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NOTE FROM THE EDITOR

Dear reader,

In this issue, the first issue of the newsletter's 6th volume, you will find a number of contributions that deal with the interrelationship between the government and economic institutions. First of all, Gerda Reith's article analyses the rise and fall of lotteries in modern, Western societies. In an account that is reminiscent of Viviana Zelizer's early work on the emergence of a market for life insurance in the 19th century, Reith shows how the morals of lottery markets have changed dramatically in the course of centuries. Interacting with government interests, gambling developed from a virtuous, upper class activity, into an immoral game that could disrupt social order and would undermine the protestant work ethic. More recently it became an effective, regressive form of taxation for neoliberal governments. Reith's article is all the more pertinent given present day policy concerns: cross-border traffic is so far by and large prohibited by national governments within the European Union. However, new entrants are suing these governments in a number of countries in order to gain access to a rapidly expanding and profitable market.

Antonio Mutti shows convincingly how the reputation of rating agencies and auditing firms in financial markets depends on a multitude of factors other than the actual quality of the ratings they provide. In fact, trust in the effectiveness of these financial institutions is based on a 'fatalistic acceptance' of the utter complexity of financial systems. Whenever this trust is at stake, such as during recent corporate scandals, interventions of the government may be needed in order to repair and safeguard it.

The role of the state also surfaces prominently in Heiner Ganßmann's review of Geoffrey Ingham's new book on the nature of money (Ingham himself wrote an article on this subject for the newsletter, vol. 5, no. 2): did money emerge as an unintended consequence of everyday economic exchange, as neoclassical economists have argued, or did the state play a prominent role in money's emergence, as Ingham claims? According to Ganßmann, Ingham does not provide the definite answer, if only because he does not take the historically changing nature of money into account, provides definitions of money and value that are too vague and too general, and fails to delve into object-related functions of money.

In another book review, no less critical than Ganßmann's, Ann Vogel discusses Paul Seabright's new book, *The Company of Strangers*. While providing an evolutionary account of social life, human cooperation, and the complex division of labor in the contemporary economy, Seabright clearly fails to explain the origin and everyday functioning of institutions.

On the occasion of his new work on Emile Durkheim, Richard Swedberg interviews Philippe Steiner. The interview provides fascinating insight into Steiner's thinking. Finally, in the series of conference reports, the newsletter is grateful to the British newspaper *The Guardian* for letting us reprint an article on the annual meetings of the American Sociological Association, last August in San Francisco. The message of the author – John Steele - is loud and clear: economic sociologists are revolting – increasingly vocally – against neoliberal governments and neoclassical economics. The piece is complemented by Jonathan Mote's more detailed account of economic sociology sessions at these meetings.

As always, articles, announcements, book reviews and conference reports can be submitted by email. The deadline for the next issue is January 15th.

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THE ECONOMICS OF ETHICS: LOTTERIES AND STATE FUNDING[1]

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Introduction

At the beginning of the 21st century, lotteries are entrenched in the economic and political infrastructures of western societies, running as multi-billion dollar enterprises that make vast profits for private enterprise as well as providing vital funds for state budgets. This is a relatively recent phenomenon however, and only the most current phase in a history that has been characterised by ongoing and profound ambivalence towards this most innocuous form of gambling. To better understand the present position of the lottery in modern life, it is instructive to review its emergence as an economic institution in historical context.

The Origins of Lotteries

The term 'lottery' derives from the word 'lot', which comes from the Teutonic, *hleut* , designating a token used to settle disputes. The term has similar meanings in other languages - in Anglo-Saxon, 'to cast lots' is *Hleut-au*, in Dutch it is *Lotten* and in Swedish *Lotta* (Sullivan 1972, 4; Ashton 1898, 222). Lotteries (and indeed, all games of chance where winning depends on possession of the correct ticket or number) are rooted in ancient practices of lot casting, whereby randomised outcomes were designed to uncover the will of the gods, especially with regard to the appropriation of material goods.

It is this latter function that was utilised by Roman emperors and civic leaders in an embryonic form of lottery whereby gifts were randomly distributed to guests at banquets. Augustus Caesar was the first to sell lots for prizes of unequal value to his guests, while Caligula gave them away freely to revellers (Suetonius 1958, 158- 222). After the fall of Rome, the tradition was continued by feudal princes who found the democratic appropriation of tickets an ideal way of distributing gifts without exciting jealousy.

However, it was the development of a system of mercantile capitalism that really encouraged the establishment of large scale lotteries. Sixteenth century Venetian and Genoese merchants used 'lotto' as a means of disposing of their wares, selling tickets to their customers and holding drawings to determine the winners in a practice which they soon realised could return profits at least as large as from conventional methods of enterprise (Ashton 1898, 222). Lotteries were also used when an individual wanted to dispose of items which might

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[1] This article draws on arguments made in *The Age of Chance: Gambling in Western Culture* (1999 & 2002). London: Routledge

be too expensive to find a single buyer, such as household goods or land. The first recorded European lottery was held in Burgundy in 1420, with proceeds used for the fortification of the town, with another held in Bruges in 1446 to raise funds for the poor (Sifakis 1990, 187; Ashton 1898, 222). The principality of Germany established a national lottery in 1521; Francis I began the French *loterie* in 1539, while Florence's government-run lottery, *La Lotto de Firenze*, held in 1528, was the first to distribute cash prizes. Other city states followed their example, running schemes to raise vital funds for public projects: in fact French fiscal policy depended almost entirely on its *loterie* during the period when its citizens refused to pay their taxes (Sullivan 1972, p4).

The financial utility of these small scale lotteries was obvious, and is perhaps best summed up by Balzac's description of them (and indeed, all forms of gambling) as 'an essentially taxable passion' (1977, 21). Their potential was soon grasped by the politicians and monarchs of the emergent European nation states, and from then on, lotteries developed in uneasy symbiotic relation with a capitalist system of production. On the one hand, the financial potential of lotteries offered obvious attractions to states whose economic infrastructures were insufficiently developed to raise other forms of revenue through systems such as taxation - especially at a time when such funds were sorely needed to finance public works and war efforts. On the other hand however, their 'pagan' ancestry in lot casting appeared sacrilegious to the defenders of the new religious order established by the Reformation, while defenders of the secular political order worried that their appeal to chance over the virtues of work was a disruptive (if not incendiary) force encouraging idleness and violence in the population (Kavanagh 1993). The operation of chance in lotteries divorced the creation of wealth from the efforts of labour, undermining the protestant work ethic and the ideology of meritocracy that formed the basis of capitalist societies. The sudden fluctuations in prosperity inherent in such institutions threatened to undermine the social hierarchy, by transforming poor individuals into wealthy ones, or vice versa, reversing social distinctions and undermining economic productivity in a way that tended to worry those with most to lose, although proving extremely appealing to those with everything to gain (Dixon 1991; Munting 1996). As such, the values embodied in forms of gambling such as lotteries were anathema to the protestant bourgeoisie, who consistently opposed them as immoral and pernicious sources of unearned – and therefore illegitimate - wealth.

The conflict between the ideological opposition to lotteries, and the pragmatic need for the revenue they provided resulted in a profound legislatory ambivalence, which can be seen in a range of statutes that vacillate between outright condemnation and tacit encouragement of lottery schemes.

In Britain, the first public lottery was drawn in 1569. Participation was presented as a patriotic undertaking which would boost the interests of the Empire abroad and build up its strength at home. The statute declared that: 'the Lotterie is erected by her majestie's order ... towards the reparation of the havens and strength of the Realme, and towards such other publique good workes' (in Ashton 1898, 223). Revenue from this lottery and the ones following it did indeed benefit the realm, paying for such projects as the building of hospitals, bridges, roads, water supplies and libraries. It also greatly assisted the colonial venture: as British colonists struggled to create the New World, British subjects in the Old helped to ameliorate economic hardship through participation in lotteries specifically designed to support foreign investment. Indeed, colonial expansion became the public work of the lottery *par excellence*: so much so that it can be said that the first American settlement of Jamestown was almost entirely funded by British gamblers playing the lottery. Buying a lot served to further the glory of the British Kingdom abroad and the appeal was taken up mostly by the gentry. Having already invested in the Virginia Company, they played the lottery; not to increase their fortunes, 'but to enhance their status by following the example of great noblemen and government leaders already committed to financing overseas colonies' (Findlay 1986, 13). As such, they played to establish rank and status, less concerned with the possibility of profit than with the honour and dignity of the British Empire. Meanwhile, American settlers adapted the formula to their own ends, using lotteries as sources of public and private finance to build schools, churches, hospitals and universities, and, later, to finance the Civil War effort (Munting 1996).

In 1694 one million pounds was raised by lotteries, three years later, it was one and a half million, and then, in 1699, at the height of their popularity, a political *volte face* ended the game, with an Act outlawing all forms of lottery. The cessation was short lived however, and the lottery was reintroduced ten years later. The new game was very different from its predecessor however, and in its changes clues to the seventeenth century outlawing can be found. In the new state lottery, tickets were sold at £10 each, with prizes paid in annuities (Ashton 1898, 228). Such ticket prices would have put the Lottery out of the reach of all but the wealthiest sections of society and so effectively outlawed it for the poor. Private lotteries, with their unregulated minimum stakes were next to go; proscribed by an Act of 1721 which imposed a penalty of £500 for running them. These small scale games continued to run illegally despite the prohibition, and were patronised mainly by the poor who found them attractive for a variety of reasons. Most obviously, they were easily accessible, simple to play and cheap, with the size of a possible prize far outweighing the cost of a ticket. Furthermore, in a rigid socio-economic system in which, despite its ideology of meritocracy, little genuine opportunity for advancement through effort or talent existed, sudden wealth through a lottery win appeared to the poor as a viable means - perhaps their *only* means - of material advancement (Kavanagh 1993). Into the gap between aspirations and the means of achieving them, the lottery sustained the dream - crushed in more conventional economic arenas - of social mobility. So, while the wealthy played ostensibly to demonstrate their support of a 'good cause', the poor played in the hope of relieving their living conditions by a spectacular win, spurning the bourgeois equation of hard work and modest wealth in favour of the possibility of instant riches.

The legislation against lotteries at this time can be seen as an attempt by the bourgeoisie to impose the ideology of the dignity of labour, in order to maintain a social order whose stability was symbolically threatened by the lottery's promise of overnight wealth. It was also an attempt to counter the material threat of lotteries, particularly for poor families who, reduced to destitution by the reckless betting of their breadwinners, would be unable to support themselves, and so become a burden on the state (Dunkley 1985).

Although they had provided a vital source of revenue for developing economies in the early years of state formation, by the nineteenth century, lotteries were no longer crucial to state funding. In fact, in this period, they came to be seen as antithetical to the values of industrial societies and were gradually phased out throughout the U.S, and in many European states, including Britain. In the period of the Industrial Revolution, a resurgence of the evangelical movement and increased demands for industrial productivity saw a renewed emphasis on the rational management of time and the virtues of diligent labour – qualities that were clearly opposed by lotteries' sudden creation of unearned wealth. Now, the institution was divorced from associations with the honour of the nation and Christian charity, and criticism turned to its disruptive and undesirable qualities. At the same time, various scandals drew attention to the political corruption, dishonesty and crime that often accompanied drawings, and the perception of gambling as a vice that undermined the fabric of a moral society began to take hold in the public mind (Clapson 1992; McKibbon 1979). Fortuitously, by this time lotteries no longer provided crucial revenue: the colonies were established, and state bureaucratic and financial systems had developed sophisticated ways of raising reliable funds from their populations through taxation. So, in a pattern that had been, and would continue to be, repeated throughout history, when lotteries became superfluous to requirement, they were simply outlawed by the very governments who had once profited from them.

