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Note from the editor

Economy and Democracy

The founding fathers of economic sociology showed great interest in the way governance structures and economic practice co-evolve. For Karl Marx, the modern state was a means for the capitalist class to sustain, enhance and legitimate their control over the means of production (for a discussion, see Mandel and Novack, 1974). Max Weber presented a more intricate interconnectivity model. Using the notion of "elective affinity" he described how religious belief systems and capitalism co-evolve and mutually support each other (Weber, 1958). His analysis of the unique qualities of rational legal bureaucracies within modern capitalism (Weber, 1969), as part of his larger project of the rationalization of modern life, is yet another example of his infatuation with the interrelations of governance structure and economy. Tocqueville's year-long tour of the United States in 1831, which was intended to study the American incarceration system, yielded an important book, *Democracy in America*, which was published in two parts (1835 and 1840). In this book he articulates how the tendency of Americans to establish grassroots organizations and their belief in equal opportunity supported, at least in states opposed to slavery, entrepreneurship and a thriving capitalist economy. Americans, Tocqueville asserted, were dominated by their commercial drives and allowed business norms and practice to shape their polity (for an in-depth analysis of Tocqueville's political economy see Swedberg, 2009).

The relationship between democracy and capitalism has remained a persistent theme in economic sociology (for example, Polanyi, 1957). More recently, scholars have taken a critical look at neoliberal ideology, which asserts that capitalism and "free" global markets enhance the democratization of underdeveloped economies. For example, some studies point out that, in fact, there are many types of democracy and varieties of capitalist system, each composed of distinct sets of ties between governance structure and economic practice (Hall/Soskice, 2001). Critical studies of the World Bank have exposed how affluent Western economies try to enforce global neoliberalism – employing democracy as a rhetorical device – through a system of loans to underdeveloped societies (for example, Kiely, 1998)

Economic sociology has been influenced by the 2009 financial meltdown and the ensuing legitimation crisis of global capitalism. The crisis brought to center-stage a network composed of greedy and at time fraudulent investment banks, brokers and politicians who together sustain global trade. This legitimation crisis engendered social protest and reconsideration of the true nature of redistribution mechanisms in advanced economies. The 2009 financial crisis exposed that it is not so much the poor and needy who benefit from state-level redistribution systems, but rather the most affluent members of society. The crisis also rekindled theoretical interest in alternative forms of organizing economic action, such as producer and service cooperatives and banks owned by their many clients. Economic sociology quickly reacted to the financial crisis and produced scholarly work that identifies the pitfalls of global financial trading, which led to the dramatic demise of bank and investment firms (for example, Fligstein/Goldstein, 2010). The aim of the July issue of the European Economic Sociology Newsletter is to highlight the renewed interest in the interrelations of democracy and the economy.

An important intersection of democracy and the economy is the redistribution system. Recent transitions in redistribution mechanisms in Europe are the focus of the first article, by *Lea Elsässer, Inga Rademacher and Armin Schäfer*. This article examines the degree to which welfare retrenchment has taken place in European countries, disaggregating welfare spending into four categories. Among the many interesting insights, of particular importance is the finding that the deepest cuts have taken place in those areas that most reduce inequality. The authors also reveal a shift in spending from the working-age population to pensions and services.

Why does democracy stop at the factory gate? This question, posed by Langdon Winner (1977), highlights the fact that we have learned to accept authoritative and non-democratic governance structures in the workplace, which we strongly oppose in the political sphere. The constitution of clear boundaries between governance structures within and outside work organizations is an attractive area of study, as it involves a re-examination of basic concepts such as property rights and individual rights and their inner tensions. While the vast majority of capitalist workplaces are far from being democratic, some work organizations implement democratic governance structures in their daily operations. In these workplaces – for example, bakeries and taxi cooperatives – workers own their workplace, elect their managers and even constitute a justice regime with an internal court with independent judges. The second article in this issue presents the growing interest in different forms of economic democracy. It deals with the application of an alternative organizational form, a cooperative, in the German energy sector. *Özgür Yildiz and Jörg Radtke* explain that cooperatives in this sector existed already in the late nineteenth century and have received government as well as grassroots support in the early twenty-first century with the push towards renewable energy. The authors suggest that energy cooperatives do not conform to the strict and narrow definition of workplace democracy, which promotes workers' ownership and control over decision-making in their employing organization. Rather, Yildiz and Radtke provide a much broader definition of workplace democracy, which includes the meso and macro levels. On these two broader levels they are able to demonstrate the democratic nature of energy cooperatives.

Grassroots organizations supported by local and federal agencies can become powerful change agents. The third article in this issue concerns the constitution of a goat-milk market in one of Brazil's poorest areas. *Oswaldo Gonçalves Jr. and Ana Cristina Braga Martes* describe in detail how federal government programs to eradicate poverty, local government technicians, small farmers and goat-milk enthusiasts have all contributed to the revitalization of goat raising, traditionally considered an inferior agricultural area. Employing actor network theory as a theoretical basis, they are able to describe the different stages of network formation and the translation processes that take place within the network.

Side by side with new economic sociology, which is influenced mainly by New Weberian traditions, a neo-Marxist tradition of labour process analysis has been flourishing in recent decades, mainly in the United Kingdom. While both research streams deal with similar topics, an intellectual cleavage exists which separates them. The interview with Chris Warhurst, a leading scholar in labour process analysis, is meant in part to question this separation. Warhurst has in recent years published extensively on the skills and workplace implications of the transition from an industry-based to a service-based economy. The interview highlights Warhurst's previous interests in economic democracy and alternative forms of work organization. He is also asked about his current interest in job quality, which might become a bridge between economic sociology and labour process analysis.

The section 'New Frontiers in Economic Sociology' offers a review of the literature on illegal markets and organized crime, and a presentation of research questions that can be addressed by economic sociologists. *Annette Hübschle* argues that illegal markets and illegal trade must be seen within a broad perspective, including the interrelations of legal and illegal markets and the active participation of organized crime, as well as government agents and customers who are willing to ignore the illegal nature of a given area of trade.

I wish our readership instructive and interesting reading.

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Cracks in the Foundation. Retrenchment in Advanced Welfare States

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Abstract

In this article, we shed new light on the question of the degree to which welfare retrenchment has taken place. Using disaggregated data in four spending categories over almost three decades, we show that most countries still spend more today than in 1980, but less than at the peak. While absolute retrenchment below the 1980 level is rare, relative retrenchment is very frequent. At the same time, the deepest cuts have taken place in those areas that most reduce inequality. We document a shift in spending from the working-age population to pensions, on one hand, and services on the other. In many instances, welfare state retrenchment has been most pronounced in the most generous welfare states of Scandinavia and continental Europe. Taken together, our findings show that social spending has not been immune to retrenchment, as "New Politics" authors have suggested. With hindsight, the 1990s can be identified as a turning point when welfare state expansion came to an end, ushering in a phase of retrenchment.

1 Introduction

For a long time, the Scandinavian countries seemed like the Promised Land to left-leaning people in Europe and North America. These small countries at the northern edge of the continent reconciled a liberal market economy with high levels of equality; economic competitiveness with far-reaching decommodification and strong trade unions; low unemployment with low inflation; and, also, above average female employment rates with high birth rates. Crime rates were low, the population well educated, social mobility was comparatively high, and citizens were, by and large, satisfied with the way democracy worked there. To many observers, Scandinavia proved that a more humane form of capitalism was possible.

This image of superior Scandinavian welfare was produced mainly by power resource theory. Starting with Gøsta Esping-Andersen's (1990) *Three Worlds of Welfare Capitalism*, welfare state typologies always ended up with Nordic countries setting the quantitative and qualitative standard in social spending. Scandinavian welfare is not only much larger in terms of overall spending, it also is "universal", as opposed to continental European welfare, which is merely "earnings-related," and Anglo-Saxon welfare, which is "means-tested" (Esping-Andersen 1990: 26). The level of redistribution is much higher in Nordic countries through a combination of universal and insurance-related welfare (Korpi and Palme 1998). Accordingly, it provides labor with the highest degree of de-commodification or, as Esping-Andersen put it: "emancipation from market dependency" (Esping-Andersen 1990: 47).

Although the high level of welfare spending originates and reinforces the power of leftist parties and trade unions, such leftist power does not conflict with capitalism. Corporatist institutions align capital and labor interests and embed spending "in a mutually supportive relationship with co-ordinated production regimes" (Huber and Stephens 2002: 48). That explains why a large proportion of the spending goes to services such as education, day care, elderly care, and active labor market policies, which enhance a country's competitiveness (Huber, Ragin and Stephens 1993). At the same time, government supports labor training and R&D by providing funds and trade union strength allows for a compressed wage structure. Accordingly, power resource theorist argued that even under economic pressure – i.e. globalization and economic crisis – Nordic welfare was sustainable (Cameron 1978; Hays 2003). In line with this prediction, much current research has found that welfare state retrenchment is happening least in Scandinavian countries (Pierson 1996; Garrett 1998; Korpi and Palme 2003; Kenworthy 2004; Swank 2003; Brooks and Manza 2007).

We argue that the findings of welfare state research depend strongly on the measure of welfare that is applied. Most welfare state research uses aggregate spending data and looks at the period between the early 1980s and mid-1990s. However, more recent and more fine-grained data are now available. Only if one adds the late 1990s and 2000s to the analysis, the far-reaching recalibration and retrenchment of the advanced welfare states become visible. Also, by disaggregating welfare programs, we show that policymakers have initiated a shift from more income-redistributing measures, such as unemployment cash transfers, to activating services and family spending, such as day care and home-help services. De-commodifying working-age spending is increasingly being cut across the OECD; again, this trend is most visible in Nordic welfare states.

2 Literature review: How much retrenchment has taken place?

Up to the 1970s, the scholarly debate about welfare state change focused on the emergence and expansion of the welfare state and the determinants of different welfare state regimes. With the economic crises of the 1970s and the subsequent rise of conservative governments in the United Kingdom and the United States, existing welfare state institutions became seriously challenged. As a result, the focus of comparative social policy researchers shifted from the explanation of expansionary welfare politics to the "politics of retrenchment." The seminal work of Paul Pierson (1994; 1996) and his theory of the "new politics of the welfare state" started a long and fruitful debate on welfare state retrenchment. According to Pierson, welfare state retrenchment follows a different logic than welfare state expansion because both the goals of politicians and the context they find themselves in are different from that of the postwar period, making retrenchment a difficult political task (Pierson 1996: 144-148). He argued that two sources of support in particular help to stabilize the contemporary welfare state. First, the expansion of the welfare state has led to strong popular support for social policies and has created strong interest-groups for particular programs, which are well organized and ready to resist potential cutbacks. Thus, politics of retrenchment always involve high political risk and necessarily become politics of 'blame avoidance'. Second, the inertia of existing welfare institutions impedes any attempt at radical reform. Drawing on these arguments, Pierson explained why not even the neoliberal governments of Reagan and Thatcher in the 1980s were able to dismantle the welfare state, concluding that the "welfare state remains the most resilience aspect of the postwar political economy" (Pierson 1996: 179).

Following Pierson's lead, much of the debate in subsequent years centered on explanations of welfare state resilience (Quinn 1997; Garrett 1998; Clayton/ Pontusson 2000; Castles 2004).**1** Castles (2004), for instance, argued that neither globalization nor population ageing have led to a significant rollback of the welfare state. He showed that social spending remained high and even replaced other areas of public spending, which led him to conclude that "the strongest tendency of the past two decades has been a convergence towards what may, perhaps, most appropriately be described as a 'steady state' welfare state" (Castles 2004: 168). More recently, Brooks/Manza (2007) confirmed the resilience thesis by showing empirically that welfare state effort continues to be high when public preferences are in favor of a strong welfare state, thereby affirming Pierson's argument about the importance of public support for welfare.

However, this view of the "resilient" welfare state is far from uncontested. At the end of the 1990s and the beginning of the 2000s, various scholars opposed some of Pierson's central arguments. One main criticism was that proponents of the "resilience" argument could not adequately capture welfare state change and its underlying dynamics because they used inadequate indicators to measure welfare state generosity. Their critique applied mainly to the use of aggregate public spending. Spending data have been criticized for many reasons, mainly because total social expenditure, measured as a percentage of GDP, is highly driven by social need, demographic developments and economic performance.**2** Moreover, using only a single indicator such as total social expenditure cannot capture program-specific developments or dynamics between different welfare areas. Thus, according to critics, aggregate spending data do not capture adequately the true dimension of welfare state generosity as they fail to show how *individual* life chances are shaped by welfare state policies (Clayton/Pontusson 1998; Korpi/Palme 2003; Allan/Scruggs 2004, Rueda 2008).

In reaction to this debate, several alternative ways to capture the nature and extent of welfare state change have been proposed. In order to adjust public expenditure data to social need, some authors have used welfare-to-need ratios to make the data more sensitive to socio-economic developments. They have come to the conclusion that retrenchment has indeed taken place. Clayton/Pontusson (1998), for example, used total social spending per poor person and per aged-plus-unemployed person and showed that the average growth of this per capita spending slowed down in the 1980s. More importantly, a group of scholars developed an approach of measuring welfare state generosity based on the notion of "social rights." They focused on individual entitlements rather than aggregate welfare effort. In order to enable comparisons over time and across countries, they calculated net replacement rates in case of unemployment, work accidents, sickness and old age and showed that considerable cutbacks in replacement rates have taken place since the 1980s (Allan/Scruggs 2004; Korpi/Palme 2003; Scruggs 2007).**3** While one central message of their studies was that a rollback of the welfare state had indeed taken place, the main focus of their studies centered on the question of whether "politics matter." They opposed Pierson and others (Huber/Stephens 2001, 2014; Allan/Scruggs 2004; Kittel/Obinger 2003) who had concluded that even though partisan politics were important for welfare state expansion, they play only a minor role in the process of contemporary welfare change.**4**

Net replacement rate data have substantially advanced our knowledge of the development of the welfare state, as they focus on the individual "degree of decommodification of risks" (Allan/Scruggs 2004: 503) and enable insights into program specific trends. However, even though they overcome many shortcomings of social expenditure data, they are not problem-free. One main criticism is that replacement rates are based on the wage of an "average production worker." As atypical employment continues to grow and, in addition to that, cutbacks often hit "atypical" groups, replacement rates might not capture the most far-reaching retrenchment events (Starke 2008: 18). Moreover, as they display *income* replacement in case of unemployment, benefits in kind and services are excluded from the analysis. Given that the scope of services tends to grow, substantial changes might go unnoticed. In addition to that, changes in taxation or developments of the real wage of an average production worker can influence replacement rates, even though these development do not lie in the realm of welfare policies (Wenzelburger/Zohlnhöfer/Wolf 2013: 1231). This drawback is similar to the criticism raised with regard to spending data, as in both cases data might be manipulated through developments not directly related to legislative decisions. A further criticism concerns the reliability of replacement rate data. A recent study that compares the two main datasets of replacement rates finds considerable differences between the two data sources both in levels and in changes over time (Wenzelburger/Zohlnhöfer/Wolf 2013).

Apart from the above discussed quantitative comparative studies, a large body of qualitative case studies on welfare state change has been published during the past two decades. Qualitative studies have the caveat that most of them are single case studies and it is hard to detect a general trend in welfare state retrenchment across OECD countries. At the same time, however, these studies are able to capture all the different levels of welfare state development which macro-data might overlook. Taken together, there is a trend in qualitative research from earlier accounts, which focused on the resilience of welfare, to newer accounts, which look at retrenchment. Pierson (1994) shows Anglo-Saxon resilience, Palier (2001) and Schmidt (2002) focus on conservative welfare states and their resilience until the mid-1990s and Steinmo (2002) and Bergqvist and Lindbom (2003) describe the resilience of the core of the Scandinavian model. Newer accounts, however, take retrenchment in some areas of welfare more or less for granted and have concentrated on explaining why some retrenchers go further than others. Here some laid the focus on institutions and party competition (Green-Pedersen 2002; Hacker 2005; Starke 2006) and others on the level of organization of welfare recipients (Kitschelt 2001; Hacker and Pierson 2010).

In recent years, and in part as a reaction to the criticisms of the advocates of the "social rights" approach, scholars have started to systematically analyze disaggregated rather than aggregated spending data in order to achieve a more differentiated picture of welfare state spending profiles and the differences between them (Castles 2008). Already in the 1990s, scholars had partly used data for single welfare programs to analyze different areas. But data availability was highly restricted up to the late 1990s and impeded a comprehensive analysis of spending patterns. Castles (2008; 2011) uses disaggregated social spending data from the OECD SOCX data base to show "how different types of social programs contribute to the attainment of particular welfare state goals and to paint a more differentiated picture of the factors shaping national welfare profiles" (Castles 2008: 47).**5** He finds that countries can be clustered into "families of nations" according to their different spending profiles. Moreover, he was able to show that of the four broad spending categories he looks at, only expenditure for the working-age was negatively correlated with inequality, thereby demonstrating that different spending categories serve different political purposes. These studies offer important insights into the character of welfare states with different expenditure distributions and their effect on political outcomes. However, as they only examine one point in time, they do not allow for conclusions about welfare state dynamics over the past three decades.

