Mazzucato 2004) and take care of migrants' children, we have found that Ghanaian migrants also receive services from people in Ghana that are fundamental for their ability to create a living in the receiving country. These services have not been discussed in the literature until now because they are often not visible whereas having a dual focus allowed us to zoom in on them.

Interviews on crisis moments in people's lives revealed that for migrants, crisis events in the Netherlands often necessitate people in Ghana to conduct services for them (Mazzucato 2006a, 2006b). These events are: taking care of paperwork in Ghana in order to obtain residency and working documents for the Netherlands through legal channels, finding a marriage partner to obtain documents in the black market having failed getting them through legal means, retrieving money from a marriage deal gone wrong and getting out of prison. Each of these events requires a service in order to resolve the problem. Finding a marriage partner necessitates having people in one's network who know an eligible and trustworthy candidate and can negotiate the deal. Getting good advice on a candidate results in avoiding a marriage deal gone wrong. Such people in advisory roles can be both located in Ghana or in the Netherlands.

In the event of a marriage deal gone wrong, one needs intermediaries to mediate between the migrant and the marriage partner to try to put pressure on the marriage

partner to return the money that was paid to him. Also in this case, mediators can be located in Ghana or in the Netherlands. Even when mediators are located in the Netherlands, they are most effective when they can exert pressure on the marriage partner through his or her network members in Ghana. An example is Harvey, at the time under the age of 18, who had arranged to be adopted⁸ by a Ghanaian man living in the Netherlands. After paying Euro 4,000, or half of the agreed sum, the man left the Netherlands. Harvey's parents in Kumasi visited the family of the potential adopter and through them, were able to exert pressure on the man to return the money. After two years, Harvey's parents succeeded in doing so.

Getting help to be released from prison also requires various services. Some services are conducted by network members in the Netherlands such as contacting a migration lawyer and making sure the case gets handled with rapidity. However, there are other services that are deemed equally important, if not more, having to do with religion and invoking the help of a powerful pastor who may help them get released. Pastors in Ghana are reputed to have special powers especially for migration issues. One respondent, who was put in jail in the course of the research, asked her father and mother to attend a prayer camp of one such pastor in Ghana to help her with "her problem". Her father and mother went to the prayer camp for two weeks where they fasted and prayed all day and made financial donations to the pastor. Shortly after this event, the respondent was released from prison. Another respondent obtained the same services from her mother to help her with obtaining her papers as she had been waiting over 10 years for them.

Services from people in Ghana are also needed to obtain papers through legal channels. Requirements instituted in 1996 by the Dutch government regarding the legalization of birth certificates⁹ necessary to obtain a long-term visa, were virtually impossible to fulfill in a country such as Ghana where the registration of births only recently became common practice. This pushed visa applicants to amend and create documents in order to provide the necessary documentation, giving rise to a booming economy of detectives (on the part of the Dutch embassy) and counter-detectives (on the part of migrants), the former trying to discover inconsistencies in applications, the latter helping migrants to make sure their documentation was consistent. These counter-detectives are people in a migrant's network who wait in lines (often for days at a

time) at the Dutch embassy to get and hand in the appropriate forms or collect visa verdicts, make appointments at various Ghanaian institutions to pick up documents, to make sure records give consistent information, to change records if they are inconsistent and finally, to follow the detective from the embassy around to make sure that he receives the same information as that which was put on the application form.

All of these services result in thousands of hours that people in Ghana spend on conducting services for people in the Netherlands as a consequence of Dutch migration policies. These are hours that people take out of their other productive activities. Research interested in calculating the costs and benefits of migration should take these activities into account. In our own research, these services have emerged as a finding that we had not anticipated beforehand. We have identified them and have gotten information attesting to their importance for the ability of a migrant to create a livelihood in the Netherlands. Given stringent migration policies in all European Union countries, we believe this to be a more general finding. Future research is needed in order to try to quantify these services, for example through time allocation studies, in order to conclude about the prevalence of these services.

4.2 Changing institutions

A prime example of an institution impacted by transnational dynamics is funerals. Funerals are multi-sited events in which migrants overseas play important roles in the organization, financing, and practice of ceremonies. As a result, funeral practices are adapted in the home country to accommodate and include transnational elements. Furthermore, funerals are moments of intense exchange and redistribution of resources (time and money) within communities (Berry 2001; Goody 1962). At the transnational scale, this results in flows of goods, money and people that have an impact on different economies around the world.

Migration and development studies that take a quantitative approach to remittances generally ignore funeral remittances (Black *et al.* 2003; Russell 1986; Taylor 1999) partially due to a 'western' bias not to consider funerals as also having an economic component. Funerals are predominantly conceptualized as cultural rites and have thus been almost exclusively studied by anthropologists. Furthermore, the nature of funeral spending is fragmented

over time, space and different people, making it difficult to collect quantitative funeral data with one-off questionnaires (Mazzucato *et al.* 2005).

We studied the case of a funeral held in one of the research villages of a family member of one of the migrants. Being located simultaneously in the main nodes of activity relating to the funeral, we were able to follow the flows of money and people around the world that this funeral engendered (Mazzucato *et al.* 2006). To our knowledge, this has not been done before.

Funerals are one of the main ways in Akan¹⁰ culture to gain prestige and respect for oneself and one's extended family. The scale of and performance at a funeral determine whether prestige or shame is bestowed on the family of the deceased person (Van der Geest 1995, 2000; De Witte 2001: 24-29). It is thus of great importance to have a grand funeral in one's hometown. However, in order to accomplish this, one has to have the approval of village elders and the extended family. For a migrant, this approval depends on being perceived as having helped the family and/or community through the remittances he was able to send during her migration period.

Thus many financial and material resources are dedicated to funeral ceremonies, which last three days, with hundreds, sometimes thousands of guests, entertained with food, drinks and live music. In fact, the more money people have, the more they spend on funerals. Families with migrants overseas are reputed to have the most grandiose funerals. Indeed, the two cases of a migrant from our sample having to organize the funeral of a close family member showed that it involves considerable amounts of money. One migrant spent 4 times and the other 7 times her monthly income. Other cases encountered in the Ghanaian community in Amsterdam confirm these findings.

The case we followed in detail showed that virtually all the costs of the funeral were born by the migrant in the Netherlands who spent approximately Euro 6,500 on this event (Mazzucato *et al.* 2006). Following where and on what the money was spent, the largest amount, 40%, went to businesses based in Accra such as a printing press, T-shirt factory, mortuary, coffin maker, ambulance services, dancing company, paint seller, undertaker, video production company and transport company. A further 20% went to businesses in Kumasi such as a chair and mattress rental establishment, tailors, liquor stores, cement sellers and

transport services. Twenty percent went to village businesses such as a bar, vegetable and meat sellers, and local brewers. Importantly, one fifth of the money spent on this rural funeral went to national and multinational companies such as Vlisco, KLM, Guinness, Coca Cola and calling card companies, making this rural funeral have a transnational impact.

The research also followed the interactions between migrants, their network members and their home community. In the community people, businesses and organizations mobilized themselves in such a way as to appropriate as much of the funeral funding as possible. Villagers hosted and fed funeral guests and then put in claims for reimbursement to the funeral organizers, amounts that the organizers felt to be slightly inflated. Local bars increased their inventory in order to serve funeral guests and earned on the funeral weekend the equivalent of four months' worth of income. The local church organized a special collection during the funeral and earned 15% of its annual earnings in donations.

Migrants on the other hand, needed to borrow money from their network members based in the Netherlands in order to finance the funeral. They also collected two large boxes worth of second-hand clothing to cater to the expectations that they bring gifts to all. They also arranged with their network members in the Netherlands, for them to substitute them in their house-cleaning jobs so that they would not lose these jobs during their absence.

In return, migrants earned respect as well as rights for themselves and for their extended family in Ghana. Berry explains about funerals that "in coming together to honour the dead and share funeral expenses, people assert claims to family membership and the right to share in the enjoyment of family property" (Berry 2001:111). In this case, the migrant who mainly funded the funeral, the eldest sister of the deceased, has established her right as an important member of the extended family and essential family matters must now also be discussed with her. Her large investment in the funeral is a way for her to re-establish and legitimize her position within the family and home community despite the great geographical distance separating her from them.

Migrants thus are actively engaged in their home countries ultimately impacting the lives of their network members as well as the communities where they come from. One of the main reasons for them to remain engaged is

the respect that is earned through having a grand funeral back home for oneself and one's extended family members. A grand funeral is dependent on the migrant's remittance-sending behavior and her contributions to the funerals of extended family members.

4.3 Community development

Remittances from migrants to developing countries have received increased attention since the end of the 1990s. Remittances outstrip foreign aid. Increasingly, thus it is recognized that remittances are an important source of development financing. Development organizations such as Oxfam, or Dutch bilateral organizations such as Cordaid, ICCO and Nuffic (the Dutch branch on Oxfam), recognize that remittances have a more direct effect, as migrants use their linkages with home communities and regions to channel their aid. This interest has given rise to numerous studies on projects that migrants finance through hometown associations, churches or other community organizations that they organize in the country in which they reside (Henry and Mohan 2003, van Hear *et al.* 2004, Lopez *et al.* 2001). However, few studies actually evaluate the effectiveness of such initiatives by going to migrant hometowns and studying the effects of the development projects financed by migrants. Being situated in both receiving and sending contexts, we looked into this issue by studying migrant-financed initiatives both in terms of what they require of migrants as well as how they are carried out in migrant home communities (Mazzucato and Kabki 2006).

In Amsterdam alone there are more than 20 Ghanaian hometown associations. The main objective of these hometown associations is to help members in settling in the new country. When an association is well established and its members are no longer living from hand to mouth, it is common for members to organize special collections for a development project in their home area. Such projects range from building a school, clinic or market, to bringing electricity to a village, from collecting and sending medical equipment or school materials for hospitals and schools, to helping build asphalt roads connecting villages to major centers.

Hometown associations can only be created when there is a sizable body of migrants from that area. Associations in Amsterdam have anywhere between 10 to over 200 members; however, the number of active members is

substantially lower. Not all migrants are organized in associations. This is especially the case of migrants coming from small villages. Yet they too engage in financing development projects. One case we studied was of migrants from one village, who are scattered around the world (the Netherlands, US, UK, Germany and Italy). They organized a special collection to raise funds for the electrification of their village after a village leader had contacted one of the migrants. Together they raised Euro 5,000 and sent the funds to the village development committee.

A rapid appraisal survey of 26 communities in the Ashanti Region (Kabki et al. 2004) showed that migrant support is not evenly distributed among communities. Some communities succeed in obtaining support from migrants for development projects, while other communities, received little to none at all. Size seems to explain the differences between communities, with smaller communities (between 3,000 to 7,000 inhabitants) securing far more migrant support than mid to large communities. We explored why size made a difference.