In Britain, by 1819, the role of the lottery in raising state revenue had come to be seen as not only redundant but positively harmful, with parliamentarians declaring that lotteries: 'manifestly weaken[ed] the habits of industry, [and] diminish[ed] the permanent sources of the public revenue' (Ashton 1898, 238). Inevitably, a final Act of 1823 made provision for its discontinuance, and the last British lottery was held in 1826. A satirical epitaph was inscribed on the hall of its last drawing:

'In Memory of
THE STATE OF LOTTERY,
the last of a long line
whose origin in England commenced
in the year 1569
which, after a serious of tedious complaints,
Expired
on the
18th day of October 1826
During a period of 257 years, the family
flourished under the powerful protection
of the
British Parliament;
the Minister of the day continuing to
give them his support for the improvement
of the revenue
As they increased it was found that their
continuance corrupted the morals
and encouraged a spirit
of Speculation and Gambling among the lower
classes of the people;
thousands of whom fell victims to their
insinuating and tempting allurements...' (in Ashton 1898, 238).

The Twentieth Century Revival

Throughout the twentieth century, a combination of factors reversed this situation, and saw the shift of lotteries from the morally dubious margins to centre stage in the economies of western societies. In the first half of the century, economic recession and fiscal deficits, together with the political unpopularity of taxation, encouraged states to consider alternative means of raising revenue. In the second half, increasing affluence and the declining influence of arguments concerning the 'immorality' of gambling and the work ethic created a more libertarian, consumerist ethos throughout post-industrial societies. In such a climate of relative prosperity arguments about the immoral, disruptive effects of gambling lost much of their force. Indeed, gambling came to be seen in an entirely new light: not as a source of potential disruption, but as a source of potential profit. Now, the needs of the state and the desires of the consumer were seen to come together in a more pragmatic approach which involved giving up on efforts to prohibit gambling altogether, and adopting a regulatory approach instead. If it was all but impossible to prevent it, so the argument went, better for the state to get involved – ensure it was run fairly and legally and, as an added bonus, share in its profits from taxable revenue (Dixon 1991).

These arguments were most obvious in the case of lotteries, whose revenue-generating potential was once again grasped by states that wanted to increase funds without having to resort to the politically unpopular move of raising taxation. Such an approach can be situated within the wider context of neo-liberal political and fiscal policies, characterized by a general reduction of state involvement in public affairs, and an increasing unwillingness to levy unpopular taxation on voting populations (Reith 2003). In the revenue vacuum created by such policies, the economic utility of commercial gambling – and particularly lotteries – to state governments became clear. Lotteries and their related products – namely, instant scratchcards - were thus recast as a convenient solution to the problems of taxation and revenue. Through involvement in these institutions, whether through direct ownership and organisation, or franchising to private corporations, states found a bountiful source of vital revenue with which to fund public services (Goodman 1995).

It is this symbiotic relation between commercial profit and state revenue that has provided much of the impetus for the liberalization and promotion of all forms of gambling towards the end of the twentieth century and into the twenty-first. Since the 1970s in particular, the gambling industry has undergone a period of dramatic liberalization and deregulation. A reduction in legal restrictions on promotion and expansion has encouraged the proliferation of commercial gambling on a global scale, with the governments of Europe, the Americas, Australasia, South Africa, South East Asia and the countries of the former east European bloc developing lotteries (Eadington 2003). The embrace of lotteries by the state is now entrenched in fiscal policy, with the former running worldwide as mainstream capitalist ventures, generating private profits and raising substantial revenues for public works. At the same time, new technologies such as the Internet have launched lotteries into cyberspace, breaking down national boundaries and posing complex regulatory challenges.

In the U.S, New Hampshire was the first to re-introduce its lottery in 1963, with other states and the European nations who had banned theirs reintroducing state lotteries one by one throughout the 1970s. Britain lagged behind somewhat, waiting until 1994 to reinstate its national game, which quickly resumed its old function of state fund-raising and the creation of private profit.

To encourage participation, lottery promoters emphasise the game's contribution towards popular social programmes – what one executive called 'the three big Es': education, the environment and economic development (Wentworth, in Goodman 1995) – the same projects that lotteries were historically used for. So, for example, lotteries in America fund health and welfare programs, schools, hospitals, roads and public health, and support programs for senior citizens, heritage and recreation. Most shore up education budgets: since it began in 1967, the New York lottery has provided $21 billion for education, California

$14 billion since 1985, and Florida $12 billion since 1987. Altogether, since 1964, lotteries have contributed $200 billion for state programs in North America (NASPL 2002).

The increasing involvement of states in commercial gambling has resulted in a degree of interdependence between the two, and the creation of a situation in which the maximization of profit becomes the aim of both government and business. As the funding of projects is often dependent on revenue, in many states the success of lotteries becomes a policy objective. In a market in which sales of tickets quickly reach saturation point, leading to stagnant or declining revenue, many states are involved in the aggressive promotion of their lotteries: advertising to target groups, introducing new games, and developing increasingly sophisticated technologies to promote their product (Goodman 1995).

Consumerism and normalisation

The incorporation of lotteries into the infrastructures of state finance taps into a wider ethic of consumerism, which sociologists have described as a shift from a 'production' to a 'consumption ethic' (Bauman 1988) that celebrates the values of leisure, hedonism and spending over work, self denial and saving. In this climate, the capricious forces of chance have been commodified and lotteries promoted as mass entertainment; a harmless 'flutter'. Now, those who play the lottery are portrayed as consumers or hedonists, certainly not reckless degenerates, capable of undermining the moral fabric of productive society. Indeed, the state sponsored fantasy of the big win actually reverses the protestant ethic, and celebrates the values that were once responsible for the very outlawing of lotteries in the first place.

State and commercial promotion, the association with 'good causes' and the easy integration into everyday life has normalised lotteries to a degree that can only be dreamed of by other, 'harder' forms of gambling. Alongside the unabashed promotion of consumerism and individual profit, lottery advertisements also attempt – successfully - to appeal to the spirit of philanthropy and charity of their players. Promoters are keen to point out the pubic works that are undertaken with proceeds, with advertisements that reflect and reinforce the association. Phrases such as 'you play, the nation wins' (UK); 'playing for the common wealth' (Virginia Lottery), and 'we all win a little' (Norway) remind players of their relationship with their wider communities, and, in reinforcing lotteries' connection with good causes, suggest that there are no losers in this national public venture. The link is made so effectively that playing the lottery becomes more like donating to a charity than gambling proper, assuaging uneasy consciences with constant reminders of the good causes that benefit from participation.

These features have provided lotteries with a broad consumer base: males and females, young and old, wealthy and poor all play. Significantly, participation has also widened to include, for the first time, the middle class – the group traditionally most hostile to all forms of gambling – whose opposition has been eroded by the state sanction of the institution, as well as the emphasis on the 'good causes' to which it contributes. The normalisation of lotteries is so extreme that players are generally not regarded as gamblers at all, even by themselves. In Spain, where the state-run *El Gordo* is a national institution, most people deny they gamble but when asked if they take part in the lottery reply 'of course' (*The Guardian* 31 October 1994, 3). This perception is expressed in euphemistic language where, unlike gamblers in other games of chance, lottery gamblers never 'gamble'; they merely 'participate' or enjoy an innocuous 'flutter'. This redefinition means that, as Walter

Benjamin puts it, ‘an incorrigible patron of a lottery will not be proscribed in the same way as the gambler in a stricter sense’ (Benjamin 1992, 137). Such a perception is descended from the lottery's sixteenth century forebears when gambling was encouraged by the state as a patriotic duty and so defined as a philanthropic gesture, never a gamble. With its emphasis on the lottery’s support of ‘good causes’ and ‘heritage’ the modern state once more sanctions betting and, thus legitimised, removes it from the arena of gambling proper.

Regressivity

However, the apparent social inclusiveness of lotteries should be interpreted carefully. Although effective marketing and distribution campaigns by private and state run businesses have brought about the expansion of lotteries’ socio-economic bases, this tends to conceal another trend - the *concentration* of play amongst the poorest and most disadvantaged social groups. The unemployed, the low paid, the under-educated, the elderly and ethnic minorities, spend far more on lotteries proportional to their incomes than do other groups (Clotfelter and Cook 1989; Kaplan 1978). The historical trend towards the over-representation of the poor in lottery drawings is substantiated today: like the poor who played the lotteries of the sixteenth and seventeenth centuries, the economically marginalised of the twenty-first regard the distant possibility of winning as their best chance to escape poverty in what is essentially still an unmeritocratic social system. The very reasons that led to its outlawing in 1826 - its ‘encouragement of a spirit of Speculation and Gambling among the lower classes of the people’ - are the same reasons that assure its popularity today. Denied genuine opportunity, the poor are given a fantasy; a vision of immense riches only one in many million will ever attain. Balzac`s comment on the French lottery, that: ‘No-one has realised that it was the opium of poverty. The lottery was the most magical fairy in the world: did it not nurture magical hopes?’ (Balzac 1984, 88) is still as pertinent today as it was when he made it in 1841.

In real terms, this distribution of participation means that the various projects and services that lottery funds are used for are paid for primarily by the poorest members of their communities. As a revenue raising device then, the lottery is a particularly regressive form of taxation. It is not only the social injustice of this set up that is of concern: practical considerations also exist. Lotteries are an unstable source of revenue, dependent entirely on the behaviour of players with the result that, when ticket sales decline, funding of designated services is reduced and entire communities suffer. At the same time, some jurisdictions have reported a decrease in funding for services for which lottery revenues were earmarked, revealing the role of the latter as a substitute for the erosion of state budgets. Such tendencies mean that, ultimately, services are at risk of becoming dependent on the vicissitudes of lotteries for their continued operation.

This trend is most advanced in the U.S., where state lotteries have come to occupy a crucial position in the provision of key services. In many states, lotteries fund increasing proportions of expenditure on health and education, and although (as in Britain) most deny such funding is intended to take over the state's share, it inevitably does so. Time and time again, it has been found that this money ends up replacing rather than supplementing state funding, as in, for example Pennsylvania, where rent assistance and medical rebates for the elderly were initially financed by the state and gradually shifted to the lottery fund as lottery revenues increased (Abt and Smith 1986, 31). By 1991, thirteen states in the U.S received a high proportion of their education budgets from their lotteries, which made those programmes vulnerable to decreased ticket sales – a scenario which affected California, when sales fell from $1 billion in 1988 to $500 million in 1991. Similarly, in the first three years of the Irish Lottery, government spending on areas that received lottery money fell by 56%, leading to criticisms that described it as a 'slush fund for inadequate Treasury spending' (Weyer, in Douglas 1995). In the UK, the establishment of the New Opportunities Fund (NOF), whose 'good cause' is the funding of community projects in health, education and the environment, has led to fears that the temptation to allow lottery players to 'voluntarily' pay for state-funded services will prove too much for the government to resist, and to fears that spending in those areas will subsequently be put at risk (Paterson, Ashworth and Webster 1999).

Concluding Comments

As the above discussion has demonstrated, when their ability to raise revenue is economically beneficial to state finance, lotteries tend to be not only tolerated but actively encouraged. When no longer serving the interests of capital, however, moral-religious criticisms focus on their supposed unproductive and disruptive characteristics, and they are outlawed in cycles of prohibition and promotion that have been repeated throughout history. Such trends demonstrate that arguments about the 'immorality' of state lotteries as well as being historically relative, are driven by political and economic expediency, and ultimately, rooted in material, rather than ethical, concerns.