3 Trends in social policy spending

The *OECD Social Expenditure Database*, which was set up in the early 1990s, enables us to analyze trends in both aggregate social spending and its disaggregated components, as it contains data on private and public social spending for nine program-based spending categories: old age, survivors, incapacity-related, health, family, active labor market (ALMP), unemployment, housing and other social policy. Where applicable, categories are subdivided into cash benefits and benefits in kind. Based on this detailed program-specific data, the OECD also reports on public spending in four broad social policy areas: old age–related cash expenditure (pensions), income support for the working-age population, health expenditure and other service expenditure. This broader distinction is useful for examining retrenchment trends and dynamics because each of these categories serves a different goal. Whereas working-age cash-spending most effectively reduces vertical inequalities, spending on public health has the purpose of risk protection and pensions are directed mainly at horizontal life-cycle distribution (Castles 2008: 59). Services, in turn, help to master "new social risks," such as "balancing paid work and family responsibilities" (Taylor-Gooby 2004: 5). Therefore, by analyzing trends over time, we are able to see whether spending priorities, and thus welfare state goals, have shifted.

In this section, we look at spending developments in 22 OECD countries since 1980. However, in order to examine whether retrenchment has taken place or not, it is not enough to measure whether spending is higher today than it was in 1980. Even if spending has increased in comparison with this baseline, spending cuts may still have occurred within the period under examination if spending today is lower than it was at some "peak" point. Therefore, we measure both absolute change and change in relation to peak spending between 1980 and 2008, referring to the latter as relative retrenchment. We start by looking at the development of total social spending (Figure 1). Three observations are worth noting. First, in all countries except the Netherlands, social expenditure today is higher than it was in 1980. Increases have been most pronounced in Portugal, Greece, and Japan. In eight countries, this is the second observation, spending has actually never been higher than at present – in these countries there is no indication of either absolute or relative retrenchment. This does not hold, third, for the other 14 countries. For them, social expenditure in 2008 was lower than it was in the past. While there are only minor cuts in some countries, there are substantial ones in the Netherlands, Sweden, Finland, and Norway. Sweden, the archetypical social democratic welfare state, spends 8 percentage points of GDP less today than it did in the past.

See appendix, Figure 1: Changes in total social spending between 1980 and 2008

However, changes in overall social expenditure do not tell us in which policy areas cuts have been most severe. Therefore, we now look at four broad spending categories more closely. In the area of public health services, we observe overall expansion rather than retrenchment (Figure 2, left side). Public health spending in 2008 was higher almost everywhere than it was in 1980, with increases varying between 1 and 5 percentage points of national GDP. In nine countries, health expenditure reached its peak in 2008. Also in nine countries, spending was higher at some point in the past, indicating relative retrenchment of around 1 percentage point of GDP in these countries. Sweden is the only country with lower spending levels today than in 1980. Overall, changes in health care have been relatively modest. We next turn to the category "other services," which include benefits in kind in the following areas: old age, incapacity, family, housing and other social services. More concretely, these benefits consist of services such as residential care, day care, home-help services or social assistance. In this area, we generally observe an expansionary move (Figure 2, right side). Everywhere, except in the United States and Canada, benefits-in-kind increased between 1980 and 2008, while, at the same time, retrenchment remained relatively modest.[6] However, these increases average around one percentage point of GDP, which is relatively little compared with the cuts for the working-age population, as we will now see.

See appendix, Figure 2: Changes in spending on health benefits and on other services between 1980 and 2008

In contrast to health care benefits and services, there have been substantial changes in two other social policy areas, namely age-related cash expenditure and working-age income support.[7] On average, age-related cash expenditure has increased since 1980, but spending trends are very diverse across countries (Figure 3, left side). In five countries, spending on pensions is higher today than at any point in the past. The highest increases have taken place in Portugal, Greece, Italy, and Japan – all of which are late-comers in the development of the welfare state. In 17 countries, relative retrenchment has taken place, most substantially in New Zealand and Luxembourg. In these two countries, as well as the Netherlands, Ireland, and the United States, age-related spending was lower in 2008 than it had been in 1980. Retrenchment has been most pronounced in the area of income support for the working-age population (Figure 3, right side). Without exception, all countries spent less on income support for the working-age population in 2008 than they did at some point in the past, and in eight out of 20 countries spending in 2008 was lower than in 1980.8 Notably, the largest cuts took place in the most generous welfare states of northwestern Europe.

See appendix, Figure 3: Changes in spending on the elderly and the working-age population

The analysis so far suggests that welfare cuts have been most pronounced for the working-age population. However, this category includes programs for families, as well as unemployed persons. To get a clearer picture, we further disaggregate this category and look at family cash benefits and unemployment cash benefits in more detail.9 As Figure 4 shows, spending on families exceeds the 1980 level in nine countries. Ireland, Luxembourg, and Australia have experienced the highest increases. However, in 13 countries relative retrenchment has taken place and in nine of these spending was lower in 2008 than in 1980. Again, it is the group of heavy-spending northwest European countries that have cut spending most. However, the extent of the cuts for families is much smaller than that for the unemployed. With the single exception of Greece, relative retrenchment has taken place everywhere (Figure 4, right side). In ten countries, unemployment spending is lower than in 1980, sometimes by up to 3 percentage points of GDP.

See appendix, Figure 4: Spending on families and the unemployed

However, aggregated spending data might be misleading as this indicator ignores social need, demographic developments, and economic performance. An increase in expenditure on the elderly might, for instance, only reflect a growing share of pensioners in the population and thus does not necessarily indicate an increase in welfare state generosity. The same is true of expenditure on unemployment as spending in this category is highly driven by the share of the population in need. In order to account for these potential distortions, we adjust both age-related and unemployment expenditure.10 Following Huber and Stephens (2001), we divide the age-related expenditure as a percentage of GDP by the share of the population over 65, which is equivalent to the ratio of spending per aged person to GDP per capita. Similarly, we divide unemployment expenditure by the unemployment rate.11

See appendix, Figure 5: Weighted spending on unemployment and pensions

Adjusting spending in this way actually shows that retrenchment is even more pronounced than unadjusted data suggest. Only Belgium, Finland, Portugal, and Austria spent more on unemployment in 2008 than in 1980 and even in these countries cuts have taken place relative to the past maximum. The remaining 18 countries all spend less than in 1980. The most far-reaching changes have taken place in Denmark, Switzerland, and Sweden. The picture is similar for age-related spending. There are only two countries, Portugal and the United Kingdom, where the spending level reaches its maximum in 2008. Another eight countries still spend more at this point than in 1980, while they spent even more in between. In contrast, 14 countries have witnessed absolute retrenchment, as age-related expenditure in 2008 falls below the figures in 1980. The adjusted figures demonstrate that the seemingly expansionary dynamic in pensions seen above to a considerable extent reflects changes in the age composition of the population. In other words, it is predominantly need-driven.

To get a clearer picture of how welfare states are changing, we next look at changes in spending programs in relation to each other. The dashed line in Figure 5 is the ratio of unemployment spending to family spending. Between 1980 and the late 2000s, a considerable shift in spending priorities took place. For almost two decades, OECD countries spent more on the unemployed than on families. However, this pattern was reversed in the late 1990s, when spending on families began to exceed spending on the unemployed. A similar, though less pronounced shift took place in the ratio of income support for the working-age population to age-related spending. On average, the 22 countries have always spent more on the elderly than on the working-age population. However, during the past two decades spending has leaned even more heavily towards pensioners, as age-related social spending increased, while in particular spending on the unemployed decreased.

See appendix, Figure 6: Spending ratios, 1980–2008

Despite these common trends, welfare regimes still differ in their spending profiles. Castles (2008) and Kuitto (2011) demonstrate that different welfare states group along different spending patterns: the continental and southern European countries spend more on pensions, while the Nordic countries prioritize working-age cash benefits and other social services (Kuitto 2011). Thus, according to them, spending patterns across country groups resemble the well-known welfare state typology. However, their analyses focus on spending patterns at only one point in time (mid-2000s). This leads to the question of whether the *dynamics* of retrenchment also differ systematically across country groups. That is, whether there is, for instance, a systematic trade-off between cutting expenditure on the elderly and cutting expenditure on the working-age population. One might assume that countries prioritizing spending on the elderly are more willing to cut expenditure on the working-age population, and vice versa. For a first take on these changes, Figure 6 summarizes the spending profile of welfare regimes over time. Four points are worth noting. First, it comes as no surprise that, overall, the Scandinavian countries spend most and the Anglo-Saxon countries least. Southern and continental Europe fall in between. These two regimes become more similar in overall spending as the southern countries rapidly increase social expenditure. Second, and more interesting, if one ignores the expenditure for services, the Nordic countries during the 2000s actually spend less than continental and about the same as southern European countries. What is really different in Scandinavia is the modest spending on health and pensions, on one hand, and the unusually high spending on services. Even though all welfare regimes increase their expenditure on services, the large share of services sets the Nordic group apart from everyone else. In fact, if we only look at health and pensions, there are hardly any differences between the United States and Sweden. In contrast – and this is the third observation – continental and especially southern European countries spend heavily on the elderly. On average, Greece, Italy, Portugal, and Spain devote three-quarters of their total social expenditure to health and pensions, whereas the Scandinavian countries spend less than half on these purposes.12 Finally, income support for the working-age population has stagnated or declined in all welfare regimes. More than other programs, social spending on the working-age population is aimed at reducing vertical inequalities. And indeed, Castles (2008; 2011) shows that only these social policy programs are negatively correlated with social inequality measures, such as the Gini index or poverty indicators, whereas spending on health or the elderly does not reduce inequality.

See appendix, Figure 7: The changing composition of social expenditure in four welfare regimes

4 Conclusion

In this article, we have used disaggregated spending data to track welfare state changes over three decades. Without doubt, welfare states have changed considerably. While the 22 countries we have analyzed still spend heavily, they have nonetheless implemented deep cuts. In general, benefits in kind have become more important everywhere, whereas cash benefits have been lowered. Since many reforms are phased-in over extended periods of time, we can expect to see further changes. To date, retrenchment has been most severe for the working-age population but, as the weighted data demonstrate, spending on pensions has also fallen. Even if overall spending does not change dramatically, some programs are being cut heavily.

Taken together, our results strongly suggest that welfare states are less resilient than envisioned in the literature on "new politics" (Pierson 1996). In fact, the 1990s – when this debate began – seem to mark a turning point. Until then, only the speed of expansion decelerated but since then an actual trend reversal has taken place. Welfare states are no longer simply growing at a slower pace but shrinking. At the same time, social spending is directed less at curbing inequality and more oriented towards the elderly and services. As a consequence, the welfare state becomes less decommodifying and more supportive of markets. It provides services that allow formerly excluded groups – such as parents and, in particular, mothers – to enter the labor market more quickly but also becomes less tolerant of extended periods without paid work. Throughout the empirical section of the article we have noted that some of the most far-reaching changes have taken place in Sweden and other social democratic welfare states. While the Scandinavian countries have weathered the storm for a long time, they might no longer be able to do so. As a consequence, inequality has started to rise even there.

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Endnotes

1Other debates following from this have focused more narrowly on the politics of blame avoidance. Jensen et al. (2014), for example, examine how and when blame avoidance strategies are successful. Giger (2011); Giger/Nelson (2011) question the assumption that retrenchment politics is always and for all parties a politics of blame avoidance. They empirically assess the electoral costs of retrenchment activities for different parties.

2For a detailed discussion of the pros and cons of spending data in welfare state research, see for example (Starke 2008: Ch. 2; Siegel 2007).

3The two most important datasets on replacement rates are those compiled by Lyle Scruggs (Welfare State Entitlements Data Set, comprising 18 OECD countries) and Walter Korpi and Joakim Palme (Social Citizenship Indicator Program, SCIP). The net replacement rates display the net income replaced by major social insurance programs and are calculated on the basis of the wage of an "average production worker." Moreover, they are calculated for two "typical" recipient groups, namely a single worker and a "model family" consisting of a married average production worker with two children and a non-employed spouse.

4Interestingly, empirical studies which argue that partisan politics are still influential today mostly use benefit replacement rates data, whereas those which argue against it mainly use expenditure data (Green-Pedersen 2007: 15). This shows once more that the conceptualization and operationalization of the welfare state is crucial for the answers we arrive at with our analysis, underlining the importance of choosing indicators carefully.

5Kuitto (2011) carries out a similar analysis using ESSPROS data from Eurostat, adjusting them for social need. She shows that disaggregated welfare spending patterns reveal welfare state clusters very similar to the welfare regime types commonly used in the literature. According to her findings, "welfare states in Europe differ primarily with regard to the extent to which they invest either in income maintenance in old-age or in social services and cash transfers to working-age population" (Kuitto 2011: 361).

6Taken together, the categories "health" and "other services" comprise all public spending for benefits in kind (as opposed to cash benefits). The developments show that in general, spending on benefits in kind has become more important in contemporary welfare states.

7Age-related cash expenditure includes cash benefits for old age and for survivors (pensions). Income support for those of working age includes cash benefits in the following social policy areas: unemployment, family, incapacity-related benefits and "other social policy."

8France and Ireland could not be included in the figure, as for both countries data on unemployment cash transfers are available only from 1985 onwards. However, examining the period between 1985 and 2008 for these countries reveals that here, too, absolute retrenchment occurred.

9As already mentioned, income support for those of working age also includes incapacity-related benefits and benefits from the category "other social policy." However, spending on "other social policy" is rather small and thus not relevant at this point. Incapacity-related spending experienced similar retrenchment dynamics to spending on unemployment, but is not displayed in detail due to space constraints.

10We look only at unemployment and age-related spending as weighting is straightforward in these areas. In contrast, it is less obvious how to weight "other services," health spending or expenditure on the working-age population.

11As the unemployment rate is defined as the share of unemployed people in the labor force, this indicator is not the ratio of spending per unemployed to GDP per capita, but rather the ratio of spending per unemployed person to GDP per "labor force member."

12This observation is in line with Maurizio Ferrera's [The 'Southern Model of Welfare in Social Europe', 1996, in: *Journal of European Social Policy 6(1)*, 17-37] argument about how the "Southern Model" differs from other regimes.

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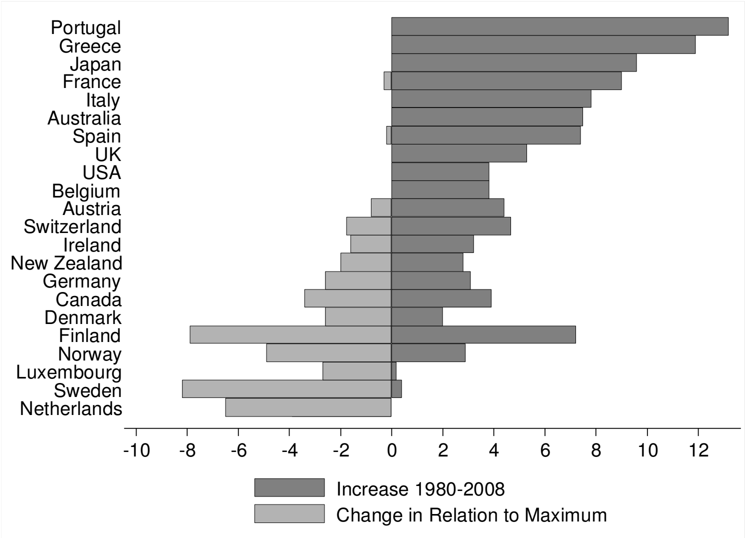
Appendix

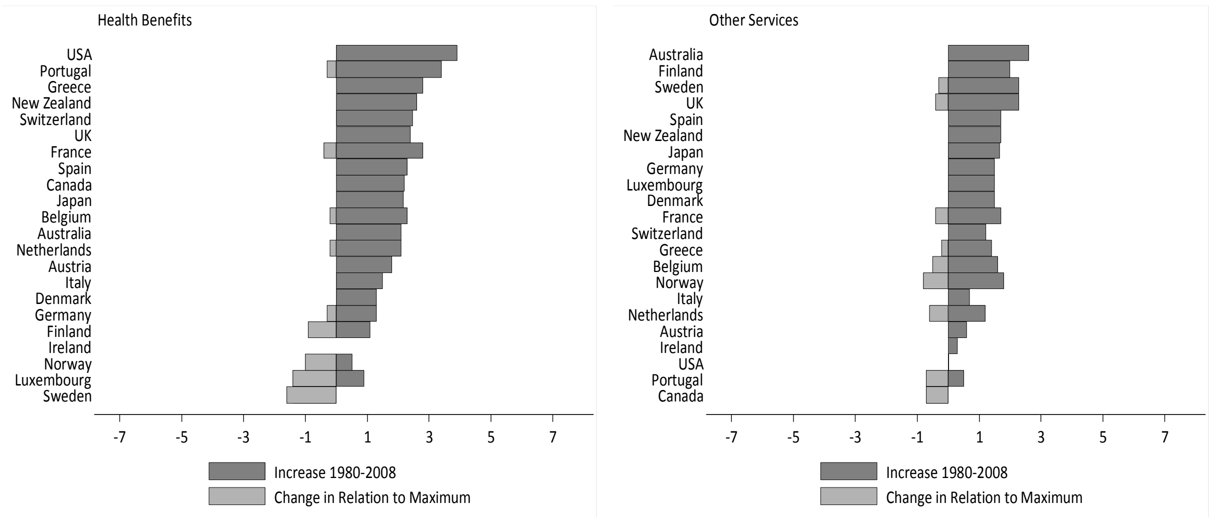
Figure 1: Changes in total social spending between 1980 and 2008



Note: The dark bars indicate the increase in total social spending between 1980 and 2008, measured in percentage points of GDP. The light bars indicate the change in spending from 2008 in relation to the maximum point, also measured in percentage points of GDP.