Size accounts for various characteristics relating to both the hometown community and migrants. On the migrant side, we found that large associations, although they are those with more funds available, were prone to internal rivalries and disputes. By the same token, on the hometown side, these funds from large associations were more likely to be squandered or spent in ways that were non-transparent, eliciting distrust of migrants towards the hometown leaders and thus the discontinuation of a project. Large associations aim for larger projects because they have the means, because the hometowns are larger, often regional capitals, and thus can host larger projects such as a hospital, making the stakes to be had by squandering funds greater. Furthermore, because projects are large, organizational and management skills are necessary, but not always available. Finally, large projects bring greater prestige, and therefore more power struggles, than smaller projects. Projects tended to be thought up by the association members overseas and then delegated to the home community; thus a top-down approach. In all cases of projects in the three medium to large communities that we studied, all of which have an association in the Netherlands, the projects were abandoned and never reached completion.

Smaller communities, instead, have migrants who are not organized in associations, or in very loose associations (for example with no constitution, no voting for association

positions, etc.). Not having many migrants, the funds raised are moderate, and the projects funded are lower profile than those in bigger communities. In the cases we studied, there was always a very strong tie between migrants and home community leaders. Migrants were still oriented towards their home community as they were still susceptible to possible sanctioning from the home community. These stronger linkages between migrant and home make it easier for the home community to place a request. Thus, the projects were based on a bottom-up approach. The projects studied in these smaller communities reached completion or were still actively working towards completion.

These findings indicate that migrant-financed development projects are not a sure recipe for successful development projects, as is assumed in the new mode of "doing development through migrants" propagated by many development organizations. There are various issues to be considered when development organizations join forces with migrant associations. First, development organizations need to cater to the needs of smaller-scale projects relative to large-scale ones. This may mean having to adapt modes of administration and accountability as the paperwork required by development organizations are often not realistic for a small-scale project. Second, development organizations need to realize that migrants constitute a group with its own interests and objectives, which has consequences for the distribution of power at the local level both amongst migrants in the West, and amongst groups associated with migrants in the home communities. Finally, national level data for Ghana show that most remittances are received in central and southern Ghana, while the poorest live in northern Ghana (Mazzucato et al. 2005). This should trigger a bell for development organizations: financing migrant-initiated development projects may not be working towards their goals of equity and distribution. It is important that development organizations first study the distribution of remittances in the countries where they operate in order to determine whether migrant-initiated projects help achieve their distributional objectives or do the opposite.

5 Summary

Simultaneity and networks are two aspects that theoretical literature identifies as distinguishing transnationalism from other areas of study. Ghana TransNet is the only research program to date that has operationalized these

concepts by studying different locations *simultaneously* that are connected by the flows between migrants and their network members. This article reviews some of the findings that came out of using an SMS methodology.

First, transnational flows between migrants and network members back home are two-way flows. Migrants indeed send remittances back home, as is emphasized in migration literature, but they also receive many services from network members at home that are necessary for migrants to be able to make a living in the receiving country. We have identified these services. Further research is needed to quantify them to determine their prevalence and whether they have a positive or negative impact on the home country economy.

Second, transnational flows impact the institutions guiding economic behavior both in the receiving and home countries, resulting in changing institutions. One such institution is funerals in Ghana which absorb much time and resources - increasingly so as migrants become the main financiers of funerals. At the same time, funerals are one of the main reasons why migrants remain engaged with their home communities and continue to send remittances there.

Third, the program followed migrant-initiated development projects by looking at both the migrant associations and the home communities where the projects are implemented. Not all initiatives are equally successful, nor are all communities equally able to attract migrant financing. It is important for development organizations to understand the dynamics behind migrant development initiatives and realize that these do not necessarily concur with the organization's objectives of equity and distribution.

Endnotes

1 This paper reports on results of a collaborative research program between the University of Amsterdam (AGIDS), Vrije Universiteit Amsterdam (AOE), Amsterdam Institute for International Development (AIID), and African Studies Centre Leiden, in the Netherlands and the Institute of Statistical Social and Economic Research (ISSER), in Ghana entitled 'Transnational networks and the creation of local economies: Economic principles and institutions of Ghanaian migrants at home and abroad' (Nederlandse

Organisatie voor Wetenschappelijk Onderzoek (NWO) grant number 410-13-010P).

2 Institutions are defined similarly to North (1990) as those commonly held categories such as rules, laws, or norms of conduct that guide people's actions and define the structure of economies.

3 Some authors (Pries 2002, Portes et al. 1999) give examples of transnational phenomena that pre-date the revolution in information and communication technology: 17th and 18th century artists, scientists and aristocrats in Europe whose existence entailed traveling constantly throughout Europe; transnational networks of Muslim scientists in the 18th century; Venetian, Genoese and Hanse merchants throughout medieval Europe; and Portuguese, Dutch and English commercial representatives engaged in international trade during successive stages of the European colonisation of Africa and the Americas. However, a critical and historical assessment of different waves of migration in New York (Foner 1997) argues that although the phenomenon can be traced in different periods, recently, new processes and dynamics are in place.

4 www2.fmg.uva.nl/ghanatransnet.

5 Transactions are defined as communication (through telephone, post, cassettes, physical travel, or computer) or movement of goods or money.

6 Important exceptions are Gorashi (2003) and Koser (1997).

7 A reliable estimate of total Ghanaians in the Netherlands in 2000 is 40,000 based on Ghanaians in the Netherlands who registered to vote for the presidential elections in Ghana in 2000.

8 Although less common, adoption was also a way to obtain residence and working permits. Respondents have indicated that it is now more difficult for these adoptions to work. Indeed most cases encountered were of marriages.

9 In September of 2004 the Dutch *Raad van State*, or Supreme Court, declared this practice to be against the Dutch constitution and it was subsequently abolished. However, the application of a long-term visa continues to be a process in which the help of people in Ghana is necessary.

10 One of the major ethnic groups in Ghana that comprises the largest number of Ghanaian migrants in The Netherlands (Nimako 1993) and which traces its roots predominantly to the Ashanti Region.

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Globalizing restricted and segmented markets. Challenges to theory and values in economic sociology

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The efforts by the world's most powerful corporations to develop global markets have spawned a substantial sociological and economic literature on how transnational markets form, what stages characterize market development, and what rules of exchange are most effective. As the authors of a prominent article put it, "the central question is...what kinds of rules and structures promote market activity and what kinds stifle it" (Fligstein and Stone Sweet 2002:1212). Such a goal assumes market activity to be a *per se* good, part of the grand globalization blueprint for a better society. But as Robert Merton emphasized throughout his writings, such grand purposive actions may have unintended consequences and serve latent functions or dysfunctions.¹

One reality that needs more attention is the concealed goal of using "globalization" to restrict free trade by requiring all participating nations to accept the longest and strongest patent and copyright protections from free-market price competition, usually many years longer than deemed necessary by those trading partners (Drahos and Braithwaite 2002; Sell 1998; Sell 2003). Other terms of globalizing trade agreements have had the unintended or side effects of eliminating jobs, increasing unemployment, increasing inequality, increasing violent personal crimes, and weakening economic actors in global markets, structured largely around the interests of large corporations (Portes and Roberts 2005). Massey et al. (2002) have analyzed the deleterious effects of segmented labor markets as part of NAFTA. These darker sides of so-called free markets (a sociological impossibility) require a more skeptical and complete research agenda that analyzes how all relevant parties are affected.

Being co-opted by economic terms

One impediment to good theory and research is using terms like market, capital, property, and competition uncritically, as if they were natural and obvious. In so doing, sociologists miss the opportunity to employ one of sociology's most valuable contributions – the critical examination of how social groups and institutions construct language and reality (Portes 2000). The term "competition", for example, embodies the radical proposition that if all parties pursue their own best interests, the results will benefit everyone, and the wealth of nations will increase. As used by economic sociologists and economists, "market competition" is tacitly preceded by "beneficial." Pursuing self-interests also fosters distrust, exacerbates inequalities, and dismantles communities.

Competition can only benefit society under strict conditions designed to limit the clever, untrustworthy actions of autonomous individuals and channel them to benefit others (Light 2000). There must be many buyers and sellers whose relations are independent from one another so that market transactions cannot be influenced by one or more parties over other. There must be complete and free information on everything buyers need to know to buy smart and drive the value chain. Trades must clear quickly. Easy entry of new competitors and prompt exit of unsuccessful competitors are essential. Even if all these conditions are met (and they usually are not), *caveat emptor* rules the market, and competitive actions require constant monitoring. Perhaps the most important requirement for sociologists is that there be no "externalities," an economic term which might be defined as effects on groups, organizations, institutions, or the environment not specifically part of what is being bought, sold or contracted for.

Research on the externalities of globalization would provide the kind of holistic assessment necessary for truly beneficial economic policies to be developed. While advocates of globalization invoke this vision of beneficial competition and ostensibly seek to break down trade barriers, they often do so in ways that concentrate market power in the hands of large corporations and the governments beholden to them (Sell 2003; Stiglitz 2002). Thus one must look quite concretely at who benefits, who suffers, and how the fabric of family, community, and urban life are affected. The central research question, then, is: What kinds of rules and structures promote what kinds of market and organizational activities; and what effects do these have on parties affected by them?

When one or more of the strict conditions are not met for competition that benefits society as a whole, economists call it "market failure." But market failure is not like engine failure. The market does not sputter and roll to the side of the road. Rather, it roars ahead, with sellers able to exploit buyers and consumers. I suggest this be called *pernicious competition* and undertake empirical research on its macro and micro forms. The ten conditions for beneficial and pernicious competition in Figure 1 provide a research framework for measuring the structural specifics of each condition and the effects on all relevant parties for different domains of globalization, particularly on "externalities" such as the family and economic security.

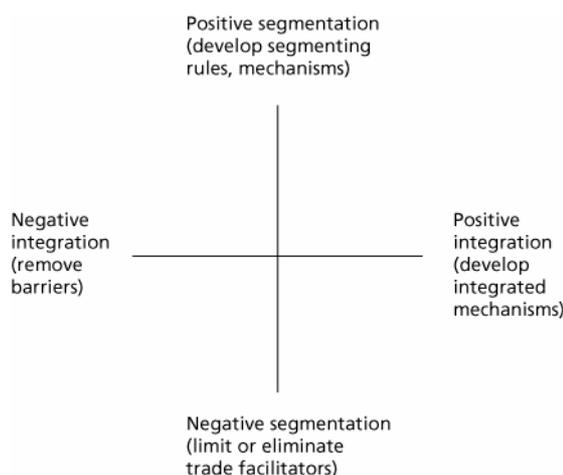
Figure 1
Structural and organizational features
of beneficial and pernicious competition

Conditions for Potentially Beneficial Competition	Conditions for Potentially Pernicious Competition
Many buyers and sellers	Few buyers and/or sellers
No relation to each other	Historical, cultural, overt, covert ties
Can purchase from full array of providers	Purchase from limited array
No barriers to enter or exit	Barriers to entry and exit
Full information on prices, quality, services	Partial, incomplete, garbled, or unreliable data
Information is free	Information, searching, cost
Buyers seek to maximize their preferences	Buyers often muddled, distracted, conflicted
Market signals quick; markets clear quickly	Market signals & change are slow, muddled
Price conveys all buyers need to know	Price conveys little that buyers need to know
No externalities. No harms (or benefits) to other parts of society not captured in market transactions.	Externalities, often by design, in the market, services or products.