State lotteries (and, to a lesser degree, *all* state sanctioned and therefore taxable gambling) of the twenty-first century are an indication of the degree to which governments are increasingly retreating from the funding of public life. In the era of nascent capitalism, lotteries provided revenue for states whose infrastructures were insufficiently developed to collect taxes from every citizen. Now, the lotteries widespread amongst the most highly bureaucratised nations in the world function to raise an indirect and regressive form of taxation their governments are politically unwilling to collect. As the presence of the state recedes in public life, that of the lottery grows, to the extent that services can become dependent on lottery revenue for their continued existence; a situation which raises wider concerns about the role of the state in the promotion of gambling in general.

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The Resiliency of Systemic Trust

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Introduction

In this paper I shall analyse the issues of reputation and power as they are at stake within auditing firms and rating agencies especially when conflicts of interest need to be managed correctly. More specifically, I will argue that a systematic analysis of these issues connected with auditing and rating can help us highlight some dynamics of institutional trust, and more generally of systemic trust, that have so far hardly been explored. I shall try to explain: i) why auditing firms and rating agencies have a growing role in financial markets; ii) how they gain a good reputation; iii) how they act as "diffusers" of both trust and distrust; iv) what happens when they issue wrong certifications that become publicly known. In this paper my aim is to emphasize the relevance of auditing and rating agencies for an analysis of institutional and systemic trust in contemporary societies, thus pointing out the insight that new economic sociology can provide to central issues in sociological theory.

1. Why auditing firms and rating agencies have a growing role in the financial markets

Auditors certify the correctness of a firm's financial statements and accounting. Thereby they intend to reduce the information asymmetry between management and investors. Three aspects need to be emphasized here. Firstly, in the global market we can see a concentration of power in four mainly Anglo-American multinational auditing firms (Price Waterhouse; KPMG; Ernst & Young; Deloitte & Touche). Secondly, these firms have progressively provided non-audit services in areas of tax and strategic management, which has increased the potential conflict of interests when they provide auditing and consulting services to the same firm. In fact, there is potential pressure on auditors to bias their auditing in order to limit loss of fees from consulting services. Thirdly, the concentration of power in four multinational auditing firms implies that these work as private regulators of financial markets. Such a regulative task is tied to the progressive deregulation of financial markets in the last three decades. Rating agencies assess the credit risk of financial transactions (Kerver 2002) and aim to reduce the information asymmetries between borrowers and lenders, which arise as potential purchasers of debt instruments lack the information necessary to accurately assess issuers' creditworthiness. The credit risk is determined by assigning a "credit rating" to a security or issuer (private or public). It ranges from AAA (very low credit risk) to D (default). Three issues also need attention in the case of rating agencies. Firstly, in the global market there is a great concentration of power in two Americans rating agencies (Moody's and Standard & Poor's) which control about the 80% of the global rating business (Levich *et al*. 2002). Secondly, starting from the 1970s the major rating agencies have begun to charge issuers for rating assessments and increasingly offer advice on the structuring of debt issues. The potential conflicts of interest result in rating agencies offering more favourable ratings in exchange for business (of rating and consulting). Thirdly, the rating agencies are playing a growing role of private regulators of financial markets (Sinclair 1994) as a consequence of the deregulation of financial markets and of the declining bank control on financial intermediation related to the globalisation process.

The growing uncertainty that shapes the deregulated global financial system needs new mechanisms capable of reducing it. New organizational devices, new forms of insurance and certification, as well as new professional rules have in fact been put forward as possible solutions to such problems of uncertainty. However, these organizational and normative solutions are fallible and subject to manipulation; also, they are unlikely to solve all problems of uncertainty. There is in fact a mobile and shifty uncertainty that can be reduced only through trust and distrust relations. Exploiting the growing institutional pressures to quality certification, auditing and rating agencies have increasingly occupied this relational field. Yet, owing to the magnitude of the tasks undertaken, these agencies only partially succeed in transforming uncertainty into calculable risk. In part they transform the missing information into internal (cognitive and emotional) reassurance. They act as diffusers of trust and mistrust. These agencies produce certificates partially based on quantitative and checkable elements and partially based on qualitative evaluations that express "opinions" about data which are not available. But such opinions can be accepted only if these agencies have already achieved trust and good reputation.

2. How these organizations gain trust and reputation

It would seem reasonable to assume that the good reputation of auditing and rating agencies is based on the efficacy of the certifications produced. This efficacy testifies the presence of technical competence and impartiality. In reality, however, such a statement is more problematic than it seems. In order to protect themselves from class action, auditors have progressively concentrated their work on the observance of accounting standards ("Generally Accepted Accounting Principles"). This formalization of the auditing process has weakened the research of the real financial reliability of the firms certified. Thus there is a kind of "expectations gap" (Power 1999) between the investors that expect an accurate evaluation of the financial statements of the certified firms and the formalism of the auditing process. The relationship between investors and auditors is made even more problematic by the potential conflict of interests which arises when auditing and consulting services provided to the same firm can press for a more favourable judgement. Since the accuracy and the efficacy of auditing are not infrequently contested, other factors should be found that sustain the reputation of auditing firms. A main factor is the recognition of auditing firms as market regulators by public authorities, which considerably improves auditors' reputation. We also have to remember the role played more subtly by power and symbolic dimensions. The concentration of the auditing industry in a few multinational firms favours dynamics of power and control that stimulates expectations of competence and independence of auditing firms among the general public of investors. The dark and esoteric character of the auditing process (that hides the qualitative and subjective dimension of the certification), the rituals and the operations of "impression management" that accompany the process of auditing are a good exemplification of these dynamics of power and control.

Rating agencies are subjected to similar problems. In order to protect themselves from class action they have progressively standardized the process of rating formation at the expense of evaluation quality. To this limitation we have to add the potential conflict of interests generated by the necessity of improving the business of rating and consulting. This potential conflict presses for more favourable ratings. Furthermore, we cannot tell whether the judgements of rating agencies add new information to that already available through analysts' and auditors' reports. In fact we do not have systematic research on this topic (Levich *et al*. 2002). In this case as well, other factors have to play a major role in support of their reputation since the accuracy of the evaluations provided by rating agencies may be contested. The growing recognition by public authorities of rating agencies as financial markets regulators decisively improves their reputation. The strong concentration of the rating industry in two multinational firms activates dynamics of power which in turn stimulate expectations of competence and impartiality by the public of investors. The folklore and the partial secrecy of the rating process - that hides the subjective dimension of the evaluation - is part of this dynamic. It should be further stressed that markets react promptly to changes in ratings, with the effects of downgrades being stronger than those of upgrades. Such a power-effect operates even if we do not know whether, for example, a credit downgrade autonomously contributes to the weakening of a firm, or the downgrade simply makes a pre-existent weakness public.

In conclusion, the reputation of auditing firms and rating agencies is the product of a plurality of factors. The efficacy and validity of their professional action is surely one of these factors, but we do not have sufficient elements yet to argue that those are the most influential ones.

3. How they diffuse trust and distrust

Auditing firms and rating agencies do not assure complete knowledge of or undisputed faith in the private and public actors they certify. They do not spread certainty, but partially reduce the information asymmetries, and partially transform the missing information into internal reassurance, thus spreading trust and distrust. They work as diffusers of trust and distrust thanks to the good reputation they have previously gained.

At this point it is important to make an analytical distinction between advice and insurance. This distinction is absent in Zucker's (1986) and Shapiro's (1987) classical works, which may be responsible for the ambiguities present in these works about the role of institutional trust in complex organizational systems. Auditing firms and rating agencies - as diffusers of trust and distrust - offer advice, not insurance. Thus they do not guarantee the trustworthiness or the untrustworthiness of the certified actors to the point of directly paying the consequences of the unfulfilled expectations of the people who have placed their trust or distrust in the parties which have been certified. Insurance companies do pay these consequences as the insurance does in fact work as a substitute for trust and distrust. The trusting act is carried out with respect to the insurance company and not to those who are guaranteed. When auditing firms and rating agencies issue wrong certifications, they can loose trust and reputation but they do not have to pay for the damage suffered by those who have followed their wrong advice. Of course they can be sued in some form of class action, just like every professional agency. But such lawsuits are rarely successful due the lobbying effort made by the agencies to minimize the impact of legal measures menacing their autonomy (Swedberg 2004).

Auditing firms and rating agencies do not only spread focalized trust and distrust regarding specific public or private agents. Together, they also spread generalized institutional trust. This latent dimension of their action in its entirety needs special attention. The presence and pervasiveness of auditing and rating agencies greatly contribute to diffusing trust in the global economy among financial operators. These agencies contribute to make the uncertainties of the global economy acceptable, by representing the market economy as more predictable than it really is. They are thus diffusers of systemic trust, that is trust in the effective functioning of the market economy and its rules. They contribute to improve systemic trust, independently of the specific theoretical assumptions made about the economic system (in this phase reflecting the American financial orthodoxy as argued in Stiglitz 2003).

4. What happens when they fail?

Accounting firms and rating agencies sometimes produce certifications and evaluations that eventually appear unsatisfactory or clearly wrong. Too benevolent certifications and ratings can result from conflicts of interest and concerns about losing clients. The same results can also derive from a concern to avoid waves of distrust, which are highly probable after a rating downgrade. Finally, evaluations of a too optimistic or too pessimistic nature are frequently influenced by the widespread optimism or pessimism induced by economic expansion or slump. More generally, many researchers have shown that auditing firms and rating agencies have been unable to predict the major changes and financial crises in the last fifty years (Levich *et al* 2002).

Just considering some recent events, we have to remember that Moody's and Standard & Poor's were unable to predict the Asian, Russian and Latin-American crises of 1997-98. Nor were they able to predict the Argentinean crisis of 2001-2002. In the Enron scandal the auditing firm Arthur Andersen went bankrupt, but Moody's and Standard & Poor's - who had given a good rating to Enron until four days before its bankruptcy (December 2, 2001) – did not face any consequence for their wrong evaluation. Standard & Poor's and Deloitte & Touche had not alerted anybody in time before the 2003 Parmalat scandal. Generally speaking, auditing firms and rating agencies did not work appropriately in the corporate scandals that involved not only Enron and Parmalat, but also WorldCom, Tyco Industries, Ahold etc. Thus, they were criticized for the excessive delay in denouncing the deterioration of the situation, but also for having been too hasty and severe in downgrading corporations and states once the crises exploded (Crockett *et al*. 2003). This "trigger-happy" action carried out when the crisis becomes public is part of the organizational rituals of impression management aimed to protect the agency's reputation. Moreover, in order to safeguard their reputation in presence of errors, auditing firms and rating agencies generally adopt defensive strategies by which they claim that: a) they have acted in accordance with the common standard of evaluation and certification; b) they have experienced difficulties in obtaining sufficient information from uncooperative actors; c) their certifications provide non-binding advice. Both the protection of the partial secrecy of the evaluation procedures and the safeguard of the impersonal character that surrounds auditing and rating processes follow the same line of defence. The secrecy and the strong impersonality encompassing these organizations are forms of seclusion that protect them from the judgment of the investors.