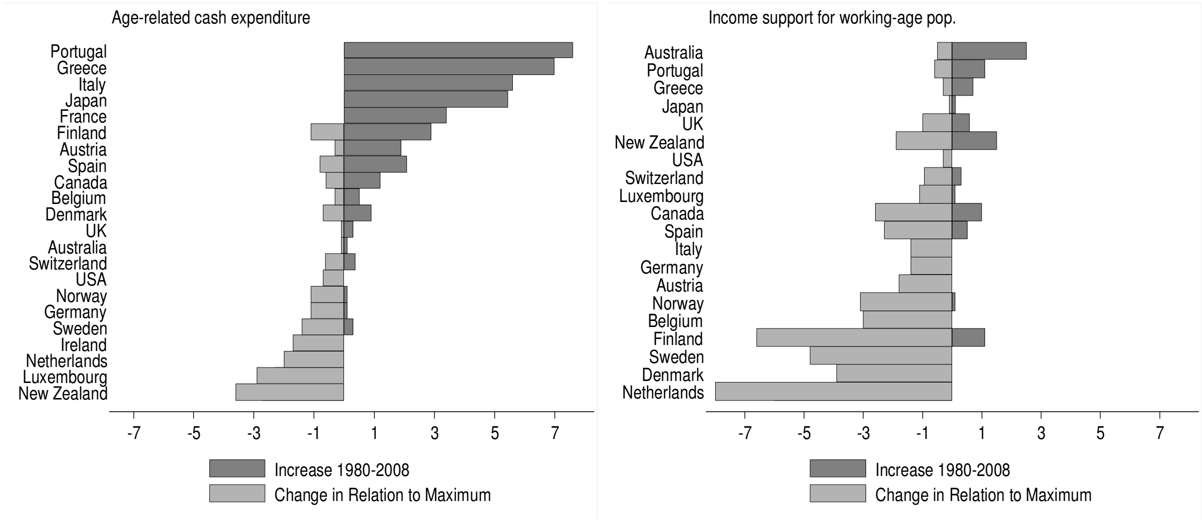
Source: OECD Social Expenditure Database (SOCX). DOI: 10.1787/socx-data-en

Figure 2: Changes in spending on health benefits and on other services between 1980 and 2008



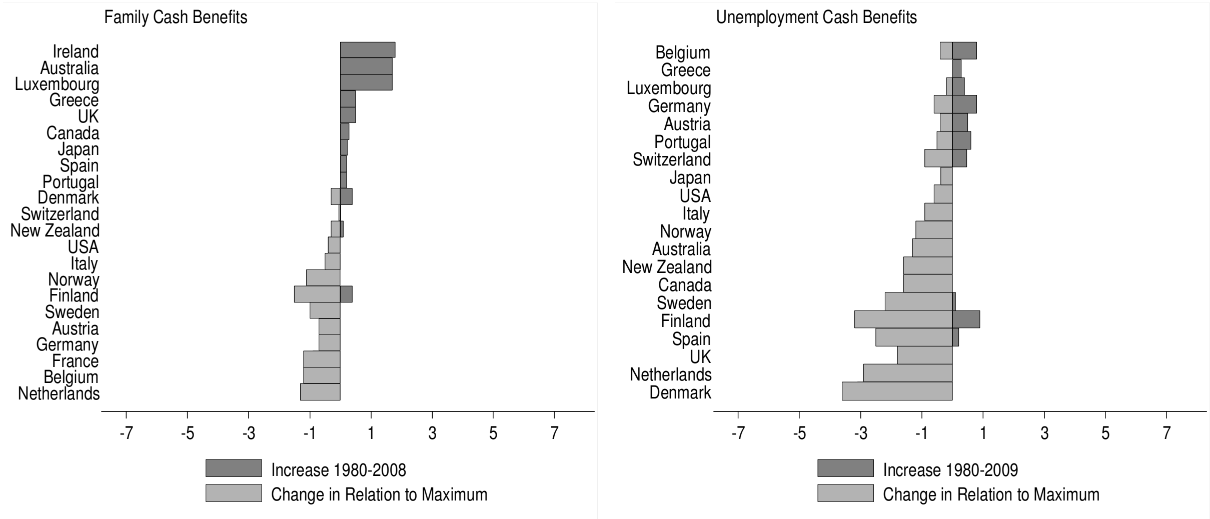
Source: OECD Social Expenditure Database (SOCX). DOI: 10.1787/socx-data-en

Figure 3: Changes in spending on the elderly and the working-age population



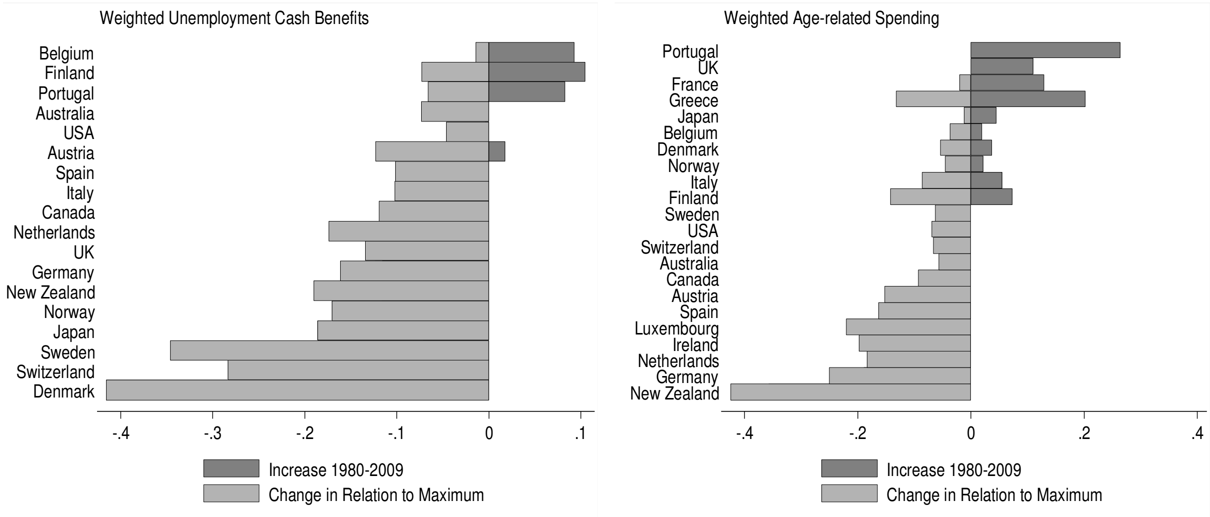
***Source*:** OECD Social Expenditure Database (SOCX). DOI: [10.1787/socx-data-en](https://doi.org/10.1787/socx-data-en)

Figure 4: Spending on families and the unemployed



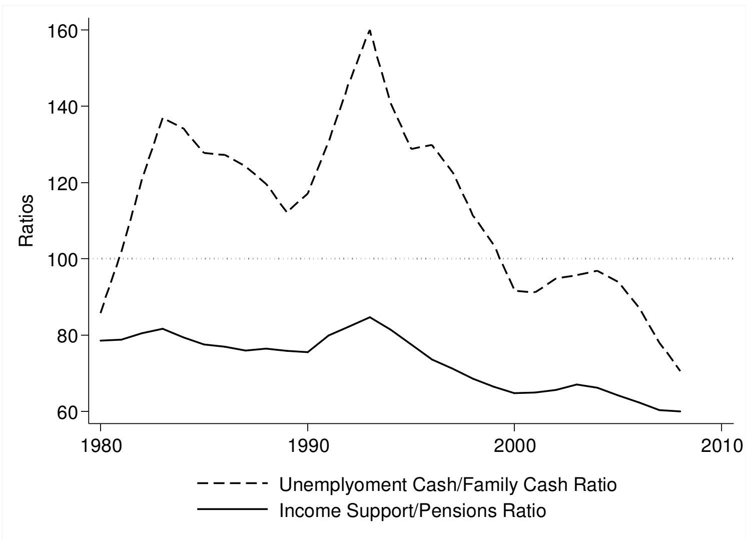
***Source*:** OECD Social Expenditure Database (SOCX). DOI: [10.1787/socx-data-en](https://doi.org/10.1787/socx-data-en)

Figure 5: Weighted spending on unemployment and pensions



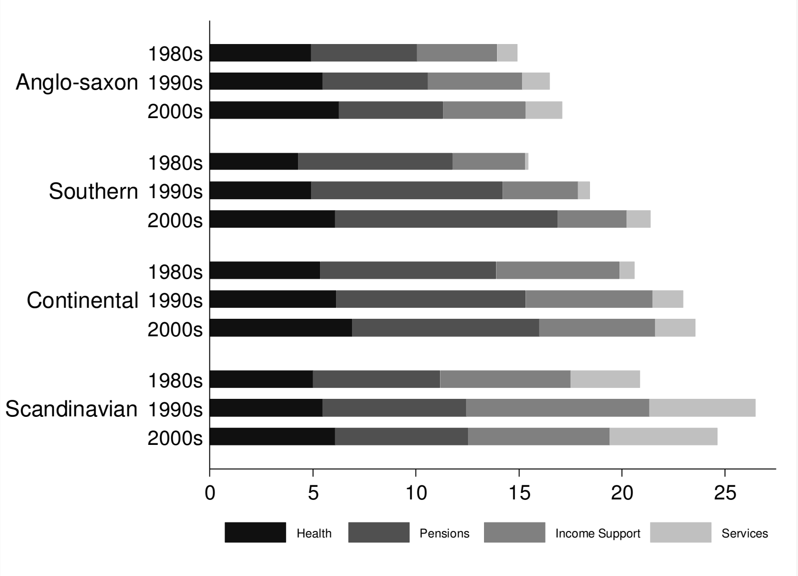
***Source*:** OECD Social Expenditure Database (SOCX). DOI: [10.1787/socx-data-en](https://doi.org/10.1787/socx-data-en)

Figure 6: Spending ratios, 1980–2008



***Source*:** OECD Social Expenditure Database (SOCX). DOI: [10.1787/socx-data-en](https://doi.org/10.1787/socx-data-en)

Figure 7: The changing composition of social expenditure in four welfare regimes



***Source*:** OECD Social Expenditure Database (SOCX). DOI: 10.1787/socx-data-en

Energy Cooperatives as a Form of Workplace Democracy? – A Theoretical Assessment

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1 Introduction

The transformation of the energy sector in Germany towards a broader use of renewable energy and more decentralization has provided an opportunity for the entry of new market actors and the emer-gence of various organizational models in the energy sector. An organizational form that has recently drawn particular attention – especially in the context of citizen participation as a form of cooperation, mutual commitment, consensual decision-making, and local energy policy – is the energy cooperative. Cooperatives are often regarded in the literature as a form of workplace democracy. This article will examine more broadly whether the cooperatives in the German energy sector can be seen as a form of economic democracy, on three levels of analysis: the micro, meso and macro levels.

As the first cooperatives emerged in the energy sector by the end of the nineteenth century, the cooperative as an organizational form has a long tradition in Germany. While the number of cooperatives fell significantly from the middle of the twentieth century, with its focus on fossil fuels and nuclear energy, the abovementioned political decision to prioritize renewable energies with associated possibilities for decentralizing energy production has revived the phenomenon of cooperative organization in the energy sector and has led to the resurgence of a variety of forms (Yildiz 2014: 680).

However, after the number of energy cooperatives had increased significantly in the first decade of this millennium, the dynamic development in the number of cooperatives has slowed down recently and by the end of 2014 there were 973 energy cooperatives listed in the commercial registry. The decline of the growth of energy cooperatives from more than 170 per year from 2011–2013 to about 60 in 2014 can be explained by various reasons:

- Energy cooperatives have implemented projects mainly in the field of photovoltaics. Here, the latest amendment of the Renewable Energy Sources Act (Erneuerbare-Energien-Gesetz, EEG) has brought hurdles into being for new projects, such as a reduction in feed-in tariffs for solar energy or plans for the introduction of tendering procedures for photovoltaic projects that involve risks to participants, require special knowledge and therefore discourage potential project developers.

- The realization of wind farms, another important field of activity of energy cooperatives, has also become more difficult as investments in wind farm companies are exposed to legal uncertainty after the planned amendment of the Investment Code (Kapitalanlagegesetzbuch, KAGB). According to this, there are plans to change the requirements with regard to financial statements, as well as formal requirements for setting-up and running an energy cooperative, which at the moment discourages project developers from initiating energy cooperatives.

- Renewable energy projects in the heating sector compete against fossil fuel–based projects and the prices of resources such as oil and gas are currently low.

- The development of new business models requires time and expertise so that a further diffusion of cooperatives in the energy sector is also restricted by a lack of know-how in assessing new fields within the energy sector (Müller/Holstenkamp 2015: 4).

Because the initiators of energy cooperatives tend to adopt the cooperative model with reference to local legislation and context – for example, specific features, assets and limitations of this model in the field of renewable energy – and, furthermore, cooperatives in general emerged in the nineteenth century mainly within the working class to offer better opportunities to workers (Huybrechts/ Mertens 2014: 195–196), it seems worthwhile to analyze whether energy cooperatives serve as a form of workplace democracy and whether this characteristic might help new circles of users of the cooperative business model to gain access to the energy sector.

2 The Role of Cooperatives in the Energy Sector

As the descriptions in the introduction indicate, renewable energy cooperatives have been brought into being for various reasons and depend on several factors that influence their comparative advantage in contrast to other organizational forms in the renewable energy sector. In the following, we present a short analysis from an organizational, meso-level and membership perspective in order to assess why and under what circumstances project initiators chose to organize their renewable energy projects as an energy cooperative, which we see as a form of organizational democracy.

2.1 Energy Cooperatives as an Organizational Form

In the context of the theory of the firm, different subsets can be used to assess cooperatives as an organizational form. From a transaction-cost perspective, an economic exchange can be organized within a spectrum of coordination mechanisms, ranging from market-based to hierarchical organization. According to this classification, cooperatives are considered to be hybrids. This is due to their characteristic that members pool some (but not all) of their qualifications and resources in the cooperative enterprise's business – which corresponds to a hierarchical organization – but at the same time, members of a cooperative remain economically independent, and therefore can use their qualifications and resources for other tasks, a feature characteristic of market transactions (Yildiz 2013: 181–182).

In detail, several features exemplify the hybrid character of cooperatives in general and consequently also the hybrid character of energy cooperatives. First, the actors involved make fundamental operational decisions jointly. Second, members' resources and qualifications are pooled so that advantages can be generated from extended market shares, transfer of competencies, and sharing of scarce resources. Finally, the involvement of multiple actors offers risk-sharing possibilities. The latter feature is particularly relevant in the case of energy cooperatives as it allows citizens to participate actively in local energy policy, without bearing extensive economic risks (Ménard 2004: 351–352; Yildiz et al. 2015: 66).

However, the involvement of multiple actors in an energy cooperative can also give rise to various problems. First, internal organization costs are higher compared with other business models relevant in the context of renewable energy infrastructures. This is because active participation in a cooperative and its administrative bodies demands more effort from its participants to control the management in charge. Furthermore, the decision-making process within a cooperative based on the one-member/one-vote principle can aggravate the so-called influence-cost problem where cooperative members have to make material and immaterial efforts to influence decision-making in pursuit of their own particular interests. This is particularly relevant to cooperatives with a heterogeneous membership structure. On the other hand, the organizational costs explain why the cooperative model is particularly significant in the field of photovoltaics and wind energy where the set of people involved is fairly homogeneous compared with bioenergy infrastructures (Yildiz 2014: 681).

This problem of heterogeneous actors is also a critical point from the perspective of property rights theory (also referred to as incomplete contract theory). Here, property rights are the most effective mechanism for providing actors with incentives to create, maintain, and improve assets (Chaddad/ Cook 2004 :349). Starting from this assumption, the findings of property rights theory show that in case of specific investments and incomplete contracts, the so-called hold-up problem worsens the position of investors ex post, therefore decreasing their incentive to invest ex ante (Grossman/ Hart 1986; Hart/ Moore 1990). According to this, the organizational form of the energy cooperative provides comparatively low investment incentives because shared property rights in a cooperative imply strong difficulties in case of contractual incompleteness (Higl 2008: 34–35).

Besides the insights we have presented from two subsets of the theory of the firm, energy cooperatives also play an important role from a meso-level economic perspective. The following section briefly discusses two aspects of the role of cooperatives in markets.

2.2 The Role of Energy Cooperatives in Markets

Structural approaches rooted in industrial organization investigate what kinds of functions coopera-tives perform for the economy as a whole. A first question analyzes the roles of cooperatives under conditions of imperfect competition and in terms of the upstream market power of processors and retailers. Market power imbalances often exist in the electricity generation sector in most European countries. For the case of Germany, the largest four companies in Germany – Vattenfall, EnBW, RWE, and E.ON – account for more than 80 percent of the retail market. Nonetheless, the shares of these four dominant companies are decreasing through an influx of small-scale renewable energy generation (Schiffer 2011: 284–285; Yildiz et al. 2015: 67). Thus the emergence of cooperatives in the energy sector can partly be explained by the desire of consumers to better control the origin of their energy (as far as production is concerned) as well as its price (in the case of supply). Hence, renewable energy cooperatives can help to reduce market concentration (Huybrechts/ Mertens 2014: 203).