Globalized market segmentation

Globalization research and theory needs to recognize that while theorists of globalization write of negative and positive forms of market integration (Fligstein and Stone Sweet 2002; Scharpf 1996), there is also negative and positive segmentation of markets. If negative integration involves removing barriers, negative segmentation involves removing facilitators to freely traded goods. If positive integration refers to improving or creating facilitating mechanisms, positive segmentation refers to improving or creating obstructing mechanisms. It is useful to visualize these, as in Figure 2.

Figure 2
Globalization: mapping integration and segmentation of markets



An example of these processes is the growing number of Free Trade Agreements (FTAs) being negotiated by the United States government with its trading partners. Alert readers will wonder why one country is negotiating its own trade agreements in the name of globalization, especially when that country's industrial and government leaders played critical roles in setting up the World Trade Organization and global rules of trade (Sell 1998)? This question has not escaped notice. Essentially, the world's more powerful gatekeeper to the world's richest and largest market is telling other countries, on behalf of its largest corporations, how they should structure their own domestic markets as well as how they should trade. This new round of bilateral FTAs was created to embody revised concepts by U.S. industries of how markets in other countries should be structured and how their laws or regulatory agencies should be changed. Research into why the

leaders in each industry thought existing rules promoting global free trade were not working as expected, and what changes they put into the new FTAs, would be original and insightful. To what extent do FTAs solidify a transnational capitalist class (Robinson and Harris 2000) and constitute new rules of governance (Murphy 2000; Stiglitz 2002)?

One example of negative and positive segmentation is the terms in the new FTAs pertaining to patented drugs. First, they limit or eliminate existing terms and practices that allow patent drugs at lower prices to be exported to the U.S. market or allow the trading partner to import cheaper versions from countries like India and Brazil that produce high-quality drugs at low cost. Besides this new international ring of legal barriers, the new round of FTAs require countries to alter their price-setting boards for greater participation by drug companies. Third, they extend protections from normal price competition beyond the 20-year patents, "a period so long that few economists of repute can be found who would call it efficient..." (Bhagwati 2004:184). This forces trading partners to charge their own patients and health care systems higher prices for several years longer. Longer protections from free-market price competition allow companies to fix or set prices when they otherwise could not. Thus price-fixing, which violates U.S. anti-trust law, becomes legal. Sociologists have missed this point when studying the differences between illegal, informal, and legal markets – that powerful corporations can simply change the law to make formerly illegal practices legal – in this case not only for one country but for all trading partners who are asked (or rather, told) to sign an FTA. Thus "free trade" means ensuring that multinational companies such as Pfizer or a Merck are free to trade their patented products where, when and at what prices they like. (If some readers think this is what patents are supposed to do, they need to understand what rights patents do and do not give to the holder.)

To summarize, the new FTAs institute "rules and structures [to] promote market activity..." (to quote Fligstein and Stone again), but of a pernicious kind between global corporations with monopoly rights and what are usually small countries who must give up their rights and laws if they do not conform with what the United States Department of Commerce regards as compatible with their revised concept of "free trade." The ethical issues are substantial when the products involved are drugs for treating patients with cancer, diabetes or HIV-AIDS, and

the prices in segmented markets can be 50 times greater than in the global market. For example, according to the international NGO Médecins Sans Frontières, the price of AZT for AIDS patients in Central America under its new FTA could rise from about \$200 a year to \$10,000 per patient-year (Médecins Sans Frontières 2003).²

De-mythologizing the global segmentation campaign

My investigation into the new requirements to extend protections from free price competition, to prohibit exporting such drugs, and to weakening the regulatory bodies that oversee the internal markets for prescription drugs was prompted by alarms sounded by medical teams who treat patients with AIDS, cancer and other deadly diseases. They petitioned and protested that if the FTA for Central America (called CAFTA) were signed, vital drugs would no longer be affordable. There are 1.9 million people living with HIV/AIDS in Latin America and the Caribbean. According to Médecins Sans Frontières, competition from generic forms of patented drugs have reduced prices by 80 to 90 percent in countries where they have been allowed to flourish (Médecins Sans Frontières 2003).³ The most successful program has been in Brazil; but had the current FTA been in place, "...it is doubtful that the program would ever have been possible and Brazil may not have been able to achieve its spectacular success: 90,000 AIDS deaths averted, 60,000 cases prevented, and 358,000 AIDS-related hospitalizations avoided between 1996 and 2002, leading to government savings of more than US\$ 2 billion during the same period" (p. 8). As FTAs were being rolled out in 2002-03, the AIDS group Health GAP wrote: "The new rules would far surpass the standard already established [for protecting IP rights of pharmaceutical companies] by the World Trade Organization's Agreement on Trade-Related Aspects of Intellectual Property Rights" (Health GAP 2003).

Americans have been up in arms against the high prices they pay, and they have been crossing borders or using the internet to buy patented drugs more cheaply – free trade made illegal by previous laws put in place. Their organization of voice extends Albert Hirschman's concept in *Exit, Voice and Loyalty* in sociologically original ways (Light, Castellblanch, Arrendondo, and Socolar 2003). Industry leaders protest that such actions threaten their budgets for research to discover breakthrough new drugs to reverse disease and postpone death. As GlaxoSmith-

Kline's motto puts it: "Today's medicines pay for tomorrow's miracles." As a result, prominent government leaders, such as the Director of the FDA (Food and Drug Administration) and the Under-Secretary of Commerce, vigorously argued on behalf of the pharmaceutical industry that the prices in the other major research countries (8 major ones) do not cover their huge R&D (research and development) costs, so that they are "free riders" on Americans and cause American prices to be higher. Thus FTAs are needed to stop exports at lower prices at their sources. Notice that profits are not the issue here but creating "fair markets" so that everyone shares the global burden of corporate R&D to benefit humankind. Hold that thought, because research into this widely believed account has documented how each claim is contradicted by the best available evidence, including industry data. For example,

■ European prices allow companies to recover all European R&D costs every year, with profits. There is no free riding nor any good evidence that lower EU prices cause higher US prices (Light and Lexchin 2005).

■ Pharma R&D investments in Europe have been rising for years, not falling. European R&D is robust and discovers new molecules.

■ The free riding argument makes no economic sense in the first place for products sold worldwide. It is an example of myth-making on an international scale.

■ US prices are higher just because they are allowed to be in price-protected US markets, which industry advocates characterize as "free markets." Uniquely, companies raise these prices each year as new drugs get older.

■ Drug companies average 12% of revenues for R&D according to the US National Science Foundation's cross-industry data, not the 18% that the pharma industry has consistently cited for the past 10 years. Net of tax subsidies, the figure is about 7.4%, and about 1.3% of sales is budgeted for basic research to discover "tomorrow's miracles."

■ 85-89% of "new drugs" and "innovations" are judged to offer little or no therapeutic advantage over existing drugs. Drug companies are discovering very few breakthrough drugs.

■ 84.2% of global funds for basic research to discover new drugs come from public sources (Light 2006). Global policy should capitalize on this, and markets for vital public goods need to be designed and promoted. (Here is a creative opportunity for economic sociologists.)

Alert readers will have noticed that the free-rider argument has little if anything to do with any country in Central America, or Latin America, or Africa, or Asia (save Japan), or Eastern Europe, because R&D is concentrated in a small number of affluent countries. That is, CAFTA and FTAs to other countries with millions of patients suffering from life-threatening diseases are using an irrelevant and false argument to segment market structures and restrict access to those who can afford higher prices. The medical teams from Médecins Sans Frontières and other organizations are right: sick patients will suffer and very sick patients will die. But that is an "externality." It literally is not part of market interactions. Even the distinguished champion of globalization, Jagdish Bhagwati (2004:182-90), turns livid when he describes how pharmaceutical executives worked with U.S. government officials to force Mexico to agree to intellectual property protections (IPP) as a condition to their being admitted to NAFTA, the North American Free Trade Agreement. They then pressed to make IPP a pillar of globalized free trade and the WTO. This is "turning it away from its trade mission and rationale and transforming it into a royalty collection agency." Now every other special interest wants to have its privileged terms enforced by trade sanctions too, writes Bhagwati. Outside of the unique case of the EU, is market restriction and segmentation rather than integration a growing covert goal of globalization? New careers in economic sociology could be launched around this question.

Reconceptualizing global public goods

Treating drugs for seriously ill patients as private goods and the object of market segmentation raises a deeper issue to which economic sociologists could contribute: what is a public good? The term has been defined by economists in a way that obscures – even excludes – the deep moral nature of such a term and conceals the ways in which such goods are sociologically constructed. As the *Encyclopedia from the Library of Economics and Liberty* (they go hand in hand!) explains, public goods such as a firework display cannot exclude nonpayers and can be consumed by anyone without reducing the consumption by others (Cowen 2006). The strong implication is that

anything else without these two attributes is a private good. But what about goods and services like essential medicines that have neither of their technical qualities but are vital to the public? If they are not "public goods," what are they? The term public good prevents us from having a word for goods and services deemed vital to a well-functioning and good society that are not technically what economists call public goods. Let me suggest that we introduce *vital public goods* as distinct from *technical public goods*, so that economists do not capture public discourse and leave those concerned about healthy communities speechless. Comparative and historical research can identify how different societies defined what they regarded as vital to their vision of themselves and how this changed over time.

Distinguishing between vital and technical public goods leads to a sociological insight about the latter: they often are not *inherently* non-rivalrous and non-exclusive but socially and economically constructed to be so. A fireworks display can be in a stadium and not too high, or in the town square. Fire and police departments are often considered as examples of pure public goods. But fire brigades used to work by private subscription, and private policing has a long history as well. Public schooling, much of sanitation, potable water, garbage collection, health care services, and certainly drugs are technically *not* public goods, except to the extent that they get socially constructed by societies so they work in non-exclusive, non-rivalrous ways. This raises the danger that a hidden goal of the parties involved in globalization – even a requirement under WTO rules and governance – is to privatize vital public goods such as these (Pollock and Price 2003). Here is a major contribution that economic sociologists can make: to study the historical construction of vital public goods and what would happen if they were re-privatized. It is high on the agenda of companies like Halliburton over the next decade. In the case of drugs, many people might consider the carefully developed list of what the World Health Organization calls Essential Medicines as vital public goods, even though they are not technically public goods. If an economist then says, "You know, they're not really public goods," one can reply, "You're right that they are not technical public goods, but they are vital public goods." This puts economists' use of "public good" just about where it belongs and economic sociology where it belongs, using its larger analytic frameworks to provide critical assessments of both planned and unanticipated, and manifest as well as hidden aspects of markets

in order to report on how they affect *all* parties and the quality of societies as a whole.