The market cannot easily sanction a loss of reputation of these agencies owing to these organizational strategies and to the enormous agency power that creates strong barriers to entry in the industry. Furthermore, the political system frequently strengthens the reputation of these agencies by recognizing their role of market regulators. Most of all, it intervenes to defend the reputation of these agencies when this reputation looks seriously threatened. Historically, this defence has been implemented through the creation of supervisory systems of external controls that "guard the guardians" (Shapiro 1987). We can briefly list some of these interventions. In the United States the Security and Exchange Commission (SEC) has delegated the task of fixing the principles and rules for independent auditors to the American Institute of Certified Public Accountants (AICPA) and to its Auditing Standards Board (in the early 1970s). In response to the recent business and audit failures, the Sarbanes-Oxley Act (July 30, 2002) established the Public Company Accounting Oversight Board (PCAOB) that will define new standards for auditing under the SEC's oversight. The evolution of auditing standards has followed a similar path in the United Kingdom. The Institute of Chartered Accountants of England and Wales (ICAEW) and the Accounting Standards Board (established in 1990) have the responsibility of setting standards for auditing. In 2002, the European Commission published a report on auditing that fixed a set of fundamental principles. With respect to the rating agencies, in 1975 the SEC introduced the label of "National Recognized Statistical Rating Organization" (NRSRO). This label represents a recognition which aims to regulate the rating industry and inflict sanctions in case of violation of professional standards. Many other countries are promoting regulatory recognition of rating agencies. This trend has been favoured by the 2001 Basel Capital Accord.

The production of these supervisory processes aims to create a safety net for the auditing firms as well as the rating agencies as a whole. Although some agencies may fail (as happened to Arthur Andersen), the auditing and rating system in itself has to be preserved. The distrust in single agencies can be tolerated, but systemic distrust, i.e. the distrust of the financial system and its regulatory structures, cannot. Often simple cosmetic operations or new supervisory systems are sufficient solutions in order to safeguard systemic trust. Of course these solutions work only if investors think that they will not be sidestepped; in other words**,** these solutions need to be trusted by investors. Thus the issue of trust is placed on a higher level.

But who guards the supervisory system? Although the possibility of moving the trust problem up seems endless, it actually stops at some point. This point may be marked by the presence of a highly trusted institution or authority that operates as a diffuser of systemic trust of last resort. More frequently this resolution point is reached as a response to the maze of rules and certifications issued to stabilize systemic trust. This complex institutional maze generates a kind of pragmatic acceptance of its validity. Even if investors suspect that these institutional strategies are insufficient they accept them (more or less consciously) as a device to reduce anxiety. The pragmatic acceptance of these supervisory systems is more the product of their ultra-complex character and the awareness of a lack of alternatives, than the manifestation of "active trust" built on transparency, communication and negotiated responsibilities (Giddens 1995). Transparency, communication and dialogue with the general public of investors are in fact scarcely represented in auditing firms and rating agencies. Of course systemic trust in the financial system can collapse after a financial crash. Yet, as history teaches us, there is "disaster myopia" (Herring 2002) in the general public of investors that soon restores systemic trust. Resiliency of systemic trust thus prevails.

5. Conclusion

The analysis of auditing firms and rating agencies enables us to isolate some basic processes that sustain generalized trust in the global financial system. When a set of complex organizations rather than a single institution fails, a twofold process develops. The first process comes from the institutions themselves and is moved by the needs for organizational safeguard and power reproduction. The interventions of the political system to safeguard the generalized trust in the financial system and their regulators are part of this process. New institutional architectures are built together with actions of impression management directed to avoid "domino effects" on institutional trust. These strategies of reassurance need a shifting of trust to upper institutional levels. They hide the fact that not all uncertainty can be reduced or changed into calculable risk and that financial exuberance and panic, boom and crash are always possible in the global financial market. Such a hiding operation usually works well due to the existence of a second process. This process is sustained by investors who need the reassurances coming from these institutional architectures in order to make choices under the condition of high uncertainty. The need for reassurance seems to be better satisfied if the institutional system is perceived as distant, opaque and bearer of a skilfully constructed reputation. The resiliency of systemic trust is therefore mainly based on a fatalistic acceptance of the effective functioning of ultra-complex and unknowable systems – which has been so well described by Simmel (1978) and Luhmann (1979). At the same time such a fatalistic acceptance cannot be always taken for granted, especially in situations of significant social change. The intense organizational work of auditing firms and rating agencies when their reputation is questioned and the vigilant action carried out by market regulators have shown that systemic trust needs to be reinforced by concrete actions when it is seriously threatened.

We can conclude with three general points. The first one concerns the distinction between systemic trust and generalized interpersonal trust. The specificity of systemic trust is shown by its resiliency, which means detachment and pragmatic acceptance of the effective functioning of ultra-complex systems. However this detachment does not involve the absence of a relational dimension, i.e. reference to other people. The trust placed in other people's systemic trust is a relevant component of the generative process of systemic trust (Luhmann 1979). Although we do not fully understand how this expectation mechanism works, its concreteness is indisputable. As it includes strangers, generalized interpersonal trust as well rests on little informational basis. However, trust in people provides moral and psychological satisfactions that trust in abstract systems cannot offer (Giddens 1991). As recent research has shown (Uslaner 2002), generalized trust in people is grounded in specific experiences that act on the process of personality formation (some kind of family, of peer groups, of collective movements and voluntary associations). This outcome needs to be further investigated in order to better understand the specificity of generalized interpersonal trust and systemic trust, as well as the nature of their entanglement.

The second point is methodological. Our analysis has focused on big organisations and the strategies they employ as a means to influence investors' expectations. The analysis tried to build a bridge between micro and macro analyses by introducing the role of power and organization in the complex process formation of investors' expectations. Our aim was to avoid the limits of systemic analysis and the atomised view of standard economics. The relational dimension involves the relationship between organizations and between organizations and individual investors in the financial market. These relationships can generate unattended consequences and "emergent" properties that need to be further analysed.

The third point concerns the scope of our analysis. We have analysed only auditing and rating agencies. Our results thus need to be compared with the organisational action of other trust and distrust diffusers who act in the global financial market. Among them, we can mention: top financial analysts, the European Central Bank, The World Bank, the International Monetary Fund, many "independent" Authorities etc. These actors have been variously labelled as "guardians of trust" (Shapiro 1987), "intermediaries in trust" (Coleman

1990), and “reputational intermediaries” (Gourevitch 2002). These denominations can be considered interchangeable on condition that no confusion is made between advice - supplied by trust and distrust diffusers - and insurance - that is a substitute for trust and distrust.

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ON A NEW MAJOR WORK ON DURKHEIM AND ECONOMIC SOCIOLOGY:
AN INTERVIEW WITH PHILIPPE STEINER

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Introduction

The reason for this interview is that Philippe Steiner, one of France's most accomplished economic sociologists, is just about to publish a major work: *L'école durkheimienne et l'économie. Sociologie, religion et connaissance* (*The Durkheimian School and the Economy: Sociology, Religion and Knowledge*), Geneva: Droz, October 2004; 370 pages; about 50 euros. The interview took place in the summer of 2004, over e-mail.

Q: Can you tell us a little bit about your academic background and how you became interested in economic sociology?

I was mainly trained as an economist. While studying as an undergraduate at the University of Reims, however, the Marxist approach was overwhelmingly strong, and political economy was understood in the very broad sense that it has in the Marxist tradition. At the *Ecole normale supérieure*, I had the opportunity to study sociology more in depth. This training in sociology at the *Ecole* was at the time relatively poor, but it was anyhow a useful addition to the type of mainstream economics that I had to study in Paris (my degrees were in mathematical economics and econometrics). The training in sociology was better when I did my higher degree (*agrégation de sciences socials*). At that stage sociology was on par with economics.

I decided not to continue any further in mainstream economics, and I choose instead to do a PhD in the history of economic thought - on the Physiocrats - in which the last chapter was devoted to their relation to capitalism and its spirit. Finally, by the middle of the 80's I got a secure position in Université Paris IX-Dauphine as a sociologist, and that meant that I had to teach basic lectures on the sociological tradition. I now began to read systematically the classical authors (Saint-Simon, Comte, Tocqueville, Durkheim, Simmel, Weber and Pareto) and French modern sociology (Boudon, Bourdieu, Touraine and Crozier). I was surprised by the strong connection between the sociological approach and the economical one. I was well acquainted with this fact in the Marxian connection but at that time I discovered how true it was for the whole sociological tradition as well. I now began to often write 'Ec' (for economy) in the margin of the books I was reading.

I proceeded slowly with this turn in my thought since I had been appointed as an economist at the same university and my research was centred on the history of French political economy. Nevertheless, I went on analyzing the link between economy and society, and it was while doing this that I came across the Durkheimian approach buried in the first series of the *Année sociologique*. I had the opportunity to meet Philippe Besnard, who was the leading scholar on Durkheim and the Durkheimian at the time. I wrote a first paper on "The Social Economic in Durkheim", and Besnard suggested that I should become a sociologist, which is also my present institutional identity.

Q: Can you tell us about your other work in economic sociology, before the book on Durkheim?

I began with a book on the history of economic sociology. In Europe, at that time (let's say in the very beginning of the 90's) it was not clear whether there was or not a field of inquiry that could be called "economic sociology". Together with a colleague (Jean-Jacques Gislain) I then decided to write a book on the history of the curious connection between political economy and sociology at the turn of the 20th Century, covering in the process six key authors (Durkheim, Pareto, Schumpeter, Simiand, Veblen and Weber). The book was accepted in a collection directed by Boudon, which was a real piece of luck for newcomers such as us.

My *habilitation* thesis in sociology (with Boudon as my supervisor) was an essay in the sociology of economic knowledge. In this case, my approach was a Weberian one, since my study of the various economic discourses was based on the opposition between two types of rationalization - formal and material - which I had found so illuminating when I studied Weber's sociology of law. I am still busy with the sociology of economic knowledge since it opens up new ways of looking at the links between economic theory, economic discourses, and social behavior in our modern societies.

Then I wrote a small book on contemporary economic sociology for a collection that is widely read by students and teachers in France. In this book I stressed the importance of network analysis which to my mind was — and still appears to me to be — the most innovative and powerful approach in the field.

Q: Of course everybody should read your new book on Durkheim, but since it currently only exists in French, could you kindly summarize the content of the book? What is the basic message?

The book is divided into two parts. The first one deals almost exclusively with Durkheim and the Durkheimians, up to the 1950's. In this part there is one basic idea: Durkheimian economic sociology (DES) developed according to two different seminal lines of thought. First, DES aimed at a harsh methodological critique of political economy, and suggested, as part of this, insightful empirical studies such as the one by Durkheim on the origin of contractual law, by Simiand on wage determination and by Halwachs on the consumption behavior of the working classes. Second, as Durkheim's interest in the sociology of religion and the sociology of knowledge grew, DES also became linked to economic anthropology, and particularly to the work by Mauss who was the major Durkheimian in that field (*pace* Maunier, one of his brilliant students). Interestingly enough, these two lines converged by the middle of the 30's with the joint efforts of Simiand and Mauss; and this becomes clear if one looks in detail at the two great achievement of DES, namely Simiand's essay on money (*La monnaie réalité sociale*, 1934, including Mauss' comments) and Mauss' essay on the gift.

The second part is different in nature. I essentially try to assess the relevance of DES for economic sociology. Basically, there are two ideas in this part. First, compared to Comte's and Marx's critique of political economy, DES is characterized by the emphasis that it puts on the sociology of economic knowledge, and particularly on the knowledge produced by experts. Second, I compare Weber's sociology of religion and the second dimension of DES, the one that is strongly linked with religion. Here I suggest that there exists an interesting similarity between Weber's view of Puritanism and Confucianism, on the one hand, and Durkheim's study of the pedagogical institutions in France during the 16th and 17th Centuries (mainly the Jesuits), on the other hand. In both cases, Durkheim and Weber studied institutions: the pedagogical system of the Jesuits with its strong emphasis on competition (emulation in their own language) and the Puritan concern with confirmation; and how these created life styles that suited modern capitalism.