A second aspect concerns quality uncertainty and consumer demand for electricity from cooperatives. There are indications that the German transition towards a sustainable energy system is, to some extent, driven by consumers. Similar to George Akerlof's famous example of quality uncertainty and information asymmetry in the market for used cars (Akerlof 1970), it is not easy for consumers in the electricity sector to distinguish quality differentials for electricity. This may result in adverse selection, which ultimately bears the risk of a complete market failure. This can be especially true if aspects of the production process are an essential factor in consumer valuation of a good, and also if, as with household electricity, the good reaches the consumer in a homogeneous quality, independent of the particular supplier chosen. In other words, the credence good–character of renewable energy does not yield information on the production process, thus creating risks of adverse selection and fraud on the supplier's side. Consequently, various forms of transparency initiatives, signaling or guarantees on the supplier's side have been realized; for example, providers of renewable energy spend high sums on elaborating how exactly their electricity is produced, seeking to establish trusting relationships with consumers. With regard to energy cooperatives, integrating transactions into more hierarchical organizational forms, ultimately resulting in the identity of owners, producers, and processors might reduce costs resulting from information asymmetries, significantly avoiding adverse selection (Yildiz et al. 2015: 67–68).

2.3 Energy Cooperatives as a Social Phenomenon

A first insight into energy cooperatives from a social perspective concerns the social acceptance of renewable energy infrastructures. Here, energy cooperatives may play a role in fostering social ac-ceptance of the construction of energy production facilities as they engage citizens directly in local energy policy through co-ownership. They also provide local energy policy with a democratic dimen-sion, and avoid criticism related to the appropriation of public resources because purely profit-maximizing shareholders, such as established energy suppliers, are normally absent. In addition, the feature of citizen-owned property rights is likely to enhance the cooperative model's credibility and trustworthiness as involved citizens are thus more likely to engage in collective efforts because these efforts will not be appropriated by other actors (for example, external shareholders) (Huybrechts/ Mertens 2014: 204–205).

Accordingly, these features also come to the fore when membership characteristics and motives are analyzed. Here, empirical studies indicate that cooperative membership generates trust in energy production. Consequently, members express interest in becoming involved in additional renewable energy projects and generally favor a more active citizenry. Furthermore, empirical results also indicate that participation in energy initiatives derives its motivation from long-term social concerns and not exclusively from profit-seeking. Finally, as a result of beneficial effects on capacity building, empowerment, and social capital, members in energy cooperatives work from a sense of belonging, personal identification and commitment to the initiative. Hence, this finding refutes the idea of a silent uninvolved membership acting as passive investors in other forms of community energy projects, such as fund-based business models (see, for example, Walker/ Devine-Wright 2008). However, citizens involved in larger energy cooperatives also express concerns such as the lack of transparency in the operations of governing bodies, finding that the guiding policies behind operations are partly not discussed openly enough with the wider membership in larger energy cooperatives (Radtke 2014: 240–242).

To conclude, energy cooperatives are, from a social perspective, particularly related to the general topic of climate change and environmental protection and in this context provide a platform in which participation, codetermination, trust, and spillover effects of these features – such as a rise in social capital – play a determining role in an individual's decision to join an energy cooperative.

So far, the analysis of renewable energy cooperatives has revealed several economic and social aspects that help us to understand the circumstances under which project initiators chose to organize their renewable energy projects as an energy cooperative.

In order to answer the initially asked question of whether energy cooperatives can serve as a form of workplace democracy, it is necessary to address the topic of workplace democracy in the context of cooperatives in general. Therefore, the following section deals with this task.

3 Cooperative Sciences and Workplace Democracy

3.1 An Introduction to Workplace Democracy

Participation in organizations such as corporations and associations has been widely discussed and analyzed in the academic literature, particularly in the context of cross-societal developments and policies. In the wake of the forming processes of industrialization, which resulted in new occupational fields and work-spaces, worker involvement in the company began to play an important role. In this context, central questions addressed included social aspects, such as working conditions, and general questions, including such democratic considerations as the idea of sharing assets among all stakeholders in a company or other forms of worker empowerment (see, for example, Zwerdling 1980; Lindenfeld/Rothschild-Whitt 1982; Mason 1982; Cheney 1995; Schweizer 1995; Foley/Polanyi 2006). Accordingly, the idea of workplace democracy relies on the concept that democratic principles should apply not only to the political system and public affairs, but should also be extended to private and civil society, as well as the business sector (Pateman 1970). Underlying this idea is the basic assumption that mutual influences of societal levels find their expression in various forms of codetermination, cooperation, collaboration, and participation, which in turn have an influence at micro (individual) level, meso (organizational) level and macro (societal) level (Wilpert 1994: 304 ff).

Different approaches define workplace democracy as a form of influence on decision-making processes in associations, organizations, and corporations by their members (for example, workers) through institutionalized forms of involvement, participation, and codetermination (for example, work committees, councils; for example, Heller 1989; Wilpert 1994; Addison 2009). Starting from this general definition, the influence of workers, employees, and other members in organizations can be subdivided into forms of direct (participative management and workgroup) participation, and indirect participation, such as intermediate decision-making, with decisions being reached without prior consultation (Wilpert 1994: 303). Further specifications distinguish between mental (preoccupation with decision-making processes) and real participation, as well as between delegative participation, corresponding to the principles of representative democracy, and direct participation, which is characterized by an immediate articulation of opinion and direct involvement in internal decision-making processes (Greifenstein et al. 1993: 30).

Summing up, the concept of workplace democracy is characterized by the following elements:

☐ it strengthens employees' rights and possibilities of codetermination and participation;

☐ ideally it helps to emphasize aspects such as collaboration, equality, worker influence, fairness, transparency, and procedural justice within an organization;

☐ it can also highlight dynamics regarding intra-organizational power, clashing interests, conflicts and oligarchic tendencies.

Starting from this brief overview of the notion of workplace democracy, it is worth analyzing how this concept is realized within cooperatives, the organizational form that is probably most closely associated with democracy.

3.2 Cooperatives and Workplace Democracy

The establishment of workplace democracy through the cooperative model has a long tradition. Several cooperative studies have focused on aspects of participation and democracy. In fact, these patterns are an integral part of cooperative research (for example, Hales-Mabry 2003; Katz 2012; Booze 2014). This is due to the characteristic of cooperatives that their members normally have equal voting rights. Strong forms of codetermination thus have a prominent position in the formal construction of cooperatives. In addition, cooperatives are often described as an institution created from among and by people driven by a socialistic vision, explicitly wanting to work together equally and to share the ownership rights of productive assets. Hence, cooperatives can be understood as an extraordinary example of the realization of workplace democracy that has been discussed in numerous examples from different countries, for instance, the Scandinavian countries, Italy, and the countries of former Yugoslavia (for example, Baylis 1976; Jones/ Svejnar 1985; IDE 1981/1993).

This perspective on the subject of workplace democracy within cooperatives can also be supported with empirical insights. For example, an empirical analysis by Weber provides heterogeneous results on the question of whether cooperatives correspond to their attributed socio-political tasks in terms of their characteristics (for example, voting rights, commitment and pro-social orientation of involved actors). According to this, there indeed exists a positive correlation between participation and pro-social decision-making behavior in cooperatives. Furthermore, identification with the values and goals of the cooperative is also high. Finally, there is a negative correlation between the level of participation and the level of job dissatisfaction, which supports the intuition that a high level of participation has positive impacts on an individual's job satisfaction (Weber 2004: 468).

Drawing on the basic insights of this section on workplace democracy in general and from the perspective of cooperatives, it is now our task to bring these findings together with the findings on the characteristics of energy cooperatives in order to analyze whether energy cooperatives can be considered a form of workplace democracy.

4 Are Energy Cooperatives a Form of Workplace Democracy?

In order to address the question of whether energy cooperatives are or can be a form of workplace democracy, one has to start with the characteristics of energy cooperatives (see also Section 2).

Energy cooperatives as an organizational form are particularly relevant in areas of activity such as solar and on-shore wind energy, which normally produce energy in a decentralized manner with small-scale production facilities. In these fields, operational tasks such as control of the technical facilities and energy production process, as well as the maintenance of technical equipment are comparatively easy and require little manpower. Consequently, operational control is often in the hands of the members themselves – mostly private individuals – and maintenance is often ensured by service companies providing standardized maintenance services. As a result, most energy cooperatives normally don't have any or only very few permanent employees (see, for example, Yildiz et al. 2015).

As a consequence, an analysis of workplace democracy within energy cooperatives has to assess which activity fields of energy cooperatives might require a higher number of employees. In this regard, alongside production cooperatives one can distinguish between distribution cooperatives, which operate local electricity grids or local district heating networks; trading cooperatives, which include cooperatives that primarily generate a spread by buying and selling energy (or energy resources); and energy cooperatives, which do not fit in the previously mentioned categories, such as service companies that provide services related to the renewable energy sector and whose members are cooperatively organized (Yildiz et al. 2015: 62).

Thus, cooperatives providing services in the field of renewable energy seem to be most relevant for the issue of workplace democracy within energy cooperatives in its original sense, as described in Section 3, as they could have a larger number of workers who are at the same time members of the cooperative. In this context, different service providers in a region and their associated workers could pool their skills and at the same time foster collaboration and worker influence. Besides this already existing field of activity likely to be relevant for workplace democracy, future technological development could bring into play new areas of activity for renewable energy in which cooperative members are at the same time also employees of cooperatives. Examples of such technological developments are smart grids and such things as smart metering and smart cities.

To conclude, the role of energy cooperative members is different from the traditional role of workers in a company. Therefore energy cooperatives in their current form and their members do not have much in common with the normative ideals of workplace democracy (see Section 3). However, general aspects regarding active membership, codetermination, and participation remain key characteristics of energy cooperatives. Hence, it is interesting to analyze the effects of energy cooperatives on democratization from a meso- and macro-level perspective.

From a meso-level perspective, cooperatives in the energy sector are an explicit vehicle for strengthening democratic participation within the organization. In contrast to other business models in the energy sector, energy cooperatives are chosen explicitly to ensure that local actors are able to participate in a local energy project and can express their opinion even without large investments. This is realized through characteristics such as the one-man/one-vote principle and the fact that most members of the administrative boards of cooperatives work voluntarily and are normally chosen from among the cooperative members (see, for example, Huybrechts/ Mertens 2014; Yildiz 2014). Consequently, it is not surprising that empirical studies from Germany show that members of energy cooperatives agree with the statement that energy cooperatives are an organizational form possessing democratic characteristics. Furthermore, members emphasize the transparency of the organization. Members feel well informed with regard to their energy cooperative's organizational and operative issues which, in turn, establishes a high level of trust among cooperative members. Thus, the characteristic ideal of workplace democracy that brings together different levels of management within an organization – which is crucial for effective participation practices beyond formal regulations – is also given in the context of energy cooperatives, although in this context this characteristic doesn't concern workers as members but as local citizens (see, for example, Radtke 2013).

From a macro-level perspective, the ongoing debate about climate change and the desire of citizens to participate in this debate is a central determinant of individuals who participate in energy cooperatives. Empirical studies show that energy cooperative members often demand more citizen participation in society at large and therefore support the further deployment of local community initiatives in order to promote such participation in the context of climate change and energy policy (see von Blanckenburg 2014; Radtke 2015). However, criticisms of the aspect of participation within energy cooperatives can also be made from a macro-level perspective. Empirical studies in Germany show that an overwhelming majority of energy cooperative members are men. In addition, younger age-groups (younger than 35 years of age) are underrepresented. Other trends can be found concerning the educational backgrounds and income structures of those involved. The majority of energy cooperative members are university graduates. As a consequence, higher income groups with an individual monthly gross income over 2,500 euros are overrepresented (see Yildiz et al. 2015: 64; see also Fraune 2015; Radtke 2015).

Hence, the socio-demographic characteristics of energy cooperative just mentioned do not correspond to the typical socio-demographic structure of workers in companies in the industrial sector, in which the topic of workplace democracy is particularly prominent as it is originally rooted in this context, but rather to the socio-demographic structure of civil society associations, political parties, and trade unions. Consequently, the member structure of energy cooperatives corresponds to general findings on the demographic characteristics of individuals who are socially and politically active and participate according to socioeconomic status (SES) (see, for example, Verba/Nie 1972; Verba et al. 1978/1995; Schloszman et al. 2010). This in turn might be considered critical from a macro perspective as women, non-graduates, and younger citizens are strongly underrepresented in energy cooperatives, which might shed a critical light on the qualities of energy cooperatives to foster societal democratization in general.

5 Conclusion

The analysis presented in this paper shows that energy cooperatives cannot be considered a form of workplace democracy in its original sense as the role of energy cooperatives members is different from the traditional role of workers in a company. Nonetheless, energy cooperatives promote democratization in various other ways. As an organizational form, energy cooperatives entered the energy sector in response to citizens' need for decentralized energy supply. In addition, they allow citizens to participate in local energy policy and foster codetermination in this context. However, most energy cooperatives are composed of a rather homogenous group of middle-aged men with a graduate background so that the societal effects on democratization are limited at the moment.

With their established fields of activity subject to legal restrictions and other barriers that hinder further development, it will be interesting to see whether energy cooperatives can access new activity fields which in turn might bring the question of workplace democracy more to the forefront. Energy cooperatives in the sector of energy services, as well as in the context of recent trends towards interconnected and network-based smart systems seem to be particularly relevant. In this context, energy cooperatives as an organizational form could be part of a holistic approach to integrate different concepts for sustainable urban planning, interconnected neighborhoods, mobility and transport solutions based on electromobility, and sustainable buildings (see Smart Energy Idea by Servatius et al. 2012). Thus, starting from socioeconomic movements such as the "Transition towns" (for example, Hopkins 2008; Merritt/ Stubbs 2012) and followed-up by current trends towards "Smart cities" (for example, Tang 2009; Haas 2012), energy cooperatives might contribute to the establishment of participative and democratic governance approaches and thus promote the ideals of workplace democracy in a broader sense in these future living environments.

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Democracy, Markets and Rural Development: the Case of Small Goat-Milk Farmers in the Brazilian Northeast

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Abstract

This article examines the social construction of a goat-milk market in one of the poorest regions of Brazil, the Northeast Semiarid. This instance of the establishment of a goat-milk market is an innovative project with potential to combat poverty and underlines the relationship between the economy and democracy. Its aim is to encourage the participation of various social actors and institutions. The article centers on how this process is stimulated by means of a *goat enthusiast network* composed of key agents linked to a variety of organizations. It also highlights the role of the federal government in a program to provide financial support for food purchases (Programa de Aquisição de Alimentos – PAA), implemented in partnership with state governments in the Semiarid region, and the development of a targeted Milk Program aimed at ensuring markets for family farmers. At the local level, municipal governments and breeding associations have done all they can to assist an effort that has offered critical support for continued implementation of these programs, combining tradition and regional vocation with innovation and the productive social inclusion of poor people. From the perspective of the interconnection between economic life and social life, the article analyzes the process of social inclusion through production and consumption.

Keywords: social construction of markets; development; public policies; economy and democracy.

1 Introduction

This article examines the initial stage in the social construction of a goat-milk market in the Brazilian Semiarid. This initial stage corresponds to the period in which efforts were made to overcome the array of cultural barriers related to goat-raising and to elevate the status of goats in the region. Moreover, the initial stage was associated with the implementation of a specific public policy – the Food Purchase Program (Programa de Aquisição de Alimentos – PAA) – to increase the supply and demand and consumption of goat products.

The study centers on the sociology of translation (Callon, 1986). The analysis here does not address all of the four "moments" in the sociology of translation *(Problematization, Interessement, Enrolment, Mobilization)* as laid out in Callon's seminal article. Rather, we focus on the theory's central argument: the content circulating in the network of relationships between human and non-human agents. For the purposes of this study, we consider the production and dissemination of a body of knowledge circulating among individuals and organizations that through scientific and economic arguments directly confronts traditional practices while incorporating particular aspects of that tradition so as to ensure target market expansion. Dissemination of this knowledge broadens the technical and scientific repertoire available for innovation by incorporating popular local references and practices.

With a view to examining the content that circulates within and pervades the goat-raising support network, we identified the respective actors and their repertoires and the types of interaction and social networks involved. We then analyzed the changes stemming from implementation of the PAA program. Through the program, the state has managed to assume an increasingly pivotal role in leveraging the goat-milk market by guaranteeing and expanding demand and providing guidance for improvements in herd management processes and the supply chain.

The sociology of translation is thus employed as a reference for better understanding the full body of interconnected knowledge, with a view to resignifying goats and redefining traditional goat-raising practices that date back to the sixteenth century in Brazil, when the original Portuguese settlers first introduced these animals into the region.

In this light, the following question offers a good starting point for the study: how can public policies stimulate the construction of markets to spur development and improved living conditions for poorer population segments? The case study examined in these pages demonstrates that, in addition to the development and dissemination of new technical and scientific knowledge, the PPA has served as a critical instrument for building more direct and horizontal networks between family farmers and rural cooperatives. These networks have transformed a market historically plagued by low economic dynamism (characterized by traditional practices and political and economic concentration) and broad exclusion of the population from the policy-making process and the distribution of productive wealth, factors that have exacerbated long-standing disparities.

By incorporating the construction of horizontal relationships between the various actors operating in the goat-milk market, the objective is to contribute to the discussion on the relationship between the economy and democracy, a topic of increasing prominence in political science (Wucherpfennig/Deutsch, 2009) and a subject of growing interest in other fields (Arif/Kayani/Kayani, 2012). Expanded popular participation and horizontal relationships are addressed as constituent elements of a more democratic form of economic development and greater social equilibrium.