Endnotes

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1 In his extension of Merton's analytic framework, Alejandro Portes (2000) adds four other possibilities pertinent to good research on globalization: concealed goals to achieve covert ends, emergent means and altered outcomes, backfire or results contrary to those intended, and unexpected changes that facilitate outcomes or frustrate them.

2 Under years of protest and pressure against initial WHO terms for IP protected products, concessions have been made when a country declares a public health crisis, though what constitutes such a crisis and how often exemptions would be made are unclear.

3 Readers may need a sense of proportion. Based on international data, it appears that a year's supply of AZT can be manufactured for \$100-150. Although nearly all the research and development was paid for by the public, US prices were launched at \$10,000 and have been held to that level. Thus a 90% discount is \$1000, 6-10 times cost.

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Getting the FCC auctions straight: a reply to Nik-Khah

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Eddie Nik-Khah and I have had several very interesting and constructive exchanges during the last couple of years, and my impression was that only relatively minor disagreements remained. Reading his paper in this journal (Nik-Khah 2006) largely confirmed this impression, but a couple of important issues are still worth discussing. They have to do with the so-called “performativity” approach in the (new) social studies of economics, and with the differences between this approach and more traditional studies like Nik-Khah’s.

Before I get to that, however, let me summarise briefly the state of art. In 2001 I published an article in the journal *Studies in History and Philosophy of Science*, focusing on the design of the auctions for spectrum licences for mobile phones and similar devices, run in the mid-nineties by the Federal Communication Commission (FCC) in the US. That paper was part of a larger project on the methodology of experimental economics, a booming research programme that is changing the landscape of mainstream economics. I found the auctions case fascinating mainly for two reasons: first, because the economists involved seemed to tackle effectively the most challenging problem faced by experimental economics, namely the “external validity” of their laboratory results. If markets in the real world are admittedly rather different from those that experimenters study in their laboratories, how can experimental results be extended to real-world circumstances? The obvious thing to do is to change the world so as to make it more similar to the lab conditions where our “toy” markets seem to work so well. I say “obvious” because this is what physicists, molecular biologists, etc. do all the time;¹ only social scientists are for some bizarre reason expected to predict what happens in extraordinarily complicated and uncontrolled circumstances.

The second fascinating feature follows quite naturally: experimental economics and its applications resemble rather closely the “sciences that work”. Despite some valiant attempts, the incursions of STS (Science and Technology Studies) scholars in economics always conveyed the distinct feeling that they were dealing with dodgy science.² This is easily explained: when the “materiality” of science (apparatus, materials, data) offer only minimal constraints – as they do in most economics – political interests, personal authority, rhetoric, and so forth are bound to play a larger role in the determination of scientific and technological outcomes. In contrast, when economists operate in the laboratory and enjoy some of the powers of manipulation, negotiation, etc. that are granted to natural scientists, they look much more like “good” scientists (surprise, surprise!).

These were the intuitions behind the 2001 article, which was constructed around a simple argumentative structure: philosophers take natural science seriously because the natural sciences “work”. In order to have a serious philosophy of social science, we must look at social science that “works”. So let’s look at one of the few applications of rational choice theory that are almost universally hailed as a big success. Now it turns out that achieving such a success was an incredibly messy process, and it is not even clear how rational choice theory could legitimately get all the praise for the final product (the FCC auctions). If the auctions “worked” it wasn’t certainly thanks to game theory only. Moreover, even if the rational choice approach broadly conceived (theory plus experiments) “works”, it does so in very special circumstances – those circumstances that have been artificially created so as to make it “work”.

This line of argument had many possible (and in my view quite obvious) targets: theory-based philosophy of social science (especially the philosophy of rational choice theory); attempts to hail the FCC auctions as a success for game theory, where in fact they were a typical example of a theoretically non-tractable problem; attempts to present the auctions as a demonstration of the power of the rational

choice approach, where in fact it demonstrated how narrow its domain of application is likely to be; but also instrumental interpretations of the theory (*à la* Chicago), because the FCC design process demonstrated the importance of interpreting realistically many important features of rational choice models.

I have put “works” between quotation marks because I want to be neutral about what it means for a scientific research programme to work. The main point is that in the FCC case economists engaged in something resembling proper science (or technoscience). The reader is free to interpret it as he/she likes: “scientificity” is a complex thing, and it does not necessarily mean “science as advertised by the scientists themselves” or “science as conceived by a logical positivist philosopher”. It may well mean “science as STS scholars have described it”, in all its richness and complexity. This does not mean that I subscribe to all the claims that STS scholars routinely make about science, either – I am probably more conservative on philosophical matters than many sociologists. The point is rather that my argument was predicated on minimal assumptions, and indeed could even be introduced by a big “if”: *if* this is the most successful application of game theory to date, well, look how limited game theory turns out to be.

Much of this was admittedly implicit in that paper, but I think that most readers got the message. In fact the paper attracted a remarkably wide audience, well beyond my expectations. The fact that sociologists like Michel Callon and Donald MacKenzie found it interesting speaks volumes, in my view, about the rather weak assumptions lying behind that article. The fairly vague gestures that I made towards performativity also helped of course. At the time of writing the article I had long conversations with my senior colleague Barry Barnes on the ontology of social reality, which explains the brief remarks on reflexivity and self-reference at the end of the article (Guala 2001, pp. 474-5). If I remember well, I had just completed a semi-final version of the paper when I had a chance to talk to Donald MacKenzie, who was then in the early stages of his project on the economics of finance. I had also read Michel Callon’s (ed. 1998) volume, and even participated in a workshop organised to launch the book, but at the time I spectacularly failed to appreciate the interesting aspects of his project. At any rate it was not totally by chance that those brief remarks appear in the article, even

though the article was not primarily intended as a contribution to the budding performativity literature.

This is only to highlight the serendipity of the whole story, *not* to say that I disown those remarks. Quite the contrary, I have since then become more involved in the debate on performativity, which I have found increasingly interesting and promising (indeed I hope to do more research in the ontology of social science in the future).

Apologies for the overly autobiographic style so far: I promise that it’s relevant for understanding the following remarks on Nik-Khah’s paper. Nik-Khah presents his paper as a critique of the “performativity account” of the FCC story, when in fact it’s at best a critique of my 2001 account. As I will show shortly, there isn’t a single element in his story that refutes or is incompatible with the thesis that performativity is an important phenomenon in economic engineering and market design. The only target hit by Nik-Khah is the “Research & Development” (R&D) narrative of the FCC auctions, which constitutes the main thread of most “official” accounts and is also implicit in much of my 2001 article. The R&D story begins with the government exogenously setting a set of goals, and proceeds with the FCC and academic economists working together to find a solution that will achieve these goals, given a series of (partly predictable, partly unexpected) obstacles and constraints. Nik-Khah does an excellent job at showing how this narrative overlooks an important part of what happened. In particular, it does not shed light on how the goals set by the government were modified, indeed almost entirely changed, by the FCC and the consultants so as to fit their agenda. The other aspect of the story that is left in the dark is the role played by the Telecom companies in directing the consultants’ work, and hence the format of the auctions.

Performativity has got nothing to do with this. Changing the goals into something that you think you can deliver is indeed a very sensible thing to do, from the point of view of a “performing” engineer. This is a confirmation, not a refutation of the performativity view. So when Nik-Khah writes that “the performativity narrative ... gives the impression that the goals for the auction were propounded independent of the process” (2006, p. 16), one should replace “performativity” with “R&D”. Ditto for a number of other similar claims.³

Highlighting the limitations of the R&D narrative is Nik-Khah's main novel contribution, and a genuine improvement on previous accounts of the FCC enterprise. Let me just mention that I very much welcome this sort of work: given the rather special target of my article, I never thought that it would provide a complete story. From what I have seen of his unpublished PhD dissertation, Nik-Khah is well-positioned now to write the definitive account of the FCC case and I'm looking forward to read it. (I assume that his paper in this journal is just an appetizer.) Having said that, I have a few complaints and a more general critique.

Complaints: too often in the paper Nik-Khah puts in my (and Callon's, and MacKenzie's) mouth some claims that none of us would ever subscribe to. Some examples: MacKenzie and I are accused of believing "that economists' game theoretic accounts of auction theory dictated the format of the auctions adopted, and therefore rendered the economists' theories 'true' by construction" (Nik-Khah 2006, p. 15). There are two claims here. The second one (economic theories becoming true by construction) is at the centre of the performativity thesis – which I will discuss below. The first claim (game theory dictating the auctions) is a crude version of technological determinism and sounds plainly ridiculous, if attributed to a sophisticated sociologist of science like MacKenzie. Even I am not so stupid to claim anything like that; indeed as already mentioned, a key thesis of my 2001 article is that game theory dictated absolutely nothing on its own, and other actors had to enter the scene to fix the auctions design.⁴ Even the economists who participated in the design enterprise recognised that existing theory was unable to give any precise advice! Yet, Nik-Khah is keen to present his own story against the background of an "official" deterministic hagiography. It's a pity that he's just bashing a straw man.⁵

Elsewhere one has the impression that we are guilty of "hoping to ground controversial public policy in uncontentious science" (p.16). But again, I cannot think of a science that is more contentious than economics, and both Callon and MacKenzie have been preaching for years the STS mantra that *all* science is contentious to some extent – despite scientists' continuous attempts not to make it look so.

I also disagree with Nik-Khah on a few matters of empirical detail. One is the role played by experimenters in the design of the auctions. According to Nik-Khah, experimental economists entered the scene rather late, and were mainly called in to solve a technical problem with the computerization of the auctions. Nik-Khah recognizes that they ended up playing a more substantial role than that, but still, like in the case of academic game theorists, he sees their contribution as largely overdetermined by the Telecoms' influence. In order to sustain this argument, Nik-Khah presents the two competing designs (the combinatorial vs. the continuous ascending auction design)⁶ as equally promising (or unpromising) in light of the available scientific evidence, with supporters lining up for one solution or the other entirely for political reasons (p.17). The real story, in my view, ought to be a bit more complicated. John Ledyard, Professor of economics at Caltech, had been a supporter of the combinatorial design right from the start. This is not surprising, given that combinatorial auctions were Ledyard's "own stuff", from well before his involvement in the FCC business: in other words, he was probably just lobbying for his own academic interests. The interesting part of the story is that at a conference held in January 1994 Ledyard recognized publicly that, in light of the experimental tests done at Caltech, the ascending auction design advocated by Paul Milgrom and Preston McAfee was easier to implement and could be reasonably expected to deliver all the goods of a combinatorial design (Kwerel 2004, p. xx).

This contrasts with Nik-Khah's story, where the struggle between the two parties is resolved "from above" by John McMillan, a game theorist working on behalf of the FCC. As a matter of fact, it seems that experimental and theoretical considerations did play a role in declaring one solution superior to its main competitor. There may have been of course some kind of political negotiation or gentleman's agreement behind the scenes, which would explain Ledyard's public acknowledgement. But unless we have some evidence of that, it's hard to say. Moreover, the "purely political" version of the story does not explain the sudden resurgence of theoretical and experimental work on combinatorial mechanisms right after the first round of auctions, as evidenced for example by the conferences organised by the FCC in the late nineties and in the first years of the new millennium. A plausible explanation in my view is that *some* R&D considerations did play a role in the design of the FCC auctions.