The strong interest in Durkheimian thought for the educational system — an interest which was still important to Bourdieu — seems to me particularly relevant since Weber was almost silent on the ideal drives that motivate people in the "iron age", from the 19th century and onwards. The Durkheimian insight about the link between education systems and the life style of people who are especially trained within such systems, is helpful in that it allows you to go beyond Weber's (historical) limits in the domain of the sociology of economic knowledge.

Q: What is on your agenda for the future, when it comes to economic sociology?

I have mainly two research projects on my current agenda. The first one is about the donation of organs. This dramatic element in the modern health system in the wealthiest countries of the present world appears as something of a paradox. On the one hand, the donation of organs is not as central to our symbolic world as gift-giving once was in the case of the tribes studied by Malinowski, and, thus, this gift appears as a minor element of modernity, an element which could be replaced by a market for organs. On the other hand, the donation of organs is about primordial relations (life and death, life through death and technical efficiency), that entail symbolic reactions and emotions that prevent the very organization of such a market. This is the first paradox.

The second paradox is about the absence of a market for organs, although the number of people waiting for organs is dramatically larger than the number of organs that are available; so why do modern societies explicitly rule out such a market? And what would happen if they did not maintain such a position, as some have begun to do? What would such a world look like in which you had property rights to the body, in such a way that the owner could offer some pieces of it on a "spare parts market" (to use Fox and Swazey's felicitous formulation)?

My second research project is about the birth of political economy in France during the 18th century. Following the Weberian approach, my colleague Gilbert Faccarello and I are currently studying how the religious interest, which was very strong during the 17th century, was transformed into an economic interest that became very powerful as well by the end of the 18th century. If you accept Weber's insight on the importance of ideal interests, I think you will find it convenient to regard political economy as a powerful discourse on the theme of an ideal, even a life conduct. Of course, this means that you have to look at political economy at large, and not limit yourself to (a few) great economists. Our ambition is to do this untill the beginning of the 19th century by carrying out a careful study of the French case, and where we look at leading political economists *and* the engineers who made political economy a reality by building roads, bridges, railways and the like. In a certain respect, this work is in line with Reinhard Bendix' book *Work and Authority in Industry* and the more recent study by Luc Boltanski and Eve Chiappello, *Le nouvel esprit du capitalisme*.

Q: How do you see the future of economic sociology in general? And in France?

My general comment is that economic sociology is now entering into a 'normal' state of functioning, normal in the Kuhnian sense of 'normal science': there is now a stable set of approaches, enigma, etc., according to which scholars may organize their work in this very active field.

In the particular case of France, my view is that economic sociology is gaining momentum. The CNRS (National Center for Scientific Research) has accepted to create a structure of coordination — whose name is GDR (research group) 'Economie et sociologie' — between the various research centers that are interested in this field of research. More than one hundred people are involved in this structure, which will begin to act effectively from next November and onwards (with a meeting in Université de Nanterre). This is particularly useful since some French economists, notably the ones who work within the Regulation school or the Economics of Conventions joined the GDR, which means that French economic sociology today draws on both economists and sociologists. I do believe that this is an important element for a steady collaboration between disciplines and for the development of economic sociology proper.

Now, if I turn to the content, I would like to stress the importance of the cognitive approach or the role of sociology of knowledge in the French case. This can take various forms such as the one implemented by Franck Cochoy on the basis of Bruno Latour's and Michel Callon's sociology of science, with its emphasis on the organizational work done by marketing and merchandizing. A different approach can be found in Bourdieu's school with Frederic Lebaron and some young scholars who have written their PhDs on topics such as economic journalism, economic expertise, etc. This line of study seems particularly fruitful to me because of the importance of "the cognitive turn" of economic theory; in this case, there is a real interest to work together. We will try to reap all the fruits of such an opportunity and more, if possible.

BOOK REVIEW: PAUL SEABRIGHT, *THE COMPANY OF STRANGERS: A NATURAL HISTORY OF ECONOMIC LIFE*, PRINCETON AND OXFORD: PRINCETON UNIVERSITY PRESS, 2004

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Paul Seabright approaches the modern economy from the perspective that, firstly, human cooperation, by nature and in extent, is unmatched by that among other animals, and, secondly, the complex division of labor among humans is largely composed of interactions among genetically unrelated strangers. Human society, he asserts, rests on fragile foundations, and institutions play a key role in the facilitation of trust in social relationships, as what he calls our natural dispositions—calculation and reciprocity—alone do not sufficiently produce trust.

Seabright's book is both fascinating and disappointing. He succeeds in sourcing a vast literature in the biological sciences, psychology and anthropology containing research findings pertaining to problems of altruism, cooperation and trust, as well as providing evolutionary-theoretical reasoning as to why cooperation among human strangers works. His success in doing so keeps his readers attentive throughout the book. At the same time, this book fails because it provides neither a coherent argument in systematic fashion nor a clear-cut synthesis of interdisciplinary findings, and, in the end, reaches an almost sentimental conclusion not wholly compatible with the much keener propositions on, and explications of, human interaction presented throughout the book.

There are four main parts to the book, the first of which is dedicated (as is the introductory chapter) to outlining an 'actor theory' based on evolutionary understandings of humans. Part II addresses the question of how cooperation is possible, Part III inquires into the contemporary consequences of human behavior, and Part IV wonders how a society of the type the author outlines can improve its conditions by collective action. Much of the book is a loose assembly of problems and puzzles in economic theory and sociology, most of which are instances of what Jeffrey Alexander would call our favorite exemplars, such as Akerlof's "The Market for Lemons" or the hierarchies-or-markets debate. These by now classic debates are spiced up with the author's observations of findings from evolutionary theory, anthropological and biological research, as well as psychiatry and literature. The conclusion pleads for even more attentiveness to the 'fragility of the Great Experiment,' an experiment Seabright regards as having begun ten thousand years ago when humans began living sedentary lives and had to cooperate more often with strangers than ever before.

The first part of the book (and most of Chapter 3, in Part II) puts contemporary complexity in relation to the past. Seabright starts off from kin selection theory, arguing that cooperation among genetically close kin is favored over cooperation with others. This lets him ask how human cooperation is possible today. Going beyond sociobiology, he extends the frame to integrate recent experimental research findings (mainly from the Swiss scholar Ernst Fehr's work on altruistic cooperation) and develop his own scheme of two natural dispositions that humans have been 'equipped with' since their early species-ages. The first disposition is rational cost-benefit calculation; the second is the ability to act symmetrically. Symmetrical action is perceived as both genuine kindness and retaliation, and Seabright also discusses altruistic punishment, which comprises the notion of retaliation for justice's sake even if costs are incurred. This discussion shows that neither of these dispositions is superior in maximizing fitness in its own right. Each on its own is a cul-de sac within which interaction, as a long-term and long-reaching chain of action and social relations, is simply impossible.

His grand opening, applying an evolutionary frame to the complex contemporary division of labor, tackles the question of who is in charge in the economic sphere. Seabright demonstrates the empirical complexity of the matter with the 'remarkable un-coordinated activity of shirt manufacture and consumption,' but this example appears to be a textbook case of ordinary economic thinking about the "the market" as a series of decentralized exchanges. When trying to show that 'no one is in charge'—'There is no unity, no coordination!'—Seabright does not grasp this opportune moment to develop the analytic relationship between the "invisible hand' and 'visible hand' and arrive at a finer understanding of economic actors in a power field that cannot be reduced analytically to the 'powerlessness of government.'

In Part II, Seabright argues that it "seems likely that natural selection favored the evolution of a balance between these two dispositions [calculation and altruism – A.V.] in our ancestors. It did so because such a balance was important to the development of social life even before these ancestors ever began to deal with strangers in any systematic way" (p. 27). For Seabright it is the institution that does the balancing, and it is the institution that makes 'a little reciprocity go a long way.' His argument is that, as part of our evolutionary biology, human societies have developed 'social institutions' which orient our behavior toward strangers as if we are honorary kin. In accordance, he states, institutional rules mimic rules for family behavior, and these rules are reinforced by 'systems of incentives and socialization' that make opportunistic behavior uncomfortable for us.

Sections of the book that apply an evolutionary frame to economic phenomena contain discussions of problems that are well-known from the social-science literature, but these are presented in an erratic way and complicated by the fact that Seabright goes back and forth between hunter-gather society and contemporary global economy unsystematically. He treats general-theoretical problems of mass society's risk-sharing, specialization and knowledge accumulation only to jump to the evolved nature of humans as 'intelligent but murderous apes.' For a reason that escapes this reviewer, this survey product is intended to prepare the ground for Seabright's extensive discussion of the money, the law of comparative advantage, and price theory. The following chapter starts with hoarding and stealing in animals in general and then rehearses the more general-theoretical problems of interaction between human perceptions and statistical laws that elucidate the phenomenon of runs on banks. The chapter ends with a hurried description of a modern division of labor that has developed accountability mechanisms to help strangers buy the trust we need to perform in? the economy. While some elements of this are original thought, the selectivity with which Seabright races throughout pre-human and human history does not lead to an account that could be called a natural history without challenging the historians' craft.

Part III—about 'the wider consequences of human behavior'—turns to imperfections in markets and hierarchies. The relevant chapters are grouped around the notion of externalities and discuss cities, environmental issues (Seabright connects these through an interesting discussion of waste) and water. From there he takes his readers to price systems and an extended discussion of markets-versus-hierarchies, then on to the marginalized elements of society. Although this last chapter on poverty and inequality seems somewhat lost and meager (and perhaps this is a sociologist's prejudice) he takes it as the point to 'naturally' turn to collective action. The most interesting aspect of Part III is perhaps the chapter on water, which Seabright approaches from the economist's perspective of scarcity to work his way to a more encompassing sociological understanding of water from different points of view. This allows him to carve out some of the complexity of social phenomena that undergo institutionalization, and here he goes beyond a formalistic take on public goods and free riding by offering a four-type classification of goods. Yet by this point the whole undertaking of a natural history of economic life has gone down the drain because considering the different elements has shown that none of the evolutionary assumptions are necessary to understand social complexity.

Seabright returns to evolutionary theorizing in the last chapters of Part III. He locates 'honorary kin' in economic actors by discussing firms as islands of coordination in the sea of decentralized market exchanges, saying that the modern firm has been responsible for the increased ability to produce, and that firms put together market exchange and internal organization (p.154). Here Seabright poses the question of why firms have developed so late in history relative to military and political institutions, and why they are mainly empirically family owned businesses, although he also acknowledges the fact that the economy is determined by large and public companies. Yet, he neither offers an answer nor outlines the implications for trust production. The discussion of small versus large businesses is purely descriptive, the features of the institution of the firm illustrative, and Seabright equates small with family. In a second effort to 'bring evolution back in,' he discusses humans' capacity for symbolic abstraction (mainly based on the anthropologist Steven Mithen's notion of cognitive fluidity) to forge the relationship between the 'storage of culture' and the 'new knowledge economy.' Much of this focuses on intellectual property rights, offering the view that history shows holding onto knowledge is a matter of control whereas current wisdom in management theory and economics has it that benefits are derived from fast transmission to users. Seabright does not account for where, how and under what conditions the situation has reversed, nor for how we ought to theorize the fact that firms buy up other firms to forego competition (as, for example, the struggle around open source code shows.)