In this article, we reject the existence of a necessary tradeoff between economic efficiency and democracy (Bhagwati, 2002), but we strive to incorporate social and political-governmental aspects capable of promoting the construction of markets. In the words of Dowbor (2005: 1), "Economics help to shape our vision of the world, but it alone cannot be our world view. The economic dimension represents only one aspect of what we are."

The processes analyzed in these pages run directly counter to the notion that the Northeast Region of Brazil is economically dependent on the country's wealthier areas. Public sector experts and technical specialists engaged in developing productive innovations in the Brazilian Semiarid have helped shape a new institutional environment that challenges the region's political history, long dominated by entrenched oligarchies. As we will see, the tradition of goat-raising is intrinsically tied to an inclusive form of economic development, stimulating the consolidation of associations and cooperatives.

2 Methodological Note

The study's field section was conducted in stages, encompassing a total of 60 days in the field between 2008 and 2009. Data collection on goat-raising in the Brazilian Semiarid involved 23 semi-structured interviews of experts (9), public administrators (5), goat-raising association leaders (3), and small goat producers and farmers (6). Interview subjects were selected using the snowball method based on the identification of key actors from whom referrals to additional interview subjects were drawn. In addition, 28 unstructured interviews were held with small goat-raisers and family farmers using the same selection process. By the same token, a number of small property owners and their families were contacted and visits conducted to various small rural settlements and agricultural fairs in the target areas.

Observation was also important, with the aim of collecting information to describe the development of goat farming in the region, focusing on the pertinent actors, as well as any new organizational arrangements and configurations. Contact was also established with public sector administrators, coordinators, managers and technicians (municipal, state, and federal), parastatal bodies and state companies engaged in agricultural extension and research, federal universities, and members of small goat farming associations in addition to small and medium-sized farm associations, resident associations in the various rural communities and settlements, and traders and workers in the farming sector. Rounding off the research work were reviews and analyses of documents and theoretical studies.

In addition to interviews and observations, documents prepared by organizations devoted to supporting the development of goat-raising were consulted, in particular those of the Brazilian Agricultural Research Corporation (Empresa Brasileira de Pesquisa Agropecuária – EMBRAPA) and the National Food Supply Company (Companhia Nacional de Abastecimento – CONAB).

3 Cultural barriers to the development of goat farming

The Brazilian Semiarid covers approximately 970,000 km², an area corresponding to the combined size of France and Germany. It encompasses 1,133 municipalities in nine Brazilian states and a population of nearly 21 million inhabitants, almost half of whom reside in rural areas (BRASIL, 2005). In short, it is the most populous semiarid region in the world, in which the principal productive activity is farming (Gomes, 2001). The land tenure system is highly concentrated. At the same time, the region is marked by a significant number of small farming establishments or units (IBGE, 2006). This apparent contradiction is a product of the acute concentration of land ownership.

The traditional economy in the Semiarid is organized around open-range livestock production – historically considered the region's primary "vocation" – and farming. However, these activities have not benefited from any significant technical upgrades over time, resulting in low productivity and, in some cases, outright stagnation and persistent food shortages.

Goat-raising has been pursued in Brazil's Northeast since the arrival of the European colonizers. Following their introduction, goats spread throughout areas not conducive to other activities by virtue of their hardiness and capacity for adaptation. The region is home to more than 90 percent of Brazil's goat population, with approximately 9 million animals. Although a significant feature at the regional level, Brazil's goat herd represents less than 2 percent of the world's total goat population. Traditional extensive open-range management – animals raised on open-range pasture lands with minimal human interference – and a deteriorating genetic pool (triggered by successive random crossing of unknown breeds from one generation to the next) have resulted in low productivity.

However, while goats are an important component of the popular regional culture, according to Nobre (2007) large landowners view goat-raising as an activity "stubbornly pursued by poor people," a "marginal activity with no future," despite the fact that goats provide meat for daily consumption by poorer population segments and that goat milk represents the main source of protein for children and farmers in rural areas (Nobre, 2007: 1). Nonetheless, goats are viewed as *inferior* to cattle, the production of which has traditionally been closely tied to elevated social status. As such, goat-raising is commonly referred to as *miunça*, a regional term meaning "low-value production."

However, a comparative analysis reveals that goats are in fact more adaptable to the Semiarid than cattle: they are more resistant to drought and have a greater capacity to draw food from the region's typical *caatinga* vegetation. Although cows yield as much as 10 liters of milk per day, considerably more than the 1 to 2 liters goats produce, goats generate offspring up to twice per year, whereas cows yield only 1 calf every two years. In addition, while goats require an average of 4 liters of water each day, calves need 41 liters, a significant factor in the Semiarid. Another pertinent point is that cows cost ten times more than goats. In other words, for the price of one cow, a lone asset which can be lost suddenly and unexpectedly by virtue of recurrent and severe drought, a family farmer can raise dozens of goats, and at a lower daily maintenance cost.

It is important to underscore that the interpretations set out in the paragraph above, which belie the supposed low economic potential of goat-raising, were developed and disseminated through studies and reports prepared by government agencies, in particular EMBRAPA and CONAB. Although they are both federal institutions, the two entities have reached into regional and local communities, spurring the formation of a network and providing high-level technical services, guidance, and direct assistance to family farms, dairy production establishments, and cooperatives.

This body of knowledge created by these federal institutions has contributed to countering the belief that goats serve only for domestic consumption or, at best, to supply incipient local markets. Today, a new view pervades the network that offers a sharp critique of the outcomes generated by traditional goat-raising processes: extensive open-range production, genetic deterioration, and low productivity, sporadic and domestic consumption. According to this perspective, it is the lack of organization of the goat-raising sector that lies at the root of repressed demand, a result of insufficient supply, particularly products of a quality consistent with the standards identified in more demanding markets. In fact, because of the disorganized structure of the related activities, it is possible to meet existing demand only through meat imports to the Northeastern market. Recent estimates indicate "a goat meat shortage of 13,000 tonnes / year" (Nobre, 2007: 26).

In an effort to raise the status of goat-raising, targeted events have been organized to mobilize local communities; specifically, "goat festivals" sponsored with the support of mayors, local legislators, and experts. These annual events draw thousands of people for the purpose of reshaping the symbolic context created around these animals. In the largest of these festivals, the "Festa do bode rei" ("Goat King Festival") in Cabaceiras, Paraíba, enormous statues of goats line the streets. A number of attractions, including goat competitions and various culinary booths offering recipes and food options based on goat products, contribute to the experience of the festival.

Events such as these help to strengthen and expand innovative ideas and practices for this sector. However, it is important to underscore the boost the support networks received with the implementation of a targeted federal government food purchase program designed to bolster local economies and family farmers and stimulate the establishment of cooperative associations: the Food Purchase Program (PPA).

4 Fostering the market through demand policies

The federal government's Food Purchase Program (PAA) was established in 2003 to fight hunger in Brazil, as a partnership of the state and municipal governments. In 2010, the NGO *Action Aid International* ranked Brazil at the top of the international effort against hunger because of the series of public policy initiatives enacted to spur economic growth, combat poverty, and foster family farming.

In terms of its operations, the PAA uses government-set prices to promote production by family farmers, with a view to assisting at-risk population segments. Over its first seven years (2003–2010), the PAA spent more than R$ 3.5 billion on the purchase of approximately 3.1 million tonnes of food, directly benefiting an average of 160,000 family farmers each year in over 2,300 Brazilian municipalities. According to figures of the Brazilian Food Supply Company, CONAB, every year food purchases are used to supply approximately 25,000 social assistance entities and public schools engaged in delivering assistance to up to 15 million people (CONAB, 2010).

Statistics drawn from the Agricultural Census (IBGE, 2006) reveal that the Northeast has the largest number of family farmers. The region is also the country's poorest and continuously subject to drought, particularly in the Semiarid, which spans 56.46 percent of the Northeast's total area. In Paraíba, the Semiarid constitutes 80 percent of the state's landmass. Consolidated figures for the period 2003–2009 indicate that the Northeast is the largest recipient of PAA resources among the country's five major regions (51 percent of the total), more than double the amount allocated to the South, the second largest recipient of program funds (22 percent of all resources in the survey period) (CONAB, 2010).

The Incentive to Milk Production and Consumption (Incentivo à Produção e Consumo de Leite) initiative, more commonly known as "PAA Milk," is implemented exclusively in the Brazilian Semiarid. Purchased milk (whether from goats or cows) is pasteurized on dairy farms registered with the government and, subsequently, transported to distribution points. Milk is of critical importance to family farmers as it ensures a continuous revenue stream and is not dependent on fertile soil. When the program was established, the idea was to serve 20,000 family farmers through (i) market expansion initiatives; (ii) increased prices for milk produced by family farmers; (iii) improved herd health (vaccinations) and management; and (iv) technical assistance. The PAA is based on the participation of dairy farms and includes among its objectives the expansion of milk consumption (Martins, 2014: 77–78).

The assessments of PAA Milk are very positive. According to Martins (2014) the program succeeded in spurring local economies and improving the nutritional conditions of individuals in extreme poverty. The quality of milk products, hygienic standards, and animal management and health improved through the adoption of new milking techniques implemented to meet the PAA's stringent conditions (mandatory foot-and-mouth disease vaccines). By virtue of the initiative, the use of worm and tick control agents increased from 83 percent to 90 percent. This, in turn, led to higher productivity and a 40 percent rise in the number of milk cooling tanks. With regard to improved herd genetics, 26 percent of all farmers purchased genetically superior animals. Concomitantly, there was a reduction in the fluctuation of seasonal prices and the volume of sold milk and a notable improvement in the consumption patterns of family farmers, including, among other factors, a rise in the purchase of personal computers and other durable consumer goods by goat-milk producers (Martins, 2014: 84).

In the period 2004–2012, Minas Gerais received the largest volume of resource allocations (approximately R$ 390 million), followed by Paraíba (R$ 284 million), the Northeastern state registering the largest number of PAA Milk participants (50,564) (Martins, 2014). Paraíba's performance is of particular interest. In contrast to Minas Gerais, where dairy cows account for the bulk of milk production, over the past several years Paraíba has built up the largest herd of milk goats in Brazil. Recent figures indicate that the state's economic growth has outpaced the regional average. According to statistics of the Brazilian Institute for Applied Economic Research (Instituto de Pesquisas Econômicas Aplicadas – IPEA), in the period 2000–2005 the semiarid region of Cariri Oriental registered the second highest rate of Gross Domestic Product (GDP) growth in the state (5.17 percent), trailing only the state capital city of João Pessoa (7.04 percent).

Goat-milk production is a fundamental component of the local economy. Today, Cariri is the largest producer in the state and one of the leading producers in Brazil with an output of about 18,000 liters. Recent estimates reveal that the region has 420,000 goats and sheep, of which 25 percent are milk goats. Milk production activities currently involve 900 farmers distributed among 32 associations currently operating 10 small processing plants.

5 The networks and their content

Through the PPA, the state plays a central role in the formation of the goat-milk market, allocating financial resources and stimulating the participation of new farmers, thereby spurring production and incentivizing consumption.

In addition to the broader network composed of those agents with an interest in goat-raising – local mayors, PPA operators, beneficiaries, and consumers – there is another network that, though relatively restricted in its number of participants, is more active and directly responsible for innovation in the goat-raising segment: the *"goat enthusiast network"* (Gonçalves, 2010a; 2010b). This network is made up of (i) experts engaged in research and rural extension, (ii) small producers, and (iii) local leaders linked to local cooperatives and associations. These three groups of key actors comprise a heterogeneous collective that is actively engaged in designing, developing, and disseminating innovation. They foster continuous exchanges of experiences in symmetrical fashion, despite the very different knowledge sets and expertise they bring to the issue. One of the enrolment "techniques" applied to draw people to "get on board" innovation involves a straightforward strategy rooted in a popular concept: "dissemination of the envy technique" (interview with EMBRAPA technical experts). Persuading producers to adopt new herd management processes is easier when the word gets around that a farmer known to the local community has increased his or her income and has achieved a higher standard of living after incorporating new innovative techniques. News passed on among people who know each other or involving individuals of whom they have heard, serves as an effective instrument to break traditions and increase the willingness to assume costs, including symbolic costs, related to the adoption of new techniques. Farmers more attached to existing traditions are thus spurred to adhere to technical principles disseminated through the *network*. However, small goat farmers will accept new practices only after being confronted with the "power of example" offered by one of their peers. This is one of the ways in which public sector agents, key actors in the network of enthusiasts, manage to draw farmers into capacity building programs organized by local governments and associations of small goat farmers, often in partnership with EMBRAPA and SEBRAE.

Until recently, many goat farmers worked as seasonal and temporary laborers under extremely difficult conditions due to an unstable environment marked by recurring drought. By entering into goat-milk production on the network's new proposed bases – specifically, affiliation with small producer associations – many have seen their lives transformed, earning a steady and stable monthly income above the local average, approximately 300 US dollars (Guanziroli/Sabbato/Vidal, 2011). This income constitutes an important factor in drawing family farmers into the network of enthusiasts. And indeed, those who succeed in increasing their earnings are held up as examples to be followed by farmers who have not yet joined the movement or are in the process of being persuaded.

The *network of enthusiasts* is driven by a variety of professionals in the field of agrarian and veterinary sciences, more experienced goat-raisers and association leaders, researchers and university professors, public administrators, and even political leaders who strive to elevate the status of goat-raising by disseminating knowledge among family farmers, with a view to helping them attain better living conditions by adopting the relevant practices. These new herd management techniques center primarily on improved genetics, specifically controls on cross-breeding and selection of goats with greater milk production potential; introduction of milking practices that emphasize hygiene and the application of other techniques capable of ensuring higher quality milk; substitution of extensive open-range goat raising with a semi-extensive model to guarantee greater controls of animal routines and the administration of animal feed, vaccines, and other medications. In sum, the initiative consists of goat-raising based on standards entirely different from the traditional practices of livestock production in the region over the centuries.

Despite the efforts of communities to implement far-reaching changes, it would be incorrect to assert that they have completely abandoned their traditions, notwithstanding the efforts made to redefine them, due to the fact that goat-raising, as we have seen, is a centuries-old practice in the region. It is important to underscore that the network is founded on the belief that goat-raising is the most effective strategy for the development of rural areas in the Semiarid. It is a belief that requires engagement, activism, and commitment, so much so, in fact, that some technicians have put up their own money or worked longer hours when they have felt that an individual farmer is committed to enhancing his or her production and requires help to achieve this end.

The profound belief in this approach is based on the comparative advantages of goat-raising in relation to cattle production, as clearly established by well-founded scientific arguments and reflected in the region's history. Cattle raising has always been given preference without successfully demonstrating a capacity to spur sustainable development, due to recurring catastrophic droughts, or build a society free of poverty and inequality.

In this context, goat-raising is being redefined and offered as a solution or pathway to development, no longer simply as a type of small farming to mitigate hunger, the effects of drought, and extreme poverty. By redefining the problem – that is, by affirming the feasibility of goat-farming through an expanding consumer market – the public policies implemented for the small farming sector gain greater legitimacy. The power of example embodied by successful farmers has an impact on the information that circulates within the network. The growing prosperity of small producers who have adopted the new techniques serves as an endorsement, persuading other small farmers to adopt those same techniques. In this way, translation and circulation spur the entry of new actors.

The network's penetration and coverage are particularly notable, given the geographic dispersion of the Brazilian Northeast. Ideas and knowledge circulate through the network that contribute toward reformulating goat-farming repertoires, which are then shared by actors in different social strata joined in the common cause of renewing the sector.

As an example, Cabaceiras, a city located in Paraíba, records the lowest rainfall in Brazil. However, every year the city boasts copious goat herds which are raised through application of an extensive open-range model, for the purpose of supplying slaughterhouses distributed in the region. A glance at the city's history reveals a number of failed attempts to implement alternative production models based on the harvesting of various crops, due to the recurrence of drought and market factors, specifically price fluctuations by which from one year to the next family farmers obtained profits from a new activity only to lose everything they had invested and built in short order.

An alternative emerged in the 1990s with the decision to invest in goat-milk production and sale through establishment of the Cabaceiras Association of Goat Farmers (Associação dos Criadores de Caprinos e Ovinos de Cabaceiras – ASCOMCAB) and construction of a milk processing plant, a key component for large-scale production. At the same time, efforts were undertaken with producers in the municipalities to build capacity in systematic milk production processes – an unprecedented initiative up to that point – through application of new goat-raising management techniques. Among the commonly recounted narratives of *enthusiasts* in the Cabaceiras region during the training and preparation of this new contingent of goat-milk producers were the continuing clashes between tradition and innovation, stubborn resistance, and the power of example.

Driven by family farmers, the effectiveness of the ASCOMCAB initiative reveals itself in expanded social relations through productive social inclusion that serves to break down the isolation and redundancy of limited ties among networks to the household and neighborhood spheres in environments traditionally marked by low dynamism, instability, and concentration of political and economic power in the hands of a few large landowners.

Another notable outcome of the effort was the capacity of the ASCOMCAB plant to produce 800 liters of goat milk per day through 2009. Continuous production increases in relation to the quota purchased under the PAA drove the Association – and neighboring cities – to form cooperatives. These are aimed at circumventing a legal restriction that bars associations from selling their products directly on the market. The milk cooperative thus makes it possible to sell directly to consumers and supply milk and milk products to small regional markets. There are two reasons for this: the higher value added this type of commerce offers and inclusion in the private market, thereby overcoming one of the key bottlenecks in the supply chain under the state program, in which the only buyer is the government, whose purchase quotas, moreover, are and have always lagged since the program's launch due to overestimates with regard to the enrolment of family farmers and, by extension, goat-milk production.