Almost everybody agreed that *in principle* it would have been desirable to have a combinatorial market; unfortunately, nobody had a precise idea of how to run it, and given the tight deadlines, there simply was no time to develop and test a reliable auction mechanism of that kind. It was therefore decided to go for the second best and implement a simpler design that was likely to do the job. For the future, however, the interesting task (academically, scientifically, and from a policy point of view) was to construct combinatorial auctions. Unless a radical change in market power has taken place since the mid-nineties, the subsequent rise in prominence of combinatorial bidding is pretty inexplicable from Nik-Khah's perspective.

Notice that this is not meant to suggest that Nik-Khah's story is entirely wrong; on the contrary, I believe it is largely *right*. My point is more general: it is unlikely that a complex story like the FCC's can be adequately captured from a single perspective, because it is unlikely that one single set of factors (political interests, the Telecoms' interests, theoretical and empirical considerations) can explain all the twists and turns in the story. I'm rehearsing a very traditional point of view here: it's a cornerstone of the Strong Programme in the sociology of science that every major scientific or technological event is always causally co-determined by a number of factors. "The strong programme says that the social component is always present and always constitutive of knowledge. It does not say that it is the only component, or that it is the component that must necessarily be located as the trigger of any and every change: it can be a background condition" (Bloor 1976/1991, p. 166). This is what philosophers, following John Leslie Mackie (1974) call an INUS view of causation: a cause being an insufficient element in a set of jointly sufficient conditions for the instantiation of an event (or effect). Just like the breaking of the window is caused by a set of factors that includes my kicking the ball, the blowing of the wind, the fragility of the glass and so on, a given scientific achievement is usually determined by a complex set of social, cognitive, economic, political (etc.) factors. Depending on the explanatory context, we may choose to highlight one factor rather than another for pragmatic reasons, or simply because that factor is actually more prominent in one particular instance. This is why I see stories like the one told by Nik-Khah as largely (although not entirely, of course) complementary with stories focusing on

cognitive, empirical, or theoretical considerations like the one that I told.

However, this is not how Nik-Khah sees it, as is even clearer from a forthcoming paper co-authored with Phil Mirowski (Mirowski and Nik-Khah, forthcoming). Even though, as I have argued above, the performativity approach is left untouched by Nik-Khah's story, it is singled out as the main target of criticism. Performativity is attacked not because it leads to a substantially incorrect account of some episodes in the history of economics, but because it may divert attention away from the traditional themes of STS, which Nik-Khah and other scholars find more interesting and useful for their own project – a project that uses STS methods to criticize neoclassical economics.

We are getting here at some core foundational issues in STS, which have been repeatedly discussed over the years. Instead of trying to resolve them (which would be ambitious to say the least), I'll just try to highlight where I think the disagreement lies. The key point of contention is the symmetry thesis (Bloor 1976/1991): the idea that sociological studies of scientific knowledge do not necessarily debunk science, for the very reason that sociological explanations apply to both good science and pseudo-science. Although not all STS scholars subscribe to the letter of the symmetry thesis, I do think that it's one of the foundational principles that should not be prematurely tossed in the bin of history. Unfortunately symmetry cannot be endorsed by scholars who have a stake in the scientific field, which is why, I think, it does not inform the work of STS scholars in economics.⁷

What's performativity got to do with this? Performativity suggests the dangerous idea that economics can be made to work (in some circumstances, some of the time), and that entities like those described by economic theory (efficient markets, *homi oeconomici*) can be made to exist. Performativity, to be sure, comes in degrees⁸: at the weakest level, it amounts to the proposition that economics matters. Few people, I believe, would disagree with this. Surely the FCC auctions would have taken a rather different shape, had the relevant economic theory been different (remember the INUS view of causation above). A stronger version claims that markets are reformed so as to instantiate the conditions (institutions) postulated by economic theories, models, or experiments. At the strongest level, finally, we find the claim

that economic theory shapes the actions of the agents in the market. The strongest version is also the most controversial, but I don't find it particularly shocking in some of the cases examined in the literature so far; game theorists after all advised Telecom companies during the bidding for FCC licences, while stock brokers used mini-versions of the Black-Scholes model to calculate the price of options (MacKenzie, forthcoming).

Despite all the provisos (in some circumstances, some of the time...), this is unacceptable for the critics of neoclassical economics. Economics must be denounced as a dodgy, ideological, dangerous, and ultimately failing enterprise, that for contingent reasons is achieving unprecedented and unjustified prominence in the socio-political arena. Not having a particular stake in the economics profession, I'm not terribly opinionated on such matters. Here I just want to mention that the failure of mainstream economics within the narrow conditions highlighted by the performativity studies has to be demonstrated independently. I cannot find in Nik-Khah's whole article a single argument in support of that conclusion; only a promise, in a footnote (note 16, p. 2), that the arguments are to be found elsewhere (in his unpublished work). This happens, I believe, for very good reasons: to demonstrate the real efficiency (or inefficiency) of the FCC auctions is a terribly complicated business. We do not know what the real underlying values (or even valuations) of the licences were, and we can only try to infer by means of complicated ex-post analysis of data.⁹ The point anyway is that we need a scientific argument, not an STS case study, to settle this issue (remember the symmetry principle).

I recognize that my own remarks in the 2001 article can be read as an enthusiastic endorsement of the efficiency of the auctions, contrary to what I've just said. In partial defence, let me just point out that a substantial portion of that paper was devoted to outlining the strategy used by Charles Plott and other experimental economists to argue that the mechanisms tested in the laboratory had been successfully exported in the real world. This is one of the few areas where my article (and later my 2005 book) was probing an uncharted territory. To date, there simply is no good story about external validity inferences, how they may fail or succeed. So I can't be sure that I (or Plott and his associates) got the inference right. More modestly, I say that this is

about the most convincing argument to be found in the scientific arena (in and out of economics) to support an inference from the lab to the real world. The proof that the auctions were approximately efficient *in the laboratory* is as strong as scientific evidence can be. If that isn't worth calling "knowledge", then nothing is.¹⁰ The inference from the lab to the real world is as strong as any other inference of that kind that I have come across. That's it. Of course some argument to the contrary can (and perhaps will) be put forward; but it will be a scientific argument, to be assessed according to scientific (as opposed to STS) standards.

I hope this clarifies some of the confusions and helps identifying what is really at stake. Unless we achieve more clarity, we will continue to read conclusions like the one that closes Nik-Khah's article: "the enthusiasm for the doctrine of performativity is fostering a situation where science studies will come to increasingly resemble neoclassical economics, if not serve as its cheerleader" (2006, p. 19). This is quite ridiculous and I hope it will be evident to everybody. But surely Callon, MacKenzie and the other proponents of the performativity approach within economic sociology don't need my help to defend themselves from these silly accusations.

Endnotes

1 This is a surprisingly neglected point in "standard" philosophy of science. One exception (and direct source of inspiration in my case) is Nancy Cartwright's work (e.g. Cartwright 1999). In *Science and Technology Studies*, this aspect of "technoscience" has been repeatedly highlighted by Bruno Latour (e.g. 1988) and others.

2 See for example Evans (1999).

3 "A performativity account might attribute the lack of a determinate recommendation to the essential inadequacy of abstract theory" (p. 17), "the performativity narrative informs us that the FCC sets the goals for the economists to attempt to achieve" (p. 19), and so forth. Always replace "performativity" with "R&D", and you will get these straight.

4 Of course Nik-Khah introduces *more* actors in the story, but that doesn't justify a blatant misrepresentation of the work of others.

5 The same straw man appears, less directly, at p. 19 ("Game theorists and experimenters were not ... seeking to bridge the inevitable gap between pure science and its applied context").

6 There was also a third “hybrid” design advocated by the FCC, which however was never a serious competitor.

7 This opens another set of tricky issues regarding the status of the history and sociology of economics, especially whether it should become a sub-field of STS, or continue to defend its (small and shrinking) stronghold inside economics departments.

8 For some attempts to distinguish different versions of the performativity thesis, cf. MacKenzie (forthcoming) and Guala (forthcoming).

9 See for example Cramton (1998) for one such attempt.

10 Notice that I’m still subscribing to the rich notion of “scientific knowledge” outlined above.

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New artistic engagements with the capital markets

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Behind a seemingly technical discourse of volatility, liquidity or market efficiency, Wall Street exerts an opaque influence on the men and women of the street. In recent years, a number of economic sociologists have challenged this peculiar situation with the emerging literature on the social studies of finance (see De Goede 2005 for an online review). In a new and surprising turn of events, contemporary artists are joining academics in their intellectual exploration of finance. This fortunate confluence of interests promises to bring the capital markets back to where they belong – to the center of public understanding, debate and critique.

This sudden artistic interest in finance is paradoxically a logical consequence of the current role played by art in society. Following the programmatic vision laid out in the 20th C. by Walter Benjamin, Marcel Duchamp or Andy Warhol, art has nowadays become a forum for debate on issues of social significance. In this sense, finance-inspired art can be seen as the contemporary counterpart of Pop Art. Just as the aesthetics of Warhol's can of Campbell soup prompted reflection about mass media and bureaucratic mass production – in short, the capitalism of the 1950s – finance art now provides an up to date commentary on our present-day capitalism. This emerging art genre examines the meaning of work and value in an economy characterized by interactive technology, mathematical formulae and market-based organizations.

From June 27 to September 3, the Spanish museum La Casa Encendida in Madrid will host an exhibition on art and finance titled *Derivatives, new art financial visions*.¹ The gathering will bring together nine different international artists with pieces inspired on the capital market. The artists already are acclaimed figures on their own right, with previous exhibitions in venues such as the Whitney Museum, the Tate Modern Gallery or the Sidney Opera House.

For sociologists, *Derivatives* offers an inspiring new lens to reflect on modern capital markets. Indeed, the exhibition could well be described as a form of visual economic sociology. The curators -- undersigned, along with web designer Mar Canet and artist Jesus Rodriguez -- were led to the pieces by their sparkling relevance to the capital markets. Using techniques as diverse as videogames, prints, projections and even a live "financial concert," the artists bring to life abstract sociological concepts such as representation, mediation or corporate board interlocks. The tantalizing promise of the exhibition is that bringing the stock market inside a museum will lead to new ways of thinking about them – the "new financial visions" that the project promises in its title.

The peculiar mix of financial and aesthetic presented in *Derivatives* has been long in the making. Electronic and new media artists in New York and London began to explore the capital markets in the late 1990s. With striking pieces such as *Ecosystem* or *Black Schoals*, young artists like John Klima, Lise Autogena and Joshua Portway broke with the long-standing tradition whereby artists – whether rich or poor – rarely considered money as a legitimate subject matter. The roots of this refreshing change can be traced to the rise in Wall Street's social significance during the Internet boom of the 1990s.