In Part IV, Seabright addresses collective action problems and starts off by going back into the history of states and empires. This is, again, a selective history, and early state-formation has been described by others in more illuminating ways. Seabright uses it to look at the growth of disparities in strength between rivals and the vulnerability that derives from prosperity. Perhaps this portion of the book should be understood as an attempt to re-connect to an earlier chapter in Part II on 'professionalism in work and war,' where he addressed higher order obedience and loyalty as elements of group cohesion among strangers. At this point of the book, in contrast, he is out to discuss how warfare professionalization turns up internal rivals as well as producing roles such as arms traders that, by nature of their own economic goals (i.e. selling to those who use the equipment,) are unintended consequences. The chapter has some short and vague excursions into political persuasion and bureaucracy and does not offer a systematic discussion of collective action in relation to evolutionary theory within this empirical area. In the last and noteworthy chapter of Part IV (a version of which also occurred in the British magazine Prospect earlier this year) Seabright develops his idea that liberalism is not 500 but 10,000 years old. He argues that from the beginning of sedentary life several ideologies are instances of one kind of relationship between humans: that of ‘coming to terms with strangers and treating strangers as honorary kin.’ While this long-view argument hits home the notion that Western capitalism did not produce willingness to communicate with the other (something historians of world trade showed was not the case a long time ago), its level of generality is such that I doubt scholars will find this a better framework within which to tease out current theories of globalization and internationalization.

In his conclusion, Seabright reflects on the ‘fragility of the Great Experiment’ and suggests that we should be thankful for the intimate ties we have with strangers with whom we participate in a division of labor but whom we hardly ever get to see. This suggestion is somewhat unintelligible given that, earlier in the book, Seabright attempts to demonstrate that both dispositions and complexity of interactions are not genuinely cooperative (meaning benevolent to the other) and that cooperation can produce violence and other unintended consequences.

What conclusion does the author expect us to draw from this? Seabright tries to show that the “unplanned but sophisticated coordination of modern industrial societies can be explained by the presence of institutions that make humans willing to treat strangers as honorary friends” (p. 8.) But the presence of the institutions itself is not explained well in the first place. Throughout the book Seabright points out to us the forged relationships among strangers, such as branding as a sign to consumers of a trustworthy identity or property laws of different types that demarcate the boundaries between trusted kin and (differently trusted) non-kin. None of this adds up to an analysis of relations between types of institutions and corresponding behaviors nor addresses the history of institutions and processes of institutionalization. Sophisticated institutions (like money) are reduced to emitters of trust and top-down, if not internalized (as are the most effective forms of policing), sanctions. This means, for example, that it remains unclear where strong reciprocity (altruism without benefit) comes from and how norms develop and become legitimate as ‘webs of trust’ that facilitate interaction among strangers.

Institutional sociologists have done a better job of providing descriptive and explanatory accounts of how modern society takes the form of ‘landscapes littered with societal building blocks’ (to paraphrase John W. Meyer,) and they also have aimed to understand taken-for-grantedness, habit and routines in human society, as well as the ontological problem of embeddedness. Seabright addresses routines, for instance in his discussion of tunnel vision (“a social rather than biological talent, though it channels powerful biological capacities”, p. 26), but in doing this he does not offer a more interpretive account that can provide the starting point for generalizing complexity more accurately in a further step.

Although Seabright aims at making sense of the great internal complexity of an economy based on the monetary mechanism, it seems that he never really comes to terms with this complexity when treating his instructive examples. This shows, for instance, in his understanding of the Soviet and post-Soviet economies, in which all his discussion folds into a critique of the barter economy when looked at using concepts such as comparative advantage or free trade (the latter a theme that runs as an undercurrent throughout his book.) It is probably obvious to anyone in the social sciences that barter economies do not facilitate the global economy, but Seabright’s critique of proponents of barter- economy structures does not lead to an understanding of differentiation within the vast economic space world society has come to occupy: the social organization of consumption and production spheres, the institutional structure of the economy, the varieties of markets and of roles played by firms, and so on. In addition, the interdisciplinary project fails. Here, like at many other places, the book seems to fall into two parts: one on evolutionary theory, the other on economics.

In failing to provide nuanced accounts of institutions Seabright also turns up findings intelligible in terms of a general theory of trust but which do little to advance our deeper understanding of the world. One example of this is the proposition that cooperation between first and third world actors is inhibited by the lack of mutual confidence, something that can in turn explain economic backwardness. This is one way to put it, but doing so palpably begs the question of why trust is lacking and inevitably points to the need for thicker descriptions of trust, and trust-facilitating mechanisms, when trying to angle cooperation from the viewpoint of a society-level theory of the global economy.

The final question must be this: do we need an evolutionary account to understand the fragility of our division of labor and advice policy making that does away with social ills? For thousands of years, human societies did not have formal organizations that proscribe, enforce and simulate the notion of the law while also providing a sense of impartiality. We are still out to understand how institutions work, where they come from, and—best of all—what they are. Researchers trying to get a handle on the social system of modern world society and its amazing economy may find this fact provides enough of a difference for them to innovate and operate analytic frames without a lower-level theory that starts with the evolutionary preconditions of actors. That is not to say that interdisciplinary synthesis is not desirable, but where it does not succeed, it shows that problems internal to disciplines are not necessarily solved by any kind of undertaking in this direction.

BOOK REVIEW: GEOFFREY INGHAM, *THE NATURE OF MONEY*, CAMBRIDGE: POLITY PRESS, 2004, 254 PAGES.

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The title of this book implies quite a claim.[1] After centuries of economic thought (or confusion) about money, it would be some achievement for a sociologist to be able to reveal or reconstruct the "nature of money". It would also be too much to expect, since serious sociological theory on money does not yet amount to more than an increasing number of tentative probings. So what does Ingham add to what we already know about money? As the core of his argument, Ingham maintains the "logical necessity of an authoritative money of account" (p. 227), combining two propositions. First, that the primary function of money is to serve as a means of accounting, and secondly, in a revival of Knapp's state theory of money, that a central authority, a state, is necessary to install such a means of accounting. He holds this against "classical" economic theory, according to which money is at least to start with, a commodity that assumes the function of means of exchange more or less spontaneously in decentralized exchange relations. Ingham connects this commodity money tradition to the ancient economic dogma that money is neutral -- or a mere veil -- and argues against both by maintaining that "all money is credit" (pp. 22, 72,140), created in credit relationships and that it cannot be neutral since "the money side of capitalism must be seen as an active, autonomous force whereby capitalist economic relations are structured" (p. 160). This view is well grounded in the position developed by Keynes and Kalecki regarding the dominance of rentier-interests in contemporary capitalism.

But Ingham is more ambitious in terms of historical scope. He follows the hint implied in a general remark by Weber: that money is not a harmless voucher for goods but the result of social struggle. According to Ingham, the decisive struggles about money take place in the triangle between the state, its creditors and tax payers. This triangle is identified in a set of interesting historical sketches, ranging from ancient Babylon and Rome to contemporary Argentina and the installation of the Euro zone. The state makes debts, in modern circumstances by selling bonds to wealth owners who expect interest payments (and an eventual repayment of the principal). The state spends the money created (or appropriated?) in the process on whatever goods or services it desires. The general population accepts this money because it expects that the state will in turn accept it in tax payments. If any of these expectations are seriously disappointed the monetary system cannot function properly.

[1] See Geoffrey Ingham's own contribution on this subject in a previous issue of this newsletter: vol. 5, no. 2.

In a way, Ingham's argument for the "logical necessity of an authoritative money of account" is a new case in the old general controversy about explaining social structures top-down or bottom-up, by constitution from above or emergence from below. The issue here is money being installed by the state vs. money emerging in exchange. The issue is tangled because, clearly, modern money "is a creature of the state" as Abba Lerner (1947) put it. But is this true of all money? If we follow Ingham's historical sketches, we certainly see old and modern states playing important roles in maintaining and developing but also destroying monetary systems. Nonetheless, I do not see much "logical necessity" at work here. After all, the issue can be brought down to the task of explaining money out of spontaneous social interaction. Leaving aside the failures of the neoclassical tradition to recognize the role of social interactions in constituting a social fact like money, it is easy to understand a lot about money without introducing the state. This holds even for the "money of account". In their dealings with each other, people are able to develop standards – think of weights, measures of length, but also rules and conventions as standards of behavior – without relying on a central authority. That the existence of such standards and rules does not exclude conflict and struggle – to pick up Ingham's Weberian motive – is evident in any sports event, fencing duel, boxing fight or tennis match. So the role of money in competitive struggle on markets is to allow for communication, to channel and structure interactions. Certainly, a central authority may be helpful in defining and securing the uniformity of a standard (just like it is helpful in sanctioning the breach of contracts between private agents), but such a role has little to do with logical necessity. Apart from that, in methodological terms, the wisdom of a strong state theory of money seems to be limited. Any explanatory problems one can circumvent in the theory of money reappear in the theory of the state. If the state is constitutive for injecting money into economic interaction, how has the state arrived in this role? Why would state agents know more than private individuals?

Instead of following Ingham in his aversion against attempts to explain money out of exchange and relying on a commodity concept of money, I would suggest two things: First, more effort in clarifying some basic concepts, most importantly "value". Ingham refers to the "value of money", "abstract value", etc. all through his book, but he also argues strongly against both the classical labour theory of value and the neoclassical marginal utility theory of value. So he should either explain what his own understanding of value is or try to avoid the term completely. The latter exercise might actually involve an interesting test, since, as Benetti/Cartelier (1980, 1987) have suggested quite some time ago, the notion of value appears to be more of an obstacle than a help in the understanding of money, especially since it is traditionally used to point to some common property of commodities and money objects. Secondly, I would suggest that it may be more fruitful to think of money not as a universal, as something introduced into society once and for all, but more in terms of a family of closely related practices and objects. This involves, at least as an experiment, to forget the endless debate about which of the various functions of money (means of exchange, of payment, of accounting etc.) is the primary one. And it involves moving away from strong "either/or" positions. An example was set by Weber, to whom Ingham refers positively as an inspiration for placing money in the context of conflict and struggle (p. 202ff). Weber proposed to overcome the split between state (Knapp) and exchange (Mises) theories of money by using his formal/material distinction: the state could establish the formal validity of a currency only, whereas its material validity in terms of purchasing power was a question of market interactions.