6 Conclusion

Construction of a goat-product market in the Brazilian Semiarid is a work in progress. In this article, we endeavored to understand the initial stages of this process. We argued that the starting point was a network of technicians engaged in various public sector bodies (in particular, EMBRAPA and state agencies) who set out to revitalize goat-raising and management techniques, successfully boosting productivity and promoting goat-farming as an activity and business. The dissemination of this innovative body of knowledge was accomplished through a networking effort in which contact between technicians and small landowners intensified and grew as the knowledge circulated. However, the experience was neither a linear nor a one-way process. To be sure, small farmers in the region also contributed significant knowledge and experience. In practical terms, family farmers provided government technicians with critical guidance on how to expand the network. Factors related to the economic culture of goat-raising, including traditional goat festivals and fairs, music, and so on, were integrated as part and parcel of the innovative strategies developed by government technicians. Additionally, the effort did not trigger widespread dismantling of existing traditions and practices. Rather, it represented a specific type of innovation capable of redefining the role and status of goat-raising and small farming in the region. As a consequence, traditional goat-raising in the region has been rejuvenated as the animals have come to be viewed as an economically viable and promising alternative. The tradition of goat-raising, once associated inextricably with poverty, now offers an opportunity for social mobility.

Put another way, the process of building a goat-farming market has not led to the destruction of tradition, but has instead served to incorporate aspects of that tradition into more innovative techniques. By the same token, the construction of the market has not been accomplished through the formation of new economic agents (producers and consumers). Goat farming remains in the hands of the small farming communities that have been engaged in the activity for the better part of five centuries, while the consumer base for goat products is constituted by local inhabitants.

Moreover, consolidation of the goat-raising market has been made possible through an innovative public policy (PAA) implemented to support and guarantee the purchase of small farm products. In developing these local supply chains, the PAA incentivizes the formation of associations, thereby strengthening the otherwise low productive capacity of individual small farmers. Associations enable the purchase of refrigeration tanks for the storage of milk, and the transport and movement of high volumes and continuous flows of products to market. The process has led to the establishment of small farm cooperatives, a seminal achievement for an impoverished region historically dominated by traditional patronage and clientelistic practices and marked by widespread disenfranchisement and the strong dependence of poorer population segments on local political bosses.

The circulation of new knowledge on goat farming and the clash with tradition in the Semiarid have led to adjustments and consequently improvements that can be formulated as the challenge being faced *(Problematization)*. The strategies adopted to recruit new actors *(Enrolment)* and reinforce the association between agents and support for the network of enthusiasts *(Interessement)* ensure fidelity to the collective interest by spokespersons who assume a greater role in the process *(Mobilization)*, including the experts from research and rural extension institutes.

The study demonstrates that the *network of enthusiasts* continues to extend its reach thanks to the circulation of knowledge, enabling the incorporation of new actors through continuous adaptation while redefining and reaffirming proposed values. It is interesting to observe the gradual alignment in the prevailing discourse, visions, and values attached to goat-raising within a geographically dispersed movement encompassing the vast Semiarid Region. This cohesion is fostered by knowledge circulating in the network through a process of continuous dynamic adaptation. In other words, while experts strive to disseminate new techniques and raise the status of goat-raising, small farmers open the way to new participants and organize cooperatives and associations that help to revive the sector.

Social networks serve as a mechanism for overcoming barriers caused by the dispersion of poorer population segments who are often difficult to reach and identify, thus effectively addressing a key obstacle in the public policymaking process: access for dispersed beneficiaries.

An equally important point is the "sense of mission" and "public spirit" of *network enthusiasts* who emphasize the productive social inclusion of family farmers. In this light, the initiative is not a mechanical process driven by a "well-formulated" public policy. Rather, it involves public policy action supported by the circulation of a variety of components (knowledge, techniques, values) through a network of goat-raising enthusiasts, in which the link between democracy and economy helps shape a framework that fosters horizontal relationships founded on the exchange of knowledge.

Active participation of the network in the sector's policy-making process – specifically, the determination of strategies and exchange of expertise – reveals, moreover, its influence on public policy cycles at different stages. This includes development of the PAA's agenda, formulation, decision-making, and implementation. Indeed, this phenomenon stretches back to the original theoretical work by key *network* actors, experts, and specialists. These were affiliated to public institutions in the field of research and rural extension who, a full decade prior to the launch of the PAA, proposed the need for a policy with strikingly similar characteristics, a pillar of which was the promotion of goat-milk production in family farming communities in the Semiarid.

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Interview

Chris Warhurst interviewed by Asaf Darr

Chris Warhurst *is Professor and Director of the Institute for Employment Research at the University of Warwick. He is also a Trustee and Board Member of the Tavistock Institute in London and an Associate Research Fellow of SKOPE at the University of Oxford. He was formerly a director of the Scottish Low Pay Unit and an advisor to the Scottish Living Wage campaign. Before Warwick he was Professor of Work and Organisational Studies at the University of Sydney and Founding Director of the Scottish Centre for Employment Research in Glasgow. He has published 15 books, 50 journal articles, 50 book chapters and 40 reports, and secured 60 research grants. He is the UK lead for an EU-funded project on job quality, innovation, and employment outcomes and is IER's co-ordinator of the UK Observatory for Employment and Labour Markets for the EU agency, Eurofound. He has provided expert advice to various national governments as well as the OECD. He is motivated by wanting to see better scientific and policy-maker understanding of work and employment.* *C.Warhurst@warwick.ac.uk*

Twenty-five years ago you published your book *Between Market State and Kibbutz*,1 based on your PhD thesis. What attracted you to conduct an ethnographic study of kibbutz industry?

I first developed an interest in the kibbutz in the 1980s. It was a time in the United Kingdom when there was massive economic restructuring, lots of job losses and people were worried about the future of jobs, the economy and society generally. The social and economic fabric of the country was stretching to breaking point. Identifying alternatives was a key issue for many. London had its alternative economic strategy and various regional governments in the United Kingdom were interested in developing cooperatives. My intention when I started studying the kibbutz was to explore it as a possible alternative. The study was three-way comparison between capitalist industrial work organization, state socialist industrial work organization, epitomized by the Soviet Union and Soviet Bloc countries, and the communal socialist industrial work organization of the kibbutz. By its end, however, over the end of the 1980s, start of the 1990s it became a study of the transformation of the kibbutz, as it increasingly marketized its social relations. Kibbutz industry was the economic backbone of the kibbutz movement. At that time there'd been a lot of quantitative research of kibbutz industry and there'd been some qualitative research of other aspects of the kibbutz lifestyle, particularly around gender issues but there was very little qualitative research of kibbutz industry, particularly done by a non-kibbutznik. I undertook qualitative research of kibbutz industry as an outsider. It was a mixture of participant observation and interviews over a period of almost two years living and working in the kibbutz. I had a kibbutz family for support and was assigned to a work team in the host kibbutz' factory. The study genuinely added something new to scientific understanding. One thing which really struck me as I started living in the kibbutz was the disjuncture between the 'official' account of work and living on the kibbutz – the stuff picked up in surveys – and the unstated, unofficial world of work and living – the reality that wasn't picked up in surveys and which was only possible to discern through ethnography. The reasons behind and the processes underpinning the transformation of kibbutz industry were only really revealed through doing that kind of ethnography.

That's a great explanation of your methodological development. What were the theoretical underpinnings of your research?

At the time I was very lucky, I had a doctoral supervisor who was – and still is – one of the leading lights in labour process theory. I came to labour process theory – or really labour process analysis, as the two are disentangleable – in its second wave. The first wave had been centered on skill and the claim of inevitable deskilling within capitalist labour processes. Of course the empirical evidence was – and is – more mixed. Deskilling was too simplistic a story and there were other potential outcomes. In its second wave, labour process analysis shifted onto a new terrain which was about control and how the need to overcome the indeterminacy of labour – or the conversion of potential into actual labour – explained why employers employed various means, including scientific management and Taylorism in workplaces. I realized that the indeterminacy of labour existed in all modes of production, whether capitalist or socialist. The key issue in all modes of production is how to get people to do work. In the kibbutz, which lacked the oppression of the Communist Party and the gulag, and also lacked managerialism and paid labour, the indeterminacy of labour is resolved through a mixture of individual consent and social control. There was no monitoring and evaluation of worker performance. The problem with labour process "theory," as it had by now become relabeled in the United Kingdom, was that it was very good at looking at how you get workers to work at a kind of micro, workplace level. It was also pretty good at understanding macro influences; how that workplace level was a feature of political economy; in other words, how it emerged out of the modes of production of capitalism or state socialism. However, it was weaker at incorporating the meso-level, in this case the influence and role of the state in supporting or delivering methods of labour control. Filling this gap required me to draw on neo-institutional theory and to appreciate that different countries have different business systems with different institutional configurations that support or provide the framework through which management and labour operated. So theoretically it was a welding together of labour process theory and neo-institutionalism theory; a synthesis of the two theories to cover the three levels of analysis needed to understand not just industrial work organization in the kibbutz but other forms of socialism, as well as capitalism.2 It's a template that I still carry in my head.

Did you see kibbutz industry as a form of workplace democracy, or as a model for class ownership of the means of production?

Given the UK context, my initial interest in the kibbutz was as a form of cooperative. Certainly, as I said, in the 1980s there was a lot of renewed interest in cooperative organization in the United Kingdom, so I came at it through that lens because in mainstream organizational literature the kibbutz was, at that time, often positioned as a kind of co-op. However it's not a co-op. It's more a society than an organization. Historically, at the start of the twentieth century, it was an attempt to establish a new state with a different, alternative political economy – a workers' state based on communal socialism. Even when Israel was founded as a "normal" country in the 1940s, there were initial concerns on the part of the government that the kibbutz movement might operate as a state within a state. So really, in that sense, pre-transformation kibbutz industry operated a form of workplace democracy but that workplace democracy was part of a wider modus operandi of a classless society (though there were other social divisions, for example based on gender) in which everyone owned and controlled the means of production through community democracy.

What was your main conclusion regarding the transformation of kibbutz?

As the title of the book suggests – *Between Market, State and Kibbutz* – the conclusions were that senior managers within the case study kibbutz factory faced competing and *tensive* pressures from the three levels. To deal with these pressures these managers sought to resolve the ambiguity of having responsibility without authority – being tasked with the competiveness of their factories but with no way of delivering that competiveness because they lacked control of the indeterminacy of labour. They sought, and attained, managerial control over it through the bureaucracy imposed on the factory by customers. These customers, foreign and market-based, were entering a now deregulated Israeli economy, and couldn't comprehend how a system that lacked labour control could produce the quality of product they desired. They wanted that control imposed, and without it the factory couldn't win orders. Once that bureaucracy was introduced a domino effect occurred. The monitoring and evaluation of individual workers' performance was made possible. Comparing the output and costs of kibbutz labour resulted in much more hired labour being employed. This hired labour, as with other waged labour, required further control. Kibbutz labour, now also assessed for its surplus value–producing capacity, became commodified and waged. With it, the red line was crossed and, in my opinion, the kibbutz ceased to exist as a kibbutz as formerly conceived. Not all kibbutzim went this way but those that did are now little more than dormitory villages.

Moving on from the kibbutz, your scholarly interests over the years reflect much broader trends. Could you say something about what triggered your interest in service work and in particular in the notion of "aesthetic labour," a term you coined and then worked on a lot together with Dennis Nickson?

In the late 1980s I was living and working in Preston, Lancashire, which was one of those UK regions that had been decimated by economic restructuring and had very high unemployment. A former mining and manufacturing heartland, jobs in these industries had collapsed and hadn't yet been replaced by service jobs. However, I noticed a newspaper job advertisement asking for "good looking staff" for a local nightclub. It puzzled and intrigued me. The advert didn't stipulate qualifications or even experience; the only criterion was that applicants had to be good looking. I assumed that looks-based recruitment must be illegal and was surprised to find out that it wasn't – and still isn't in many jurisdictions in the world. I then moved to Glasgow in Scotland. In the early 1990s, like Preston, Glasgow had lost its traditional jobs base but unlike Preston it had deliberately sought to re-establish itself as a regional service hub. Retail, hospitality and financial services were strong. Its shipyards had been replaced by shops, its mills by malls. I noticed that hiring on the basis of looks also appeared to be strong in Glasgow. It was a handsome city with handsome staff. A pilot study we conducted of retail and hospitality confirmed that looks-based employment was writ large in Glasgow. Aesthetic labour was born as a concept to understand this development.**3** Loosely speaking, aesthetic labour is the employment of workers based on their looks. Whether good looking or having the right looks, these looks are important for workers' getting and doing their jobs. It envelops employees' comportment, dress and speech. It is intended by employers to positively affect the senses of customers and generate new or repeat custom. It's become a competitive strategy for some companies and has resulted in discrimination and social exclusion for some workers.

For many years you've been writing under the theoretical umbrella of labour process theory. In what ways is this theory relevant to the field of economic sociology? Can it contribute to the study of an economy and society today?

I've worked almost since the start of my academic career with the concepts and tools of labour process theory. I'm a member of the International Labour Process Conference Steering Committee and have published a number of books in the conference's book series on a wide range of issues such as skills and work/life balance.**4** Analysis of the labour process is undertaken worldwide, though I accept that what is now labour process theory is used most by UK researchers. It still offers, I think, an important intellectual and analytical tool for understanding the world of work, or certainly the world of paid work, especially if it's centered round the issue of the indeterminacy of labour. Moreover, although labour process theory and my own doctoral research started off essentially focused on what might be called the "3Ms" agenda of male, manufacturing and manual workers, labour process theory has evolved to cover a range of industries from manufacturing to services, from car workers to call center workers. I'm pleased to see that aesthetic labour is now one of the tools in its toolbox for understanding the employment relationship in services. Understanding paid work is important. Jobs are still at the core of our identities and material being, despite what some academics claim about consumption. Jobs enable and disable us socially, economically and psychologically. I think those who heralded the death of work a number of years' ago got it badly wrong. How we work might be changing but we still work – and need to work. Voluntary downshifting is more topical than typical. Governments are still trying to push people into work and, in fact, the European Union has an overt policy to increase the employment participation rate by getting more older, younger, female and ethnic minority and migrant workers into work.

For me, economic sociology is focused on the circuit of capital (or its equivalent in other modes of production) and the structures, actors, relationships and processes within that circuit that both define and drive it. Within this circuit, production and consumption are important in the generating, appropriating and realizing of surplus value. Labour process theory is focused on production, whether that's the production of goods or services. Centered on this part, it offers one tool for understanding that part of economic sociology. So labour process theory is a useful tool within economic sociology for analyzing and understanding production, though as I said before it needs supplementing with other theoretical tools, and also needs to be complemented by other theories if the full circuit of capital is to be analyzed and understood.

For the past few years, you've been writing about job quality. Can you explain what exactly job quality is and how this term relates to the broader interests that have guided your research over the years?

For the past few years my research focus has been on job quality, but it's part of a clear trajectory that can be traced back to my first study of the kibbutz. I recognize an intellectual and moral thread throughout all of my research over the past twenty-five years: a desire to understand good work and, with it, a concern to improve bad work.

Implicitly and explicitly, most of what is now called the sociology of work and employment has been concerned with job quality – not just wages but also the terms and conditions of work, ranging from despotic management to health and safety at work to job satisfaction and opportunities for work/life balance and career development, and now workplace well-being. Using different language these issues have informed the study of paid work since the time of sociology's so-called founding fathers: Marx, Weber and Durkheim. I came to it overtly through participation in international, comparative research on low-wage work in the US and Europe funded by the Russell Sage Foundation. I then became involved as an adviser to the Scottish living wage campaigns, driven by a desire to help reduce working poverty in Scotland. I realized that something needed to be done about job quality and that interventions to improve it had to be evidence-based. With colleagues I then launched a project aimed at "making bad jobs better" and I'm pleased to say that it's an issue that's on the Scottish government's new policy agenda. And in one sense it's all gone full circle because I was recently asked to write a chapter with a colleague from Oxfam on job quality and its contribution to creating a good society for a book reflecting on the current state of communalism.5 Our point in that chapter was that good jobs benefit not just individuals and their families but employers and governments.

This focus on job quality, however, has made me realize that whether within or outside sociology departments much of sociological research frustrates me. This research falls along the continuum of prescription, suggesting what should happen, or description, presenting what does happen, or prediction, suggesting what will happen, all overlaid, at best with some kind of evaluation – some robust, some not. When I'm asked to define being critical I reply that it means understanding what happens, why it happens and what the alternatives are. Unfortunately there isn't a lot of research offering alternatives. In the 1990s Anthony Giddens was derided for his overtures to government and, while I disagreed with much of his policy suggestions, I acknowledged that he was at least trying. My own omission in this respect was hammered home to me when I was engaged in advisory work in the early 2000s on economic development in Scotland. One of the government's civil servants said to me, "You're very good at knocking down our ideas," which I attributed to my grounding in labour process theory, "but," he continued, "you haven't told us what we could do instead." He was right and I've spent the past decade trying to right that wrong. The book that I recently published with American colleagues entitled *Are Bad Jobs Inevitable?*6 is part of that effort. It describes job quality and what's happening to job quality; it evaluates job quality developments and outcomes; and it offers strategies for how job quality might be improved. Its publication is timely, the EU and OECD now recognize that what's required to get the global economy moving again is not just more jobs but better jobs.