The curator's interest in art dates back to Beunza's ethnography of the trading room of a Wall Street investment bank in November 1999. The screens of the traders that Beunza examined were filled with a fabulous diversity of color and visual shapes. As Beunza and Stark (2004) describe, one screen displayed "a geometric array of white, green, blue, and cyan squares ... lending it the appearance of [a] painting by Piet Mondrian." Another showed "a more conventional text interface, a boxy black-on-white combination suggestive of 1980s-style minicomputer screens." Yet another one presented "narrow white lines that zigzag in a snake-like manner from left to right over the soothing blue background" (Beunza and Stark 2004; 392). The capital markets, in other words, had an aesthetic dimension that had previously been unexplored by academics.

The sociological rationale for such graphic exuberance relates to the nature of arbitrage and opportunity-seeking. Just as the introduction of photography in the 19th century prompted artists to break with figurative painting, the widespread availability of information through the Internet and Bloomberg terminals has eliminated the traditional advantages enjoyed by well-connected traders. Profit opportunities in modern arbitrage – the golden goose of millionaire hedge funds around the world – now involve developing original representations of value that make visible profit opportunities that are otherwise inexistent (see Beunza and Stark, 2004; Knorr Cetina 2003).

The parallel worlds of art and sociology came together thanks to the pioneer initiative of Bruno Latour and Peter Weibel. In their daring experimental exhibition, *Making Things Public: Atmospheres of Democracy*, artists and sociologists of science mingled freely in the halls of Karlsruhe's ZKM Center for Art and Media. Artists Ben Rubin, Richard Rogers, Natalie Jeremijenko and Josh On were all present at the show. Sociologists Fabian Muniesa and Daniel Beunza were also present, humbled by their co-exhibitors, proposing a tentative artistic reflection on financial visualizations with *The Parliament of Finance* (for more on this installation, see Beunza and Muniesa 2004). This meeting place was the starting point of a joint project.

The final catalyst of the exhibition was the establishment of Derivart in late 2004. Founded by the curators of *Derivatives*, this Barcelona-based interdisciplinary group is aimed at exploring the intersection of art, technology and finance. It resulted from the juxtaposition of the interests of all three members. One of them (a plastic artist) was interested in the aesthetics of mass-manufactured products; another one (a web designer) was keen to understand visualization of large volumes of data; its third member (undersigned, an economic sociologist) had an interest in the social determinants of value. The capital

markets proved to be a fruitful terrain for furthering all three intellectual interests. As part of a long list of initiatives (some failed, some not; for more information see <www.derivart.info> and click on "English site"), Derivart sent a proposal for an exhibition on art and finance to a public competition for novel curators, organized by Spanish museum La Casa Encendida. The proposal, *Derivatives*, was chosen among over sixty alternative projects.

Representing, reviewing and re-thinking finance

What does it mean to do art about finance? The central themes explored in the Madrid exhibition are, first, the ways in which representations of value mediate economic decisions, which the curators label *re-presentation*. Second, the new possibilities of interactivity and new media, which the curators label *revision*. And third, several critiques of financial capitalism in its current form, which we call *re-thinking*. We expand on each of these below.

Re-vision. One group of installations presents the different ways in which contemporary artists have portrayed the stock, bond or foreign exchange markets. It shows, in other words, non-financial representations of financial issues, providing observers and academics with fresh ways to think about the nature of capital markets.

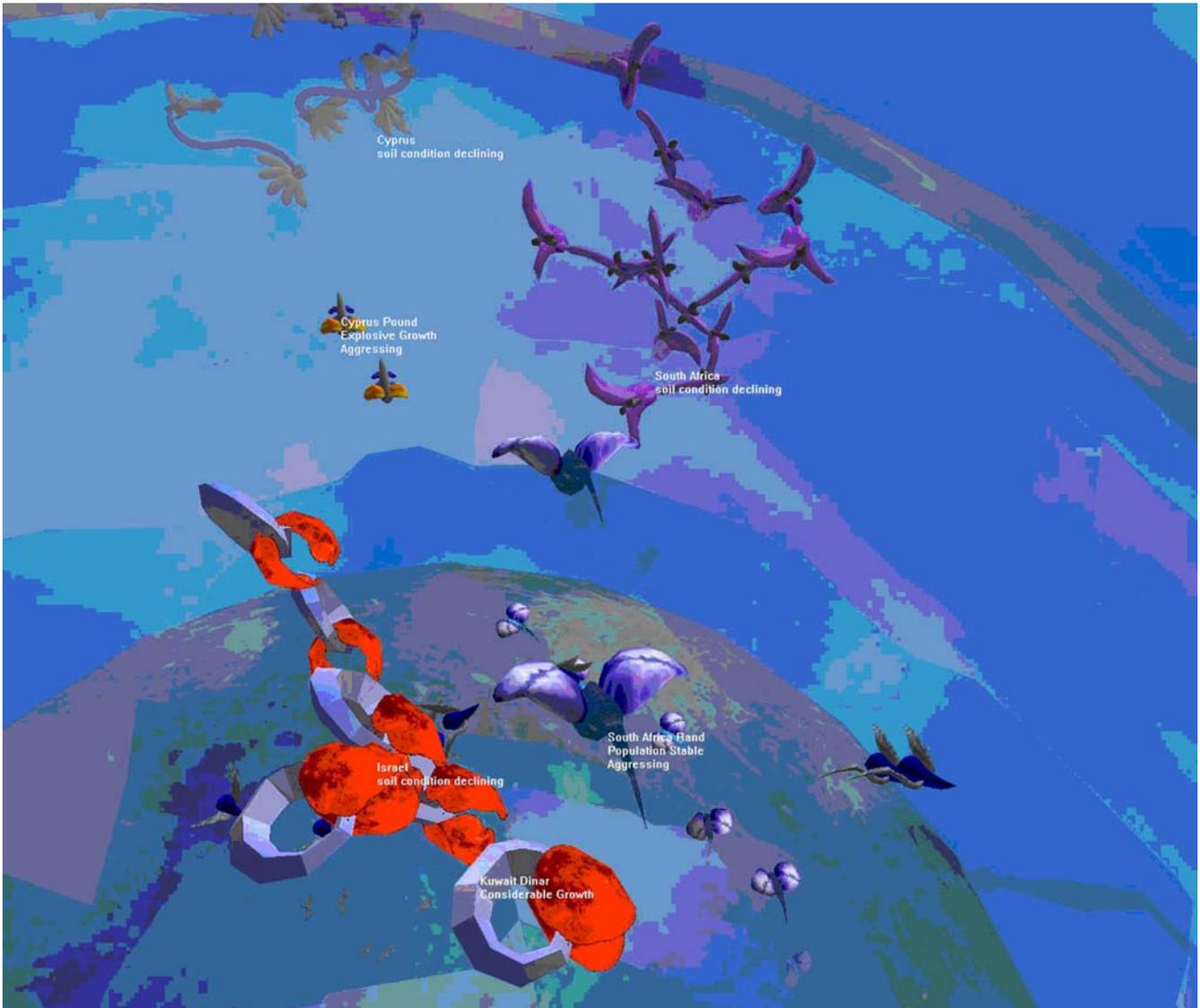
Ecosystem, for instance, an installation by New York artist John Klima, explores financial volatility from an artistic standpoint. The artist proposes a videogame in which stocks and currencies adopt the form of mutant birds in a three-dimensional landscape. The flight of the birds is driven by real-time market data. In this way, volatility, (an expression originated in the Latin word *volare* or "to fly") takes in this piece the form of flying creatures along a dramatic sky of orange, purple and green.

In *Black Shoals: Stock Market Planetarium*, Lise Autogena and Joshua Portway propose a financial planetarium, that is, a dark dome with a constellation of 10,000 stars projected on it. Each star corresponds to a listed company, and their brightness and relative position changes with the price of its stock, in real time. The Madrid exhibition, however, does not present the original piece but a varia-

By virtue of its widespread adoption, the formula became a valid description of option prices (Mackenzie and Millo 2003). But it also had a prominent role in the three-billion shipwreck of the hedge fund Long Term Capital Management (Mackenzie 2004).

In contrast to the high-tech world of financial formulae,

Figure 1
Ecosystem, by John Klima.



tion on it, *The Making of Black Shoals*. In this dvd, Autogena and Portway recount how their original piece was installed at the Tate Modern Gallery in 2002. *Black Shoals* constitutes a critique to the opaqueness of formulae such as Black-Scholes. The name of the installation, *Black Shoals*, combines that of the aforementioned Nobel Prize-winning formula with an allusion to dark shallow waters.

Open Outcry, by sound artist Ben Rubin, celebrates the human side of financial markets. Rubin presents live recorded sequences from pit traders in the New York Mercantile Exchange. The artist alternates these recordings with a combination of minimalist music, mechanic listings of commodities prices and interviews to the traders about the experience of working on a pit and on September

11th. The piece prompts reflection on the ways in which social traits – the status, networks and face-to-face relationships among fellow traders – shape value, a theme that has also been explored in by economic sociologists (see Baker 1984; Zaloom 2003).

In *Nasdaq Voices*, Fabio Cifariello plays a live concert by translating real-time Nasdaq prices into the musical instruments of a symphonic orchestra. The fluctuations of Yahoo, Apple, Microsoft gain a voice and prompt reflection on the importance of technological mediation in the capital markets.

Re-presentation. Another approach to conceptualize finance is provided by decontextualization. The first group of art installations presented in the exhibition includes financial representations of non-financial issues. For example, *Web Issue Index of Civil Society*, by Richard Rogers and Govcom.org, proposes an interactive projection that appropriates the technology of the stock ticker for use in political activism. Instead of displaying stock prices, the *Web Issue Index* shows the state of different social problems such as “discrimination and racism,” “human rights,” or “sustainable development,” march along the screen, with an arrow pointing up or down depending on the current state of affairs.

This unusual appropriation of a money-making artifact for activist purposes turns out to be surprisingly effective. Just as the stock ticker made share prices more engaging to investors (Preda 2006), adding movement to social issues makes them seem more current, exciting and alive. The *Web Issue Index* also illustrates the potential of new technologies for promoting political participation (Rogers 2004), an idea that presided Latour and Weibel’s ambitious art exhibition in 2004.

The theme of financial reuse and appropriation is also pursued in *Despondency Index*. In this piece, pioneer artist-engineer Natalie Jeremijenko combines the Dow Jones Industrials Average index during the years 1996-2000 with a time series of suicide incidences at the Golden Gate Bridge. The graph shows that suicide incidences remained stable during the years, even as the Dow rose to unprecedented highs. This vivid decoupling of the social and the financial provides a sophisticated critique of Wall Street by calling into question the validity of its financial representations.