So while modern money certainly is a "creation of the state", this is much less the case for older forms of money. One can read the history of money as a process in which the properties required of money gradually shifted, from physical properties of the objects serving as money (in important, but not all of its functions) to organizational properties of economic and political institutions. Since quite some time, the "carrier object" of money in its various functions obviously need not be "valuable" (in the sense of use value) anymore. The substitute for the value of the object appears to be institutional backup: Complicated institutions -- both private and public, national and international -- emerged, were subject to crises, were reorganized to re-establish a functioning monetary system embodying more and more experience -- until the next crisis reaffirms the need for reorganization. Contrary to Ingham's argument, the steps and stages in the development of monetary systems are not reducible to the same basic pattern. Money changed its nature…

Aiming for general definitions such as: "Money is a social relation of credit and debt denominated in a money of account" (p. 12) or: "*all* money consists in symbolic tokens of *abstract* value that signify, and are constituted by, their own social relations of credit-debt" (p. 63), may just make us miss important differences and steps in the evolution of money. Why must we assume credit-debt relations in societies that use money but are far away from having any institutions that could support a credit system? Why should buying and selling without deferred payments be "logically" impossible? [2]

Since in emphasizing the need to go back to social relations Ingham refers to a distinction I once suggested (Ganßmann 1988) between agent-agent, agent-object and object-object relations (p. 16ff), I want to (ab)use the occasion of this review to clarify something Ingham appears to have overlooked. This is also relevant for Ingham's misunderstanding of the structure and content of Marx's theory of money. In criticizing sociological theories of money I argued that economic and sociological theories suffered from complementary fundamental weaknesses. Economic reasoning – at least in the neoclassical tradition – is conceptually restricted to agent-object relations, the basic notion being utility. Agent-agent relations are either reduced to agent-object-relations or not considered at all. In contrast, sociologists focus on agent-agent-relations, while neglecting the role of physical objects -- whether naturally given or social artefacts -- in these interactions.[3] My argument, basically inspired by Marx's critique of commodity fetishism, was that to understand money, one has to decipher the object-object-relations of prices and exchange as the form of appearance of social relations specific to a monetary economy. Of course, one can – like Ingham – disagree with Marx's procedure of deriving money from commodity relations (cf. Ganßmann 1998). But for Marx, commodities are anything but natural objects. First of all, they (mostly) are products of social labour and, secondly, they are things playing a specific social role in a specific social setting. This social setting, roughly describable as the combination of the institution of private property and a social division of labour, generates ideological

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[2] "In the most basic sense, the possessor of money is owed goods. But money also represents a claim or credit against the issuer – monarch, state, bank and so on...Money cannot be said to exist without the simultaneous existence of a debt that it can discharge" (p. 12). Either this excludes some forms of money from "moneyness" (whatever that is) or one has to overgeneralize and thus water down the notion of "debt" along the lines of Aglietta (1997, p. 416) who talks of "*une dette réciproque entre chaque individu et la société*." Who *owes* goods to a possessor of money? Nobody. I may be moved to sell you something if you offer enough money. But there simply is no debt-relation involved in normal buying and selling on spot markets. That one has to accept a given kind of money as a means of payment if it is legal tender does not force anybody to *sell* goods to a holder of that money.

[3] John Searle's (1995) ontology of social facts would have been a good starting point, but Ingham seriously refers to Searle only when invoking "collective intentionality" (p. 74) against methodological individualism, a rather anti-Weberian exercise, by the way.

naturalizations like: Gold is money by nature; or, for that matter, things are commodities by nature. So the Douglas argument (pp. 37, 80) Ingham holds against "commodity theorists" (including Marx) who wrongly identify money with natural objects, actually stems from Marx.

The irony in Ingham's laudable reference to social relations, or more strongly, in his proposition that "money *is* itself a social relation" is that it makes him forget that the functions of money are socially assigned to *objects*. So he repeats the sociological standard procedure of reducing social facts to relations and neglecting the role of things in these relations. Even given that the most modern forms of money frequently have a physical appearance limited to numbers on computer screens because the handling of physical monetary objects is not necessary when payments can be settled via changes in the banks' "books", it still remains an essential task of any theory of money to explain why and in what form physical objects are used when monetary transactions are performed. This holds for credit relations as well: How can a debt be extinguished by handing over green pieces of paper? Even when we use money as a means of accounting in purely mental operations, we have in mind monetary objects that will have to be physically present at some point in monetary transactions.

In sum, Ingham's book is full of interesting, stimulating, challenging ideas and he has covered a lot of ground in terms of the existing literature on theories and the history of money. After reading it, we are a bit closer, but still quite far from understanding the nature of money.

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FOUR DAYS IN CALIFORNIA. US SOCIOLOGISTS ARE FINALLY CHALLENGING THE INTELLECTUAL STRANGLEHOLD OF ECONOMISTS[1]

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The Guardian In the ocean-fed air and mild August sunshine of America's most beautiful city, optimism flows easy. But the real mood-lift these past few days was in the windowless conference rooms of two downtown mega-hotels. More than 5,000 American sociologists, plus a few foreign scholars, held their largest and, many said, most vibrant annual convention for years.

Bush and Kerry were campaigning through nearby states. Their soundbites were rarely mentioned, but the lack of serious debate is one reason for US sociology's new political engagement after decades of quiet since the 60s.

The profession's centre of gravity is moving left. There is a drive to inject ethical standards into the analysis of what most agree is a US society becoming increasingly polarised beneath its veneer of shared consumerism.

Above all, sociologists are starting to challenge the intellectual stranglehold of American economists who have managed to get the neo-liberal model of competitive individualism and corporate globalisation to dominate public discourse and policy-making for the past 20 years.

Words like "empire" and "inequality" popped up frequently at this conference after their post-Vietnam war dormancy. New phrases like "the corporate state" and "global apartheid" appeared.

Half the world's PhDs in sociology are taken at American universities. The US has 13,000 career sociologists, a potential for extraordinary intellectual hegemony. They flexed their muscles last year, becoming the only US professional association to oppose the invasion of Iraq. A few unions denounced the war and even the normally conservative trade union federation, the AFL-CIO, passed a mildly worded vote of criticism. But with the exception of the sociologists, America's professions were coy about raising their collective voice.

It was no accident that this year's conference theme was "public sociologies". It was chosen by the American Sociological Association's president, Michael Burawoy, a modest Mancunian ethnographer and sociologist who emigrated in the 70s. He distinguishes public sociology from professional sociology, which he describes as work aimed primarily for

[1] First published in *The Guardian,* August 24th 2004.

academic journals and peer review - "solving puzzles". It also differs from policy sociology, which is "solving problems" for mainly government or business.

Public sociology, by contrast, is a conversation with society about values. Burawoy is careful to argue that it does not have a single orientation since a third of the sociologists who voted rejected the anti-war motion. He also insists that the three types - professional, policy and public - are inter-dependent. Without rigorous scholarly standards no public sociology will be taken seriously.

Most controversially, Burawoy wants to “provincialise” American sociology. This may sound odd since US intellectual life has long been scarred by insularity. Burawoy means his slogan provocatively. The famous "end of history" claim that US liberal democracy and market capitalism were the only models left was a sign, in his view, that many Americans were trying to universalise the particular. They should realise their culture is not always preferred else where. To make the point, he invited high-profile foreigners like Arundhati Roy, the anti-globalisation campaigner, and Mary Robinson, a former UN human rights commissioner.

Sociologists' relations with the state vary in time and place. The South Africans and east Europeans present were ex-dissidents who described how the advent of democratic and legitimate governments in their countries had brought new problems. Debate narrowed, intellectuals were less in demand and disappointment with rising social inequality and the new governments' economic policies was leading to public apathy.

Jacklyn Cock, author of a path-breaking exposure of the plight of domestic workers in South Africa, called on sociologists to stand in solidarity with the new social movements. But she warned against romanticising civil society in the struggle against globalisation's injustices. "The real issue of our time is how to reinvent the state," she said.

Her point applies with greatest force in the US. Behind the rhetoric of small government, the US has created a monster state where political, economic and media power is dominated by corporations. America's political scientists ought to be taking the leading role in analysing this distortion of democracy but, according to their sociology rivals, their profession is in a conservative phase. It churns out graduates for the foreign service rather than critics who want to reform the system. Sociologists have to move alone.

Four days in California are not going to change the world. But it was hard not to feel that something big is stirring in US academic life. The dominance of Reaganomics is under serious intellectual challenge. Clinton's third way is rejected as neoliberalism in a different guise - welfare-cutting, support for the out- sourcing of US jobs and unfair "free" trade.
The foreign subjects of America's global empire have been restless for years. Now some of the sharpest minds are raising questions. Even if John Kerry wins control of the White House, the rebellion is unlikely to stop.

Conference Report

Economic Sociology at the 2004 Annual Meeting of the American Sociological Association in San Francisco, California, August 2004.

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The annual meeting American Sociological Association (ASA) recently took place in San Francisco, California on August 13-17. The strong showing by economic sociologists at the conference provides clear evidence of the continued growth and vitality of the study of economic sociology. Indeed, the still relatively new section now has over 600 members, half of which are graduate students.

The range and breadth of the session topics demonstrated a healthy diversity in the field. In addition to three panels organized by the section, there were also eight regular sessions organized by Marc Schneiberg dedicated to the topic of economic sociology. The role of culture in the economy was a prevalent theme in many papers, and two panels focused specifically on cultural approaches to economic sociology. In addition, the Economic Sociology and Cultural Sociology sections held a joint reception to further encourage linkages between the two fields (an effort that is always helped by good food and drinks). Other panel topics encompassed such themes as “Trust, Opportunism and Governance,” “Media, Mergers and Convergence,” “Prices and Social Structure,” and “New Approaches to Network Formation.” This year, the section also co-sponsored two sessions with the Consumers, Commodities and Consumption Research Network and the section on Organizations, Occupations and Work. Finally, there were 16 refereed roundtable sessions and most of the tables, if not all, were quite well attended.

Numerous other panels touched on issues of relevance to economic sociology. In addition to the co-sponsored session on consumption mentioned above, two other interesting sessions entitled “Consumers and Consumption” were organized by George Ritzer. A thematic session entitled “Regulating the Corporation” included presentations by Frank Dobbin, Gerald David, Laura Edelman, Mark Granovetter and Neil Fligstein. As one would imagine, this session was extremely well-attended, with attendees spilling out into the hallway. Overall, there was a rich smorgasbord of interesting and thought provoking panels and papers at this year’s conference. For greater detail about the papers, including abstracts, the ASA website has a searchable program:

http://convention.allacademic.com/asa2004/

The Economic Sociology section conferred two awards on its members. First, the book award was shared between Harrison White’s “Markets from Networks” and Sarah Babb’s “Managing Mexico.” Next, the graduate student paper award was given to Sean Safford’s

“Why the Garden Club Couldn’t Save Youngstown: Civic Infrastructure and Mobilization in Economic Crises.” The paper stems from Sean’s dissertation at MIT, and he is currently a lecturer at the London School of Economics. In addition, there were also two awards given by the ASA of relevance to the field of economic sociology. First, Arthur Stinchcombe and his many contributions were recognized with the Career of Distinguished Scholarship Award. Second, Greta Krippner was co-winner of the Dissertation Award for her dissertation entitled “The Fictious Economy.” Greta completed her doctorate at the University of Wisconsin-Madison and is currently an assistant professor at UCLA.

At the Economic Sociology section business meeting, chair-elect Nicole Biggart made note of the fact that over half of the section’s members are graduate students and she solicited suggestions on how to engage and cultivate these younger scholars. An annual seminar/workshop was discussed as one possible way to encourage and strengthen graduate work in the field. Further, Nicole mentioned a number of volunteer opportunities for students in the section, including updating and maintaining the section’s website. Interested readers of this newsletter who are members of the section (or who need an incentive to join the section) are encourage to contact Nicole about these opportunities.
Finally, ASA President Michael Burawoy gave a stirring presidential address which posed a number of provocative questions for the discipline of sociology. In particular, two issues stood out for me as important for economic sociologists to consider. First, what is our role as economic sociologists *vis a vis* the public? A recent issue of the section newsletter *Accounts* contained a number of interesting essays which addressed this question, but they were primarily concerned with making inroads into the policy arena. Burawoy’s address focused more on not only actively engaging the public but working with the public to achieve positive social change. Interestingly, Burawoy’s address dovetailed with a comment by Paul Hirsch at his session that economic sociologists tend to focus only on the rich and elites of society. Taken together, these comments revived a personal concern that economic sociology does not fall into the trap of “economics envy” and follow the sterile path taken by our neoclassical colleagues in (but not the heterodox folks!). Interestingly, the closing plenary speaker of the conference was Paul Krugman, the Princeton economist and columnist of The New York Times. Unfortunately, I was unable to attend this session, but it is not hard to imagine his position on this question.