It sounds as if you've come full circle in terms of how you look at your research.

Yes, but it's not just our approach to research that needs to be broadened, so does our teaching. We should be enthusing students with sociologically-based alternative possibilities. Returning to the issue of job quality, the individual, organizational and societal benefits of good jobs have to be put back into higher education pedagogy, as they once were in Scandinavia as part of the Quality of Working Life movement in the late 1960s and early 1970s. We need to educate future generations of managers while they're still students by presenting them with the evidence and making them think critically about job quality and helping them to appreciate that they have choices and can exercise these choices even within constraints in their workplaces, whether they working for large or small companies. It's an argument for an engaged sociology in which we make ourselves available and avail ourselves as public servants. Understanding how we do that practically is one of my current tasks.

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New Frontiers in Economic Sociology

Economic Sociology and Opportunities for Organized Crime Research

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Introduction

In the immediate aftermath of the Cold War, organized crime was branded as the major threat to human security in the twenty-first century. As politicians, "securocrats" and practitioners geared up to deal with the newly identified threat to world peace, the events of 9/11 turned the world's attention to terrorism. While terrorism in its various permutations continues to dominate security agendas, the harmful effects of organized crime on human security, economic development and political governance are equally concerning. In fact, organized crime and illegal markets are an absorbing area of study for economic sociologists. But why should economic sociologists research a phenomenon that has been clearly identified as a security issue? What are the weaknesses in current theoretical thinking about organized crime and how can economic sociology contribute theory as well as policy to current debates? The following article touches on recent conceptual work done in the Illegal Markets research group of the Max Planck Institute for the Study of Societies (MPIfG) and provides ideas for nuanced research that tackles *organized crime* as an actor in both legal and illegal supply markets.

What is organized crime?

Organized crime has become a ubiquitous term, signaling different meanings to different people. Popular mythologies relegate the phenomenon to the criminal underworld, mafia-type organizations or *Godfather*-like depictions in Hollywood blockbusters. Criminologists, sociologists and practitioners have dedicated a body of literature to organized crime. The concept is used interchangeably to describe a group of actors, a type of criminal activity or an organizational format, suggesting confusion as regards the applicable unit of analysis (von Lampe 2012: 9). Empirical observations and theoretical models often dovetail with the policy objectives of law enforcement agencies (Abercrombie/Hill/Turner [1984] 2006: 88). A significant portion of the literature, for example, deals with prohibition – based systems such as the "War on Drugs" or the period of alcohol prohibition in the United States (Boaz 1990; Fels 1998; Gottlieb 2013), suggesting a clear distinction between *good* and *bad* actors, sanctioned and non-sanctioned economic behavior, and between legal and illegal markets.

The state and its law enforcement agencies are supposed to protect citizens from *organized crime* through criminal justice interventions. Disrupting organized crime has become a problem of cooperation and coordination to national police bodies whose reach stops at the national border, while organized crime networks operate beyond the physical boundaries of the nation-state and increasingly on the internet. A further impediment is the frequent cooperation with or co-option of agents of state by organized crime. The international enforcement community has thus dedicated a multilateral treaty – the so-called United Nations Convention against Transnational Organized Crime and three supplementary protocols – to address these shortcomings. While the definition of organized crime remains contested (Standing 2003; von Lampe 2001; Woodiwiss 2001), state actors involved in the Palermo negotiations[2] leading to the final text of the Convention agreed that four characteristics were essential to meet the criteria of organized crime. Organized crime in this definition thus involves a group of two or more persons acting in concert to perpetrate a "'serious"' crime repeatedly for financial or material gain (United Nations General Assembly 15 November 2000). While scholars have criticized the Convention on many accounts (see for example: Beare 2003), the profit motif for economic action should be of particular interest to economic sociologists. The question they might ask is: Does the notion of organized crime present a collective form of *homo oeconomicus*? In borrowing from economic theory, organized crime literature thus tends to portray organized crime as a rational actor reacting to the vagaries of cost–/benefit calculations. Theoretical constructs seldom acknowledge cultural frames, imperfect information or the fact that economic actions are socially embedded. Organized crime actors thus work towards fixed goals or maintain specified preferences (Dewey 2014a: 6–7). While the so-called *modus operandi* (method) might change, the goalposts remain the same.

Criminologists have looked at the structure and composition of organized crime to provide answers to the question of why this group of actors is resilient and difficult to disrupt. Four models of organized crime have been suggested: the bureaucratic, network, clan and business. Cressey's bureaucratic model (1969) of organized crime tallies with Max Weber's understanding of a rational bureaucracy. Social order is achieved through rules and planning, a hierarchical award structure, strict membership and specialization. Probably the most influential model – the network model – suggests a *flat*, flexible and informal approach to coordinating criminal activities (Chambliss 1988; Kenney 2007; Williams 1998). Actors realize shared objectives through relationships based on trust, while mutual dependency operates as the central coordinating mechanism (Standing 2006: 72-73). Networks are formed through introductions and connections, which complements Granovetter's theory on the strength of weak ties (Granovetter 1983).3 Paoli (2001) offers the *clan* or *mafia* model of organized crime. Family and kinship ties determine membership of this group and loyalty revolves around the old axiom of *blood is thicker than water*. According to the *business* or *enterprise* model (Reuter 1985; Schelling 1978), rational economic actors coordinate criminal activities on the basis of cost–/benefit calculations. Reuter (1985) argues that both economic forces (such as economies of scale) and peculiarities of illegal markets (such as unenforceable legal contracts or the inability to openly advertise goods and services) prevent the emergence of monopoly control, which contradicts other models where monopolistic or oligopolistic control of illegal markets is enforced by way of violence. While these models provide partial explananda with regard to why organized crime is resilient and why some illegal markets are difficult to disrupt, economic sociology may offer further insights by exploring the social embeddedness of economic action, as well as cultural explanations of the resilience of illegal markets. For example: Does the heterogeneous or homogenous composition of a town, community or society explain the emergence, resilience or failure of illegal markets? When and why does organized crime enter the scene? How can we explain the differing levels of acceptance (social legitimacy) of the trade and consumption for certain illegal commodities and services? How do suppliers, transporters and consumers locate one another in illegal markets?

Illegal markets and the role of organized crime

Apart from research into the informal sector (Portes/Haller 2005), economic sociologists have largely focused on the structure and functioning of legal or formal markets. Keith Hart (1973) initially coined the concept *informal economy*, which refers to actors who rely upon self-employment as opposed to wage labour, typical of employment in the formal economy. Arlacchi (1987) defines an illegal market as "a place or situation in which there is constant exchange of goods and services, whose production, marketing and consumption are legally forbidden or severely restricted by the majority of states." In the study of illegal markets, *organized crime* presents a possible group of actors. Its role and functions could be juxtaposed to those of *legal* actors, consumers, the state and myriad other actors who influence market processes and structures. Of interest is how actors interact with one another in different market segments and across the entire market structure. Scholars have found that organized crime is not necessarily the dominant actor in all illegal markets; depending on the operational definition, organized crime may not feature at all (Engwicht 2015; Dewey 2014b). While organized crime networks might play an important role in illegal supply markets for drugs (Kenney 2007), human beings (Zhang/Chin 2008), guns (Williams 1999) and cigarettes (Zabyelina 2013), actors from the legal sector, the state and consumers are key to ensuring the continued flow of other illegal supply chains. In other words, organized crime may play an auxiliary or intermediary function in the overall structure of some illegal markets or none at all. Organized crime, for example, has acted as transport intermediary and enforcer in grey markets for antiquities and cultural goods from source countries to art collectors and museums (Mackenzie 2015). Grey markets refer to economic exchanges that occur at the interface between legality and illegality, capitalizing on legal or enforcement loopholes. These observations show that organized crime and illegal markets are not necessarily intertwined. When organized crime is involved in illegal markets, its functions extend to the supply and transit or trafficking side of the market. My own research into illegal wildlife markets has revealed that, while organized crime networks are involved in the hunting, harvesting and trafficking of wildlife contraband, wildlife industry professionals, government officials and wildlife custodians are pulling the strings, notwithstanding the role of consumers who are willing to pay a premium for the contraband. The involvement of organized crime in logistics and distribution provides a limited explanation of why supply chains are resilient, omitting the role of consumers who choose to buy illegal goods or services, their cognitive frames, preferences and tastes. In addition, scholars have in recent years pointed to the role of organized crime in the formal economy, such as the involvement of mafia groups in the construction and garments industries in Europe.

How, then, can economic sociology enrich our understanding of illegal markets? Different explanatory mechanisms of markets as networks, fields or institutions offer nuanced insights concerning the role and functions of organized crime within and outside illegal markets. While actors are likely to face coordination problems similar to those in the legal realm – such as cooperation, valuation and competition (Beckert/Wehinger 2013) – additional hurdles or opportunities may ensue due to the legal status of the economic exchange. An economic exchange might be deemed illegal in some national jurisdictions, but legitimate or undetermined in other places (Mayntz 2015). The poaching of endangered wildlife is illegal in range countries, whereas its consumption hovers in a grey zone between legality and illegality and is socially legitimate in consumer countries. Organized crime often operates at the transnational level, which presents further operational concerns including issues around security, efficiency of the supply chain, reliability of intermediaries and communication with diverse and heterogeneous trade partners. Relationships built on trust, secrecy and the use of modern technologies or bribery and corruption may assist the unhindered passage of illegal contraband. Economic sociologists can also study how relationships of trust are built and cultivated in adverse conditions amongst illegal market actors from heterogeneous backgrounds.

While economic sociologists have kept their distance from organized crime research (for a notable exception see Gambetta (1988)) recent interest in the study of illegal markets has opened up new frontiers for scientific inquiry and policy formulation. Traditional approaches fall short of the richness and multi-dimensional toolbox that economic sociology has to offer. There are many lacunas worthy of exploration: How is organized crime structuring the formal economy? Is organized crime driven by the profit motif only? How does organized crime coordinate activities in the formal, grey and illegal economies? Are different protocols used to navigate through these different types of markets? How does organized crime cooperate with the state and actors from the formal economy? Future research by economic sociologists could offer answers to these intriguing questions.

Annette Hübschle *was a doctoral researcher at the Max Planck Institute for the Study of Societies between October 2011 and April 2015. She has since joined the University of Cape Town to set up the Environmental Security Observatory and is attached to the Global Initiative against Transnational Organized Crime. Her doctoral dissertation deals with the illegal market in rhinoceros horn. Of particular interest was the interface between legal and illegal flows of rhino horn. As a seasoned criminologist and applied policy researcher, her exposure to economic sociology has enriched future and ongoing research projects that look into organized crime.*

Endnotes

1The author would like to thank Asaf Darr and Matías Dewey for their thoughtful comments on earlier drafts of this contribution.

2Issues of national sovereignty, corruption and the complicity of state actors and multinational corporations remain contentious issues.

3Scholars have applied social network theory to analyze criminal (2002) and terrorist organizations (Kennedy/Weimann 2011).

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Book Reviews

Book: Mirowski, Philip, 2013: *Never Let A Serious Crisis Go To Waste*, Verso Books.

Reviewer: Michael McCarthy, Marquette University, mam726@gmail.com

The Tail that Wags the Dogma

Several books have been published in the past few years that try to solve a lingering puzzle: why the dogged persistence of neoliberalism after the biggest economic crisis since the Great Depression, which neoliberalism itself appears to have caused? Philip Mirowski's *Never Let a Serious Crisis Go to Waste* is one of the more recent to offer a solution. By focusing on the role of economists, it endeavors to explain why the crisis failed to falsify the economic thinking that led to it in the first place. While Mirowski points to several overlapping factors, the centerpiece of his analysis is the economics profession's practice of "agnotology": the production and spread of doubt and ignorance about how the economy works. According to the author, many economists would likely disagree, economists have confused and distorted popular economic knowledge. And this agnotological assault, both before but primarily during and since the downturn, has been both intentional and coordinated.

Never Let a Serious Crisis Go to Waste nimbly combines contemporary commentary and intellectual history. With a subtle eye for the nuances of the field of professional economics, Mirowski argues that the profession's response to the crisis derived from the "neoliberal playbook" of the Mont Pèlerin Society (MPS), formulated decades earlier. To understand how, Mirowski starts with the origins of neoliberalism itself. Neoliberals were part of the New Right that emerged in the 1970s. They represent "a discreet subset of right-wing thought situated within a much larger universe, although it does stand out as the faction most concerned to integrate economic theory with political doctrine" (39). Figures such as Hayek and Friedman were its architects, building up its organization as a secretive and selective group of intellectuals and entrepreneurs that met regularly under the auspices of the MPS. Through its think tanks and connections to politics and industry, this group helped to form what Mirowski calls "the Neoliberal Thought Collective" (NTC).

The chapter on the MPS should be mandatory reading for anyone interested in the intellectual origins of neoliberalism. It is exceptionally well done. On the one hand, Mirowski shows how its institutions were constructed and integrated to produce a coherent intellectual force. But even more impressively, he shows what makes neoliberalism so unique relative to the neoclassical tradition, which he says today approximates "the walking undead" (23). The MPS was not old wine in a new bottle, it is a political doctrine. As Mirowski writes, "Contrary to the dichotomies and rigidities that characterized classical liberalism with regard to the proposed firewalls between economics and politics, neoliberalism has to be understood as a flexible and pragmatic response to the previous crisis of capitalism (viz., the Great Depression)…" (49).

By roughly the 1980s, the MPS had come to embrace a practical approach that diverged sharply from the neoclassical tradition. Mirowski shows, rather brilliantly, how neoliberalism's distinctiveness is rooted in the ideas that the good society and the individual have to be politically constructed with new state functions and that entrepreneurs discover what consumers don't know they want. These striking divergences with the neoclassicals lead to convenient "double truths" for the NTC. They hold an "exoteric version of [their] doctrine for the masses" while embracing an "esoteric doctrine for a small closed elite" (68). As he writes, "The neoliberals preach that the market is the unforgiving arbiter of all political action; *but they absolve themselves from its rule*. They propound libertarian freedoms but practice the most regimented hierarchy in their political organization; they sermonize about spontaneous order, while plotting to take over the state; they catechize prostration of the self before the awesome power of the knowledge conveyed by the market but issue themselves sweeping dispensations. Most significantly, they reserve themselves the right of deployment of the Schmittian exception. Their version of governmentality elevates the market as a site for truth *for everyone but themselves*" (98). These double truths are critically important for Mirowski's analysis of the crisis, as we will see shortly. The NTC, and neoliberalism more generally, managed to come though the crisis fully intact precisely because of them.

The MPS is ever present in his story even though it is less clear how institutionally important it is today. It helped to produce a coherent ideology with an institutional base and a political agenda. Mirowski argues that "Neoliberals found that Mont Pèlerin was an effective instrument to reconstruct their hierarchy, untethered to local circumstance." And he calls it a "thought collective" because it is a "multilevel, multiphase, multisector approach to the building of political capacity to incubate, critique and promulgate ideas" (43). For Mirowski, neoliberalism is no diffuse and ill-defined strain of thought. Instead, Mirowski uses the metaphor of a Russian doll to conceptualize the NTC. According to Mirowski, the MPS consciously created a "functional hierarchical elite of regimented political intellectuals," which incudes specific thinkers, think tanks, certain academic departments, capitalist and venture capitalist supporters, as well as some politicians (43). The scope of the members of the NTC is broad, but reading Mirowski it is unmistakable that academic economists lay at its core. And one wonders if a better metaphor might be the puppet and puppet-master, with the economists pulling the strings.

Concerning the core question of how neoliberalism came though the crisis unscathed, neoliberalism survives for Mirowski because of both circumstance and guile. For the former, Mirowski suggests that the neoliberal *Weltanschauung* gave tenacity to what had become orthodox economic doctrine by the coming of the 21st century. By then "folk" neoliberalism "sunk so deeply into the cultural unconsciousness that even a few shocks [could not] bring it to the surface long enough to provoke discomfort" (89). Drawing on Foucault's idea of biopolitics, in a long chapter on everyday neoliberalism he theorizes the entrepreneurial self. At the heart of neoliberal selfhood are widespread narratives about risk, which Mirowski says has much more to do with "the utter subjugation of the self to the market" than calculation and balancing of probabilities (119). Consider common narratives about predatory lending after the crash that tended toward victim blaming. "Because the market is the greatest information conveyor known to mankind, if homeowners got the feeling of being bamboozled and hornswoggled, it was entirely due to their own mental deficiencies … If their optimal stupidity rendered them easy marks, it was their own fault for insufficient investment in human capital" (123).

Mirowski then moves to the centerpiece of his argument, guile, or, how the economics profession responded to the collapse. He is unambiguous in his assault on the profession and few of its leading lights escape scrutiny. Figures as different as Larry Summers, Martin Feldstein, Ben Bernanke, Raghuram Rajan, Paul Krugman, Gary Gorton, Glenn Hubbard, and Joseph Stiglitz, among many others, are shown to be complicit in the NTC's ruse. That neoliberal economics has become mainstream, with deep ties to industry and government and strong resonance with popular culture, help explains its position as such a strong voice in the debates on the crisis. But more than the profession's privileged position, Mirowski focuses on how they responded tactically. Here, Mirowski makes a strong claim. He argues that the response of the economics profession was highly insincere. He says that "The major ambition of the Neoliberal Thought Collective is to sow doubt and ignorance among the populace, because it helps foster the 'spontaneous order' that is the object of all their endeavors" (224). Economics is a "disinformation project," whose leading figures intend to manufacture ignorance among the population (226). Mirowski draws on the analogy of the tobacco industry's effort to convince consumers that smoking was not unhealthy to illustrate just how intentionally deceptive he thinks economists are being.