Re-thinking finance. A third group of installations questions the current economic models inspired in the capital markets. What should a financial reform agenda consider? *Google Will Eat Itself*, an installation by Lizvlx and Hans Bernhard, Alessandro Ludovico and Paolo Cirio, critiques the recursive dynamics surrounding financial bubbles. To do so, the artists placed Google ads on their website, obtained advertising revenue from them and boosted this revenue with a script that faked visits to the site. They used the resulting income to buy shares in Google, artificially fattening the stock price of the company -- with Google’s own money. In doing so, the artists call attention to the self-referential dynamics involved in financial bubbles, whereby stock price and company value are made to grow together. The piece connects with the sociological view that bubbles are a consequence of interpretive difficulties faced by investors – rather than the result of blind imitation or faulty mental ability (Beunza and Garud 2006; Zuckerman and Rao 2004; Zuckerman 2004).

This reflection on bubbles is followed by *They Rule*, by New York artist Josh On. The piece displays the networks of board interlocks among the Fortune 500 corporations. Thanks to an addictively interactive graphic design, any visitor can become an instant network analyst. *On Translation: The Bank*, by Antoni Muntadas, is part of a print series that revisits the theme of mediation by presenting currency exchanges as an instance of translation. “How long,” the piece asks, “would it take for 10,000 dollars to disappear through currency exchanges?”

All in all, *Derivatives* brings together nine intriguing artistic images of the capital markets. For most of the 20th Century, both artists and sociologists seemed to have neglected a crucial actor in society and the economy: the capital markets. In the exhibition described so far, artists join the current efforts in modern economic sociology in removing this veil of opacity with a critical exploration of securities markets.

Endnotes

Derivatives, new art financial visions is curated by Mar Canet, Jesús Rodríguez and Daniel Beunza. It will be on show at La Casa Encendida from June 27 to September 3. The museum is located in Madrid, at Ronda de Valencia, 2. For more information, see www.derivart.info

1 The exhibition will stay in Madrid for two months before rotating to other cities in Spain.

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Jens Beckert answers ten questions about economic sociology

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1. How did you get involved in economic sociology?

I started my undergraduate studies at the Freie Universität Berlin with a double major in sociology and business administration. Since I was studying both fields simultaneously I inevitably started thinking about the economy from a sociological perspective.

In the late 1980s the sociology department of the Freie Universität was still very influenced by Marxism. This gave me another reason to become interested in the subject field of the economy. I read quite a bit of Marx but I was actually more attracted by the Frankfurt School, which got me thinking about economic issues within the context of social theory.

Heiner Ganßmann was one of my teachers then, and it was through him that I became interested in the conceptualizations of the economy in modern sociological theory. I followed these interests as a graduate student at the New School for Social Research, too. At that time, the New School was one of the most intellectually stimulating places in the United States. I could study with scholars like Robert Heilbroner, Richard Bernstein, Eric Hobsbawm and Charles Tilly. It was also at the New School that I met Claus Offe, who was then a recurring

visiting professor. It was in conversations with him that I was first introduced to works in economic sociology from the US.

After going back to Germany to finish my graduate studies in business administration, I became much more interested in organization theory and I discovered the new institutionalism. At the same time I continued working in the field of social theory. Hans Joas had become a professor at the Freie Universität in 1990 and he offered me a junior position to write my dissertation. This gave me the opportunity to work on a theoretical dissertation under the supervision of one of the foremost contemporary social theorists. To work for almost a decade with Hans Joas was extremely important for me. Also my attention to the work of Émile Durkheim was sparked by Hans Joas.

My interest in American economic sociology and institutional organization theory made me aware of the Princeton sociology department. I got in contact with Paul DiMaggio and Viviana Zelizer, who invited me to come to Princeton for a year as a visiting fellow. The time in Princeton during the mid nineties was very exciting and very productive for me. I wrote large parts of my dissertation and also the article on uncertainty and economic sociology which was later published in *Theory and Society*.

By then I was working as much in the area of economic sociology as in the field of social theory. It is the interface between these two flds that I still find most exciting. Later I discovered the sociology of law as another fascinating field. Law has, of course, many connections to the economy. I conducted a comparative study on the historical development of inheritance law. This book has been published in German and will come out in English next year.

2. Could you name books or articles that have profoundly influenced your own thinking within economic sociology?

The sociological classics had the most profound influence on my thinking. Reading Durkheim and Weber is an incredible source of inspiration. This generation of sociologists has not been surpassed up to this day. Durkheim, Weber, Simmel and Marx were asking the important questions and had unbelievable intellectual capabilities to make sense of the economic and social transformations of their time. I believe that the power of their economic sociology derives from its connection to a theory of society. I also believe that their intellectual authority draws from linking their work to important normative questions and an inherent concern for social reform. This has been lost in most of today's work in the new economic sociology.

Among the works in the new economic sociology I could not single out two or three authors. I learned a lot from reading very broadly. Certainly the work of Paul DiMaggio and Neil Fligstein inspired me especially, as did other economic sociologists who provide analytical insights into the way social order is produced in the economy. Harrison White does this, and so does Joel Podolny. For a book or article to interest me, it has to have a theoretical payoff, too. The historical work done by scholars like Viviana Zelizer, Frank Dobbin or Bruce Carruthers has also been important for me. The strong historical orientation is undoubtedly a great strength of American economic sociology.

Besides these authors from the new economic sociology, I have been influenced by the analytical questions posed by the approaches in economics that depart from the heroic assumptions of general equilibrium analysis and bring in strategic agency, uncertainty, bounded rationality and information asymmetries. Economic sociology can learn a lot from the questions posed in these literatures, though not necessarily from the answers provided.

3. What do you consider to be the main current debates within the field?

There is, of course, a lot of attention currently on the performativity thesis. I believe that this is an important discussion with one very intriguing insight. Interest in the performativity thesis will decline again. What will remain, I believe, is the recognition that economic theory itself is one (!) cognitive frame actors are using to make sense of the complexity and uncertainty of decision situations in the economy. The performativity thesis will become an element of a larger sociological theory of the economy.

A second important debate I see is the one over the issue of value. One of the crucial contributions sociology can make to the understanding of the economy is to explain how it happens that actors attribute value to certain goods and services. Émile Durkheim has made an attempt to solve this issue by relating value to "social opinion." Georg Simmel has addressed this question, for instance, in his theory of fashion. Economists do not have much to say about preference formation. This is because you cannot understand value from an individualistic perspective and many aspects relevant for the valuation of goods originate outside the economic sphere. Value is in most markets genuinely social in character. I read the recent dissertation by Özgecan Koçak on this issue with great interest but also the work by Michel Callon, Charles W. Smith, Joel Podolny, Olav Velthuis and Patrik Aspers. Work on the question of value brings economic sociology closer to issues of consumption, i.e. the demand side of the economy. This has been underemphasized so far. The investigation of financial markets can also find an important starting point in questions of valuation.

Another fascinating field that is opening up is the investigation of the rapidly unfolding Asian economies, especially in India and China. What kind of capitalism is developing in these countries and what does it mean that these modern capitalisms are developing outside the cultural bedrock of the West? Those are captivating questions that directly relate to the research program of Max Weber. Unfortunately there is much less interest in these issues in Europe than in the US.

A current strand of economic sociology that seems important to me from a more theoretical perspective is

the role of emotions in economic decision making. Paul DiMaggio but also Jocelyn Pixley, and Mabel Berezin, among others, have written about this. I encountered this topic myself through my interest in trust and uncertainty. It seems quite clear that many decisions with uncertain outcomes would not be made without strong emotional involvement. The “animal spirits” (Keynes) of entrepreneurs contribute to the fact that market economies don’t implode into inactivity because of highly uncertain outcomes of decisions. The task, however, is to think of a *sociological* theory of emotions in the economy.

Finally I am very much intrigued by the current American debate on the public relevance of economic sociology. If taken seriously, this debate should reshape much of the new economic sociology that has developed since the 1980s.

4. What are research topics within economic sociology that have so far been neglected?

Sociology was established as an academic field in the late nineteenth and early twentieth centuries in reaction to the profound processes of transformation occurring at the time. The classics were searching for the analytical tools to understand this transformation and to assess its implication for social integration. They became interested in the economy from exactly this perspective. This holds also true for the later generation of Karl Polanyi and in a more qualified sense also for Talcott Parsons.

This perspective, however, has largely vanished in the new economic sociology. Instead, interest focuses on the economy in a much narrower sense. Questions referring to macro-social changes and the implications of the organization of the economy for social developments at large play a limited role. I believe that this situation cannot be maintained for very long. At one point economic sociology must explain why it matters, and it won’t suffice to point to the superior understanding of economic phenomena by applying sociological tools.

In my opinion, economic sociology can matter in two ways: First it can attempt to provide tools for a more efficient organization of the economy and economic

decision making by recommending institutional designs and network structures that are considered to lead to superior economic outcomes. I can see that findings from network analysis and institutional analysis do allow for such recommendations at least in some areas. Second it can matter by addressing not only issues of economic efficiency but also of social order and equity. This is certainly what would come closer to the classical heritage of economic sociology. This would, however, presuppose including the societal perspective in a bigger way and asking about the role of the economy for social development at large. Economic sociology would become part of social theory again.

This would inevitably lead to a reconnection of economic sociology to the core questions of macro-sociology and would make it possible to connect the micro-sociological insights of the new economic sociology with macro-sociological concerns for distributional outcomes and the effects the economy has on people’s lives. This way economic sociology would become politically relevant beyond the efficiency perspective because it would show normatively informed alternatives for the organization of the economy based on a profound knowledge of the actual working of markets and other economic institutions.

This would also allow for a much closer collaboration with scholars working in the field of political economy. Political scientists explain the institutions governing the economy primarily based on the power relations and institutional logics operating in the political system. This is not part of economic sociology. But economic sociology can empirically understand the workings of the politically designed institutions in the economy itself. And it can show that formal institutions are but *one* important element explaining economic outcomes.

On a different plane I sense that there is a striking absence of a theory of money in the new economic sociology. For Marx, but also for Weber money played an important role in their theories of capitalism. In a limited way this holds also true for the social theories of Parsons and Luhmann. There are, of course, economic sociologists like Eric Helleiner and Geoffrey Ingham who did excellent work on this topic. But this literature is disjointed from the literature on markets which is at the heart of the new economic sociology. Both literatures should be better integrated. Money is crucial for the explanation of market dynamics beyond individual ac-

tion motives, and it is a crucial device for the reduction of complexity in markets. In Germany Christoph Deutschmann, Axel Paul, and Heiner Ganßmann have worked on this. Since much of this work is in German it has not found the international resonance it deserves.

5. You have written extensively in the past on embeddedness. Should that term still be a key term to economic sociologists, as it used to be ten years ago, or has the term started to show some strains?

It is clear that the term embeddedness is problematic for its illusiveness. It is not a concept that leads directly to the operationalization of the research process. Economic sociologists mean very different things when they refer to this concept. At the same time “embeddedness” expresses the basic starting point of what constitutes a sociological approach to the economy. The point is that we can only understand individual economic action by investigating the social context in which this action takes place. This is, of course, also the starting point of sociology itself. Embeddedness leads directly to fundamental problems of social theory, especially the relationship between structure and agency. Moreover it indicates the need for an action theory different from rational actor theory because the constitution of interests and preferences cannot be explained in purely individualistic terms.

We might come up with other terms to express this basic point but I would not see an advantage in this. What seems necessary to me is to detach “embeddedness” from a narrow focus on social structure which derives from Mark Granovetter’s use of the term in his 1985 article. A comprehensive heuristic was suggested in 1990 by Sharon Zukin and Paul DiMaggio in their introduction to the book “Structures of Capital.” This heuristic I find quite satisfying. One might find different names for the four different kinds of embeddedness, and one can argue that this heuristic is still incomplete or lacks precision. To the latter point I would respond that all interesting concepts in the social sciences share the fact that they are elusive and open to interpretation. This holds true for Max Weber’s concept of rationality as much as for Durkheim’s concept of solidarity or Marx’ notion of capital.

One aspect that I am dissatisfied with is the specific narrowness that characterizes the way the concept of embeddedness is used in the new economic sociology. For Polanyi, embeddedness was a concept critically directed against the liberal market model. It pointed to the need for regulative intervention into the market to compensate for socially problematic effects of the market system. In the new economic sociology, the concept focuses on the social structures of markets without addressing their consequences for society at large, including their effects on social order, justice, and equality. It is from these consequences that Polanyi derived the need for political intervention into markets. This has gotten lost in the way the notion of embeddedness is applied in the new economic sociology. In this sense the new economic sociology does not take up the challenge posed by Karl Polanyi.

Just as a side remark: Few people know that the term embeddedness does not derive from Karl Polanyi, but that it actually comes from an earlier source: the German anthropologist Richard Thurnwald who uses it in his book *Die menschliche Gesellschaft*, published in 1932.

6. What do you see as the main differences between economic sociology in Europe and in the United States?

There is little doubt that in the United States the new economic sociology is much more strongly institutionalized as a subfield of sociology than it is in any European country. I would say that the new economic sociology in Germany is roughly where American economic sociology was fifteen years ago. The differences, however, might be described inadequately if seen only quantitatively.

In terms of approaches, network analysis is less prominent in Europe than in the US. The institutionalism developing in Europe is different from institutionalism in the US, primarily because it focuses more on heterogeneity and the role of agency. There is also a broader difference, however. It seems to me that US economic sociology is largely detached from economic or social policy. It is addressing academic or scientific issues but not socio-economic problems. To the extent it is addressing such problems, these are rather related to

efficiency concerns of the economic system or profit opportunities of actors. The work of Ronald Burt might be the best example for this. The reason for this could be the professionalization of American sociology, creating in effect what Niklas Luhmann would have called an autopoietic system, and the strong anchoring of American economic sociology in business schools. The current debate on increasing the public visibility of economic sociology that is taking place within the ASA section shows dissatisfaction with this situation.

7. Which countries/cities/universities do you consider to be contemporary strongholds for economic sociology in Europe?

Within Europe I see the most interest in economic sociology in France. From the papers I am reading and conference announcements I am seeing, it seems to me that there is a strong interest in France to learn about American economic sociology. At the same time, there are important indigenous traditions in France. By this I mean work based on the theory of Pierre Bourdieu, work growing out of actor-network theory, new fields of interest within the regulation school, and the conventions school. One should pay close attention to this work coming out of France.

In other European countries this take-off has not taken place yet. In Germany interest in the new economic sociology is clearly visible but institutionally very dispersed. Interest is growing especially among younger sociologists. The Max Planck Institute is an important resource to develop the field in years to come. One strong field in German economic sociology has undoubtedly been the sociology of money and social studies of finance. In other countries I also see strengths in certain subfields: the sociology of accounting and social studies of finance in Great Britain, institutional organization theory in Denmark and Sweden, and a connection between economic sociology and political economy in Italy.

8. What are your future plans with the Max Planck Institute in this respect?

I am currently in the process of building up a research group at the Max Planck Institute. Senior researchers'

projects focus on the sociology of markets. Patrik Aspers is writing a book on the order of markets, based on his empirical research in the global garment industry. Guido Möllering is working on a project on the emergence of markets, focusing on the role of collective institutional entrepreneurship in market constitution. Geny Piotti is investigating the consequences for German firms that are relocating their production to low labor cost countries and are thereby disembedded from the market relations they are accustomed to. Stefanie Hiß is investigating the development of criteria of creditworthiness established by rating agencies. More projects will be added to this over time. In addition, we have started an international Ph.D. program on "The Social and Political Constitution of the Economy."

More generally Wolfgang Streeck and I are following a research program that is intended to bring economic sociology and political economy in closer interaction with each other. Both approaches are investigating the same social field but do so without much contact to each other. This is a mistake because they can reciprocally learn from each other and might find solutions to important blind spots in their own approach in the literature of the other field. Economic sociology is much weaker on the macro side compared to political economy, especially in understanding the role of the state and social power in structuring economic relations. On the other hand, political economy is missing a micro-foundation that goes beyond rational choice models. An alternative micro-foundation is needed to explain, for instance, processes of preference formation or the role of cultural scripts in decision making. We see a large potential for synergies here.

9. What will your own research be focusing on at the Max Planck Institute?

My main current project is to write a monograph which aims at a sociological theory of the economy, proceeding from the problem of the establishment of order in markets. This book builds on my monograph *Beyond the Market*, but develops arguments that do not involve the detailed discussion of other authors. Since setting up the research group at the Max Planck Institute and serving as the Institute's managing director are quite time consuming, it will take some time before this book is finished.

I am also currently working with Mark Lutter on a project on lottery markets in Germany. The basic question here is how one can explain the large demand for a good with expected negative monetary utility. Results of the project should also help explain demand on other markets.

10. Is it important for you to establish dialogue with economists, and if so, what are feasible strategies to accomplish that?

I believe that it is very important to be in contact with economics. This discipline is rapidly changing, and it is increasingly addressing concerns that economic sociologists are working on as well. This holds true, of course, for the focus on institutions, but also for the attempt to bring culture into economic models and to change the action-theoretic model of *homo economicus* based on insights from cognitive psychology. To be relevant, economic sociologists must be able to state what they add to the understanding of the economy once economics weighs in on questions that it ignored for large parts of the twentieth century. That economists ignored these questions was one rationale for the emergence of the new economic sociology. There will be increasing competition because both disciplines are dealing with very similar issues. Economic sociologists must make clear what they contribute to the solution of economic problems beyond a mere academic interest. Reading economics might help to clarify these questions.

Book reviews

Book review: Joel Podolny. *Status Signals: A Sociological Study of Market Competition*. Princeton, NJ: Princeton University Press.

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In *Status Signals*, Joel Podolny shows the utility of using status as an analytical tool for understanding competitive processes on the market. Podolny's starting point is that status serves as a marker of distinction in markets just as in other social settings. The sociological concept of status holds that actors are hierarchically located in a pecking order of sorts, in which their location influences others' actions toward them. The idea of status is thus tied to the patterns of relations and affiliations actors choose to engage in, which, in turn, express and influence their position in the hierarchical order. Status then differs from the economic concept of reputation in that it is not simply based on an actor's past behavior. It is a positional idea in which past behavior only enters through current associations. When applied to the study of markets, status order becomes a sorting mechanism for all involved and serves as a proxy in situations when search costs for accurate information are too high.

Podolny's conception of status has two fundamental components: (a) status serves as a signal for quality and (b) status leaks through exchange relations. Podolny argues that in situations when information on quality is otherwise difficult to gather, status functions as a signal of a market actor's quality and thus makes it possible to reduce the exchange partners' uncertainty. At the same time, status as a signal may potentially change as interaction is observed by others. When two market actors enter into an exchange that can be observed by others, a "latent transfer of status" (76) occurs in which the high-status partner will lose some status and the lower-status partner will gain some. This leakiness of status is the reason why high-status firms will not be able to pervade the lower-status market niches: they

always forfeit some status in being associated with lower quality.

Status Signals integrates findings from a variety of empirical cases Podolny has worked on over the last decade into a coherent whole, to indicate distinctive aspects of status. The first two chapters clarify fundamental concepts. Especially chapter 2 is insightful as it discusses the inverse relation of status and cost (higher-status actors can provide a good of a given quality at a lower cost because of reduced transaction, marketing, financial, and labor costs - as long as exchange partners regard status as a signal of quality) as well as other aspects that accrue with status. In chapters 3 through 9 then Podolny re-frames previously published empirical work into a sequential construction of different aspects of status. Chapter 3 discusses status as a signal and the costs and revenue consequences that follow from it. Chapter 4 focuses on the implications of leakiness of status through exchange relations. Chapter 5 analyzes status ordering as a lens through which past demonstrations of quality are perceived. Chapter 6 shows changes in the meaning of quality, while venturing out into the realm of technological inventions. Chapter 7 focuses on leakage of status distinctions from the social to the market domains. Chapter 8 takes on an evolutionary perspective and expands the status model to fit the resource-partitioning model. Chapter 9 re-evaluates the concept of uncertainty. The book then closes with methodological concerns for the investigation of status dynamics and questions for future research.

In addition to the integration of findings from diverse empirical cases into a coherent theoretical framework, Podolny's theoretical reframing in the individual chapters is of special value to readers interested in the sociology of markets. In particular, he includes a discussion on research done in the embeddedness tradition. While in the embeddedness tradition social networks are channels through which information and other resources flow between two exchange partners, Podolny's work on status highlights the role that third actors play when making inferences about the qualities of actors based on the absence or presence of ties. The overall pattern of relations thus becomes a guide for market

actors with whom to engage in exchange and “the lens through which the differentiation in the market is revealed” (5). Although Podolny understands his view of network relations in the market to constitute an alternative view to the embeddedness tradition, his discussion on embeddedness is insightful as it shows conceptual connections nevertheless. In light of his analytical stance of privileging triadic relations and observation of exchange partners, his connection to Harrison White’s work is equally interesting. Podolny connects White’s metaphor of a “pump” from the 2002 market model to his idea of status order as a sorting mechanism. Other possible compatibilities between White’s market model and Podolny’s model of market competition, like the idea of establishing equivalence or the cognitive basis for making inferences, call for further exploration.

Recently finished PhD projects in economic sociology

Harrison C. White : A general theory of markets?**Institution:** Université de Paris 1 Panthéon-Sorbonne**Author:** Pétronille Rème

Harrison White, who is one of the most prominent members of the New Economic Sociology, is surprisingly less known than his student Mark Granovetter for instance. This dissertation seeks to emphasise the fundamental role White has played in the construction of the New Economic Sociology. In particular, he was the first to propose network analysis, especially in the study of markets.

In the dissertation I try to decide, as precisely as possible, if White's "general theory of markets" is indeed as *general* as he claims to have done, in particular a theory more general than economic theory. Eventually, I identify where his successes, and where his failures, are.

To do so, I examine Harrison White's views concerning the functioning of markets. I show that his theory of markets makes use of both sociological concepts (as "role", "status", "social structure"), and economic concepts (as Knight's uncertainty, Chamberlain's product differentiation and Spence's asymmetry of information). I then provide some conclusions concerning the relationships between economics and sociology.

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