Never Let A Serious Crisis Go To Waste argues that the agnotology project was composed of two distinct reactions to the crisis by economists. First, we were right all along about the economy and the crisis doesn't change that. And second, the crisis shows that we made some errors, but we are correcting them. This allows Mirowski to include vastly different voices in the NTC. Astonishingly, Paul Krugman and Martin Feldstein are cut from the same orthodox cloth. What seem like sharp policy differences between different thinkers are actually "systematic attempts to pump doubt and confusion into public discourse" for Mirowski (242). Economics can't explain the crisis, because the actual explanation falls outside its agenda, so instead its practitioners make "calculated interventions … to buy time and frustrate shared impressions of clearly delineated positions on a contentious issue" (242). And here he says that the economics profession is using a "page from the neoliberal playbook," the one crafted by the MPS. As Mirowski writes, "neoliberal stories concerning the crisis don't develop organically out of any particular economic theory, but instead grow out of the proleptic (but dependable and time-tested) neoliberal playbook: attack the legitimacy of government → assume power → impose various neoliberal market/government reforms → wait for failures → rinse → repeat" (301).

Mirowski's thesis is imaginative, but its two key claims concerning the motives of economists and the effects of their actions are mostly speculative. On intentionality, the evidence for this "full-service agnotological offensive" won't quiet even the gullible skeptic. The reader is led to believe that widely different public interventions and intellectual positions – from Robert Shiller's *Animal Spirits* with its conflicting relationship to homo economicus assumptions about rationality to disciplinary wavering about the efficient market hypothesis – are part of an intentional and scripted collective action on the part of economists to dupe the world for capital. If this sounds too orchestrated to be true, it's because in all likelihood it is. Mirowski convincingly shows that economists have, on balance, been unhelpful interpreters of the crisis and have probably helped produce ignorance about the economy. But that is a far weaker argument than suggesting that their efforts are a concerted plot. Mirowski gives us plenty of examples that show how confusing and confused some economists can be. But that is not sufficient evidence for the idea that they are doing so to confuse everyone else. In Mirowski's defense, clear proof might not be available; some conspiracies are true after all. But the reader is left guessing as to the veracity of this one.

Leaving aside the issue of motives, it's also hard to get a concrete sense of what the effect of all this economic "mumbo jumbo" really is on ordinary citizens. It seems fairly clear that, relative to the other disciplines in the social sciences, economics has the most weight in policymaking circles. But the role it has in popular culture is much less clear. In no uncertain terms Mirowski thinks that the NTC strategy of fostering doubt and confusion has helped it to utterly defeat the left. One is led to believe that without it, we might have seen a substantial progressive movement after the crash that could articulate an alternate mainstream economics. In the final chapter, he suggests that while the Occupy movement was "well-meaning," with its embrace of neoliberal technologies of the self, it never really represented an alternative. As Mirowski writes, "In the topsy-turvy world of neoliberalism, you may think that you are busily expressing your innate right to protest the cruel and distorted state of the world; but in most cases you are echoing scripts and pursuing an identity that has already been mapped out and optimized beforehand to permit the market to evaluate and process knowledge about you, and convey it to the users with the deepest pockets" (331).

This argument isn't very convincing either. On the one hand, even if people are forced to sell themselves as bundles of discreet skills, via neoliberal technologies like LinkedIn, it doesn't mean that they can't also both have criticisms of the system in which they are forced to participate and organize collectively to change it. But more importantly, professional economic thinking has far less impact on popular consciousness than Mirowski insinuates. An example from the book will illustrate the point. Mirowski discusses a Keybridge Associates report that argued against the regulation of derivatives after the crash. He says that by wrongly attaching high profile names as "advisors" to the document, such as Joseph Stiglitz, it falsely gave it some credibility to those on the left. But who actually read this report? Do debates on the Dynamic Stochastic General Equilibrium model have any bearing on the consciousness of ordinary people? Does the Efficient Market Hypothesis meaningfully shape the world-views of non-economists? I doubt it. But the book is liberally peppered with these kinds of examples to make just this claim.

Never Let a Serious Crisis Go to Waste is an impressive intellectual history that explores the role of economists in society. Its historical scope is broad, beginning with the origins of neoliberalism itself and the creation of the MPS. But its main focus is on the crisis and its aftermath. It should be read seriously by anyone interested in the political salience of the economics profession or by those interested in the intellectual history of neoliberalism. But the book ultimately raises more questions than it can reasonably answer. One does not get a systematic accounting in which competing and alternative explanations are shown to be false. Instead, Mirowski mostly offers learned speculation that sometimes seems too fantastic to be real. The book is filled to the brim with fascinating stories and curious facts. But even taking everything he offers together, the critical reader comes away with serious doubts about its core claims. There is no smoking gun in the book that proves Mirowski's point; his method of argument rather is death by a thousand cuts, but the slashes are too shallow to prove fatal.

Book: Clark, Gregory, 2014: *The Son Also Rises. Surnames and the History of Social Mobility.* Princeton University Press.

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The Son Also Rises is a book sure to upset people with very different ideological positions, even though it is not meant to be a "jeremiad" (p. 15). In his brilliant study, Gregory Clark argues that social mobility is not only much lower than conventionally thought, but also almost universally constant. Societies as different as medieval and modern England, Japan, Sweden, the United States, Chile, and China exhibit very similar rates of social mobility. Neither the expansion of the welfare state nor the opening up of higher education to broader segments of the population, nor even progressive income taxes or high inheritance taxes have altered the basic pattern of social mobility. The intergenerational correlation coefficient oscillates across these societies around 0.75 (p. 12), which means that groups with high or low status will, to a considerable extent, pass on this status to the next generation. Although, eventually, regression to the mean takes place, this process might take many generations or several hundred years. Clark's results imply that social democratic attempts to increase social mobility are as misguided as the meritocratic view that existing inequalities are justified because they merely reflect individual effort, talent, or entrepreneurship.

Many existing studies have a more sanguine understanding of social mobility. These studies look, for example, at the intergenerational correlation of education, income, or wealth and often conclude that parents' positions explain a relatively small share of the variance in the children's generation. However, these studies fail to detect the true and much lower rate of social mobility because they only use "partial indicators of social status" (p. 108). They over-estimate social mobility because they measure steps on a very limited scale that suggest that passages from low to high status are possible; mistake sheer luck for mobility; and fail to see that people substitute one kind of status for another (p. 108). At any point in time, the distribution of incomes does not tell us much about underlying competences – because there is a considerable random component in individuals' incomes – and, as a consequence, about the prospects of the next generation to do as well or as poorly as their parents.

We can avoid measurement error in the study of social mobility – and this is Clark's ingenious move – if we select our groups for comparison from indicators that are not inherently related to any of the partial indicators. Clark and his collaborators use rare surnames. In the empirical chapters of the book, Clark identifies surnames that, for whatever reason, were in the past over- or underrepresented in the elite. This can be noble or locative surnames, names that reflect past immigration (of either high- or low status groups), or simply surnames that happened to be overrepresented in an elite group in the (sometimes very distant) past. Once low and high status surnames have been identified, it is possible to track these groups over long periods of time. For example, Clark studies the relative representation of Norman surnames at Oxford and Cambridge. These are, we learn, the names of the Norman conquerors listed as property holders in the Domesday Book of 1086 (p. 81). This early elite was heavily overrepresented among the Oxbridge graduates in the thirteenth and fourteenth century – and they still are somewhat overrepresented today. The degree of overrepresentation, however, has steadily declined over the centuries, albeit at a very slow pace. In this case, regression to the mean took 800 years. After studying social mobility in England since the twelfth century, Clark concludes:

Neither the Reformation in the sixteenth century, nor the Enlightenment of the early eighteenth century, nor the Industrial Revolution of the last eighteenth century, nor the political reforms of the nineteenth century, nor the rise of the welfare state in the twentieth century, seems to have had much effect on intergenerational mobility. (p. 87)

Given low social mobility, Ashkenazi Jews, for example, will continue to be overrepresented among US physicians for another 300 years, whereas Americans with French surnames will continue to be underrepresented in this high status occupation for the same period (p. 58). In all of the societies studied and for various types of rare surname, Clark finds strikingly similar patterns of slow social mobility.

Even though the book's methodology does not make it possible to test this directly, it strongly suggests that the underlying social competences that lead to low or high social status are inherited. There are, however, six observable patterns that support the importance of genetics (p. 13). First, rates of social mobility should be the same at the top and the bottom of the social hierarchy. Second, societies with high levels of assortative mating should have particularly low rates of social mobility. Third, adopted children will have different mobility rates from their stepsisters and brothers – and more in line with their biological parents. Fourth, grand-parents' status does explain their grandchildren's status independently of the parents' status. Fifth, there is no trade-off between family size and social mobility because parents' time for their children matters less than their genes. Sixth, if education, wealth, or habitus determine success, families with these endowments should not regress to the mean. By and large, the findings in the book are consistent with a biological explanation. Given these patterns, Clark sardonically notes that middle- and upper-class parents should stop worrying too much about their children's career prospects: even the most expensive kindergarten will have a limited effect on future success (p. 281).

It is one of the strengths of *The Son Also Rises* that the author anticipates many criticisms and provides additional empirical evidence to address them. Still, there are a few points of contention. First, even if the intergenerational coefficient is as high as 0.75, more than 40 percent of the variance cannot be explained. Education, income, wealth or social and cultural capital may still matter systematically. These partial indicators could turn out to be significant variables in a multivariate analysis that controls for social competence. If this was the case, there would be no reason to dismiss political attempts to ameliorate social mobility out of hand. Second, the book focuses on traditional elites such as attorneys and physicians or Oxford and Cambridge students. But perhaps new pathways into the elite have emerged and a Master of Business Administration from a lesser school is more valuable today than an MA in Art History. Are traditional elite surnames also overrepresented among the current business elite? One might imagine that children from distinguished families opt for traditional careers but less frequently pursue a career in venture capital firms.

The most far-reaching question concerns the almost universal "persistence rate." Clark discusses why some groups deviate from this rate as they display even lower rates of social mobility. Some religious groups (Jews, Copts) have maintained their high status because low status members have been more likely to convert to other religions while other privileged groups, like the Indian Brahmins, have rarely married outside their own caste. Thus self-selection and endogamy have helped to defy the otherwise inescapable regression to the mean. However, if endogamy "preserves the initial advantage of elites" (p. 239) and creates an unusually high persistence rate, it follows that societies with higher degrees of intermarriage between different groups must experience higher social mobility, as Clark himself notes (p. 139). It seems hard to believe that societies as diverse as medieval and modern England, Chile, China, Sweden, and the United States should have similar degrees of endogamy. In fact, choosing the "genetically right" partner in non-segmented societies is exceedingly difficult, as visible measures such as income, education, or wealth do not reveal much about the underlying competences. In egalitarian Sweden, earnings are a poor predictor of true social status (p. 114). If this is the case, assortative mating should be much lower there than elsewhere, which would have to translate into faster regression to the mean of both low status and high status groups. Conventional measures of social mobility and Clark's figures would have to correlate, but they don't (Figure 1.6).

Despite these quarrels, the empirics of the study are fascinating. I greatly enjoyed reading the book and have told many friends about it. The findings are in line with the observation that even the most egalitarian countries have only redistributed income but have hardly touched the distribution of wealth. Socialism, for better or worse, has always been socialism in one class and has not touched the truly rich. The book also raises an important question about what distributive justice means. If societies are far more rigid than we thought, it seems inadequate to reduce justice to equal opportunity – for opportunities will not become equalized. Hence, if social status is strongly influenced by inheritance, there is no need to reward those who succeed and to punish the poor. In just societies, status differences and the quality of life between elites and lower classes should not dramatically differ.

Book: Herzog, Lisa, 2013: *Inventing the Market. Smith, Hegel and Political Theory.* Oxford University Press.

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In a satirical song about the lifeworld of academia German rap artist Danger Dan notes that students "read books about books and write texts about texts," which – according to him – points to a lack of creativity. If we assume that he is right, the fact that a dissertation about the writings of Hegel and Smith around three centuries after their first publication has attracted significant attention – and has won a number of awards – must seem at least a little surprising. A closer look at Lisa Herzog's book shows us that *Inventing the Market* is more than just a text about texts. It is a book about ideas and their impact on social life. And that is what makes it so interesting.

The writings of Adam Smith and Georg Wilhelm Friedrich Hegel have long been the objects of theoretical inquiry, from a number of standpoints, not least their understanding of the economy. Two distinctive features of *Inventing* *the Market* can serve as a rationale to revisit these topics from the perspective of social theory. First, the systematic comparison of the two approaches and second, the application of the insights to a range of topics from the field (mainly political philosophy). Accordingly, the first part of the book (Chapters 2 and 3) serves the purpose of reconstructing the authors' understandings of the market as a part of their broader theoretical frameworks.

As probably the key reference for modern economics, Adam Smith highlights the potentials and capacities of the market as the locus of organizing the economy. Ordering the economy by means of the market enables individuals not only to arrive at an efficient principle of coordinating economic activities, but moreover to develop certain human characteristics. The human condition of engaging in the exchange of products (or services) is thus the root not only of economic development but also of cultural evolution. In addition to this anthropological notion, Smith's explicit reference to the structuring impact (and necessity) of social institutions makes his approach more comprehensive than its cooption by mainstream economics over the following centuries would suggest.

While aware of the writings of Smith, Hegel arrived at a similar insight from a different point of departure. According to him, the interplay of a range of social institutions (such as the family), together with the overall framework of the state and civil society, enable the market to serve not only as a distribution mechanism, but, similar to Smith, as the locus of cultural development. By pointing out how subjective freedom of the individual can be realized through (labor-)market transactions, Hegel (much more strongly than Smith) highlights the meaning of economic processes for subjective identity construction.

To Herzog, the comparative perspective reveals several parallels and differences. As she (11) summarizes, a "guiding theme of this study is the contrast between seeing the market as a natural 'problem solver', as Smith does, broadly speaking, and seeing it as a specific historical achievement made possible by human institutions, which embodies certain valuable principles, but also creates problems, as Hegel does." Based on this, she highlights that for Hegel "the economic sphere is not as harmonious as it is for Smith" (55). This seems (at least in part) to be caused by a perspectival bias. While Smith (under the impression of productive development) focuses on cooperation (dynamics), Hegel (under the impression of mass pauperization) also takes into account inequality and exclusion (stability). Comparing the two chapters about the authors, one might get the impression that the arguments about Smith are presented are bit more clearly (or are they just less complex in themselves?)

While the general innovation of Herzog's work lies in this systematic comparison, the insights are related to a range of topics stemming from contemporary philosophy, namely Self and Identity (Chapter 4), Justice in the Market (Chapter 5), and different conceptions of freedom (Chapter 6).

Drawing on their conception of the identity of employees in the labor market, Herzog identifies the work of Hegel and Smith as a source of proto-sociological considerations. With regard to the topic of justice, Herzog shows how Smith's conception of the market presumes a genuine tendency to produce adequate outcomes under the right conditions, whereas the Hegelian idea derives just outcomes from the interplay of external institutions with the market. This slight difference is later taken up in many subsequent discussions, framing different approaches across the social sciences (including economics).

Drawing on a concept adapted in contemporary discussions of the economy from the work of Karl Polanyi (1957), Herzog manages to show early references to this in the works of the two authors. By stating that "the scale from 'embedded' to 'unembedded' must have a lower and an upper boundary" (55), she deduces that complementary institutions such as the family have already been acknowledged to provide the framework conditions necessary for market exchanges. In order to maintain the basic freedoms of a modern liberal society, such institutions may, however, not completely determine market transactions. Moreover, references made to identical positioning of individuals in the labor market lead Herzog to draw a parallel to the Varieties of Capitalism approach in comparative political economy (79). Whereas Smith, coming from the context of a liberal market economy, highlights the voluntary and dynamic character of labor relations, the Hegelian (that is, coordinated market economy-inspired) perspective is focused on the stability of labor market arrangements.

Despite the complexity of the arguments presented in the study (both by Hegel and Smith, and by Herzog herself), the text is very clear and well-written. Departing from the intersection of philosophical, social and historical science, Herzog manages to establish a comprehensive perspective on a multidimensional object (the emergence and reception of classic texts in time and their impact on contemporary debates).

While the author relates her insights to some of the core writings of political economy, explicit references to the field of economic sociology are hard to find. Therefore, the question arises of how far it can serve as a disciplinary contribution. In addition to the general value of a comparison of market accounts in the work of Smith and Hegel for further scientific usage, I see the study's main contribution as the reconstruction of the theoretical and practical impact of ideas. Against the background of the rise of neoclassical economics – and its impact on practices in the field of the economy and beyond – the genealogy of such systems of belief promises to be an interesting and important field of research. The strongest contribution deriving from the study thus lies, I would argue, in the sociology of science. While the reconstruction of these implications is very illustrative throughout the book, the concrete impact is, however, rather on a conceptual level. What is missing with regard to the argument that Smithian and Hegelian ideas have shaped academic discussions in social science and economics is a systematic illustration of the reception processes underlying this development. Accordingly, it is interesting to see how the consensual model of Smith, in which workers voluntarily (and without any control measures) engage in their work, translates into a bias in, for example, the field of international business studies, which focuses almost exclusively on management operations (Sitkin/Bowen 2010). But that could also be a case for subsequent research.

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