Second, and of particular relevance to this newsletter, was Burawoy’s observation that American sociology often sets the agenda, rightly or wrongly, for the discipline. While I was heartened to see a good number of European scholars and students presenting on economic sociology at the conference, it is still a worry of mine that economic sociology draws primarily on American perspectives. There is a great deal of interesting work on economic sociology in Europe and continued interaction with colleagues “across the pond” can only strengthen the field overall. Next year’s annual meeting of the ASA will be held in Philadelphia on August 13-16, and I would encourage readers to this newsletter to make the trip.

Conference Report

Economic Sociology. Problems and Prospects
Rethymno, Crete, Greece,
September 8-10, 2004

Patrik Aspers

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The conference was organized by the Department of Sociology, University of Crete and The Economic Sociology Research Network of the European Sociological Association. Sokratis Koniordos (who together with Søren Jagd is co-chairing the economic sociology research network), organized this conference, which took place in Rethymno, September 8-10. All of us who took part in the conference, I am confident to say, think that Koniordos, and the local organizing committee, has done a great job, since the arrangement was fantastic.

The aim of the conference was to make a reflexive examination of the course of economic sociology, and "its achievements and weaknesses, current position and future prospects". This called for "a process of rethinking, of assessment and orientation".

In addition to Koniordos introductory and welcome speech, there were two keynote lectures, by Mark Granovetter and Carlo Trigilia. Granovetter talked about the future of economic sociology, and Trigilia analyzed how economic sociology can relate to policy making.

About 40 papers were presented, and it is not possible here to talk about them all. The papers covered a vide range of topics, but one could identify a few clusters. One was the continuous interest in the foundation of economic sociology, and what its focus should be, another was, broadly speaking, markets, the third—which seems to be growing—was the role of economic knowledge. A forth is organizations. To this one may add discussions on welfare states, law as well as regulation.

The interested reader is recommended to have a closer look on the internet. The papers accepted for the conference can be accessed and downloaded on the web site: http://www.soc.uoc.gr/social/anakoin/syn_econ-soc/Call.htm

For further inquiries, please contact Sokratis Koniordos:
skoni@social.soc.uoc.gr

The next conference arranged by the Network will be the regular ESA, conference 2005, in Torun, Poland.

CONFERENCE ANNOUNCEMENT

ELITES AND EU ENLARGEMENT
SECOND INTERNATIONAL CONFERENCE, 2005

Bremen
13-14 May, 2005

Moves towards greater integration and convergence involve interdependencies between existing elites in the European Union – both in the EU-15 and the new member states.
Topics in this conference will focus on the ways in which economic and political elites in both the old and new member states consider such interdependencies as positive developments or threats to national interests, as well as the extent to which new European elites are in formation.
This conference will also focus on global developments and the centripetal pull of the USA. We consider interdependencies between old and new members of the EU-25, the extent to which elite member share (or not) similar values and norms.

Framework
The Bremen conference will be second out of six workshops of the "International Network For Study of Strategic Elites and European Enlargement".
Sponsored by: British Academy, University of Bremen

Themes:
We invite papers addressed to the general topic:

Interdependencies between Eastern and Western Economic and Political Elites in the process of EU Enlargement.

The following themes/sessions are planned:

Session 1: *Opening*: Between National Interests and European Challenges: Leadership in "The Union of Industrial and Employers' Confederations of Europe (UNICE)" and "The European Trade Union Confederation (ETUC)"

Session 2: Multinational Companies and Foreign Direct Investments flowing from EU-15 to the new Member States: The economic elites in the contested terrain of implementing common standards (EMU, Single European Market, HRM policies) in an enlarged EU

Session 3: Reforming the EU's Institutions: Political elites in national Parliaments versus the European Parliament– a shift of power or a retreat to the dominance of national states?

Session 4: Lobbying by business and democratic legitimacy in the EU – does the growing clientilism endanger the growing democratisation of the EU's institutions?

Session 5: “Old and New Europe” – The different orientations of European elites: The extent of divisions and consensus

From the conference a book will be published.

Abstract submission:
Abstracts for presentations (not more than 2000 letters, Arial 12) should be submitted for review by December 15, 2004
by email attachment to jtholen@uni-bremen.de

Abstracts will be refereed and contributors will be notified as to whether their abstracts has been accepted by the 31st of January, 2005.

Detailled programme information and other links are available from:

http://www.iaw.uni-bremen.de/~jtholen/tagungen.html

Financial Support/Costs
For the paper presenters the organizers will provide accommodation (one night), lunches, refreshments during the breaks and the conference dinner on Friday 13th of May, 2005; as well as receiving a contribution towards (international and national) travel expenses between 30 and 50 per cent of the costs up to maximum of 200 EUROS.
Paper presenters from outside Germany are requested to book APEX flight tickets (in this case a second night will be provided by the organizers).

Application is invited for a limited number of places for non-presenting participants at a charge of EURO 60 (students and unemployed EURO 25) which will include attendance at the conference, lunches and refreshments during breaks. For those wishing to attend the dinner on Friday 13, 2005 additional payment of EURO 35 is requested.
Payment should be made with the application to attend.

Important Dates:

September 1, 2004	First Call for Papers
December 15, 2004	Last date for submission of abstracts
January 31, 2005	Contributors are notified of their paper’s acceptance/rejection
March 31, 2005	Last date of sending the full papers to the organizer and of registration for presenters
April 23, 2005	Last date of registration for non-presenting participants

Organizer:
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Conference Announcement

Frontiers of Sociology
The 37th World Congress of the International Institute of Sociology

Stockholm
July 5-9, 2005

The Congress will allow social scientists from different parts of the world to exchange ideas and to establish long-term collaborative relationships. The plenary and semi- plenary sessions will focus on the frontiers of sociology. Some sessions will focus on cutting-edge research in sociology while others will focus on the relationship between sociology and its neighbouring disciplines. These sessions will include prominent representatives from a range of different disciplines such as anthropology, economics, history, law, political science, psychology, and statistics.

Plenary and Semi-plenary speakers include: Andrew Abbott, Jeffrey C. Alexander, Margaret Archer, Said Arjomand, Johann P. Arnason, Jens Beckert, Eliezer Ben-Rafael, Thora Margareta Bertilsson, Roy Bhaskar, Fred Block, Raymond Boudon, Craig Calhoun, Karen Cook, Paula England, Ernst Fehr, David Freedman, John Goldthorpe, Peter Gärdenfors, Nilüfer Göle, Ulf Hannerz, Peter Hedström, Gudmund Hernes, Danièle Hervieu-Leger, Hans Joas, Jan O. Jonsson, Charles F. Manski, Karl Ulrich Mayer, Renate Maynz, Ewa Morawska, Helga Nowotny, T.K. Oommen, Elisa Pereira Reis, Neil J. Smelser, Michael Sobel, Yasemin Soysal, Wolfgang Streeck, Piotr Sztompka, Lars Udehn, Axel Van den Berg, Loïc Wacquant, Peter Wagner, Peter Weingart and Björn Wittrock.

Several sessions related to **economic sociology** (besides a regular session chaired by Patrik Aspers) will be arranged.

For more details and a call for papers, see below:

http://www.scasss.uu.se/IIS2005/total_webb/frame.html

CONFERENCE ANNOUNCEMENT

WHAT COUNTS? CALCULATION, REPRESENTATION, ASSOCIATION
THE 17TH ANNUAL MEETINGS ON SOCIO-ECONOMICS
SOCIETY FOR THE ADVANCEMENT OF SOCIO-ECONOMICS

Central European University and Corvinus University of Budapest
Budapest, June 30 - July 2, 2005

The 17th Annual Meetings on Socio-Economics will be held in Budapest, June 30 - July 3, 2005. The meetings will be co-hosted by the Central European University and the Budapest University of Economic Sciences. In addition to the regular panels, open to the richest diversity in themes and methods, the 2005 meetings will include featured speakers and a set of Presidential Choice panels addressing the theme, "What Counts? Calculation, Representation, Association." Faced with a deluge of information, a multiplicity of evaluative principles, and myriad features that could be potentially salient, what is taken into account? What matters, who counts, and with what kinds of measures and metrics? Whereas calculation, representation, and association might conventionally map to the domains of economy, polity, and the civic, we will be as much interested, for example, in representations within the economy, calculations within the civic, and the problem of making associations in politics. In examining how actors navigate multiple orders of worth we will be especially interested in the socio-technologies of making and taking accounts. Because tools count as constitutive parts of the social, they must be brought into our accounts. Tools -- instruments, artifacts, numbering sytems, spreadsheets, microphones, monitors, servers, protocols, platforms, podiums, flipcharts, websites, power points, algorithms, maps, models, tabulators, tables -- are a part not only of calculative practices but also of public assemblages in politics and civic life. Network analysis, moreover, will be enriched by studying how meetings, mobile phones, and emails mediate social ties. We invite your papers on these and other themes.

The Program co-chairs for the meeting will be: Laszlo Bruszt (European University Institute, Italy), Greta Krippner (University of California-Los Angeles, USA), and Elisa P. Reis (Federal University of Rio de Janeiro (UFRJ, Brazil).

The Local Organizing Committee will be: Nitsan Chorev (Central European University, Hungary), Peter Gedeon (Corvinus University of Budapest, Hungary), and Balazs Vedres (Central European University, Hungary).

Paper proposals require a paper title and an abstract of up to 200 words, and complete contact information. Session proposals require a session title, an abstract of up to 200 words for the session, paper titles, and complete contact information for each of the presenters.

To submit proposals, see: http://www.sase.org/conf2005/callforpapers/callforpapers.html

The deadline for submitting proposals is January 15, 2005

CURRENT PHD PROJECTS IN ECONOMIC SOCIOLOGY IN EUROPE.

Images of Markets: the discourse of the market in the United States and the Netherlands

PW (Peter-Wim) Zuidhof

With major developments such as neo-liberalism and globalization still holding sway, the idea of 'the market' has a firm grasp of public discourse. While much attention is being devoted to either assessing the impact of this steady rise of the market from a host of angles or for instance the social-mechanisms involved in spreading the ideology of 'the market' (Fourcade-Gourinchas and Babb, 2002), there is to date little analysis of the discursive aspects explaining the power of the idea of 'the market.' This PhD. project studies the discursive strategies used in public political arguments for and against the market. It views 'the market' as a contested concept and examines how various discursive operations promote distinct images of the market. For the sake of contrast and comparison, it analyzes market discourse in both the United States and the Netherlands.

Theoretically, this project builds on the rhetoric of economics program (Klamer, McCloskey and Solow 1988; McCloskey 1998). Originally developed to study the development of 'scientific ideas', this approach will be contrasted with and augmented by post-structuralist discourse theoretic approaches (e.g. Foucault, Lyotard, Derrida, Laclau and Mouffe) in order to study 'the market' as a *political* concept traversing various genres of discourse.

The project analyzes three distinct discursive sites, both in the United States and the Netherlands. The first is the discourse of markets as propagated in general textbooks of economics in order to see how scientific knowledge translates into public knowledge. Secondly, it analyzes the discourse of policy research institutes (e.g. public think tanks and political and public policy councils). It consists of a discursive analysis of key policy reports and follow-up interviews with the parties involved. The third part consists of a discursive analysis of political discourse about the market on the Op-ed pages of major newspapers.

On the whole, this study of the images of markets and their discursive constitution aims to enhance our understanding of political conflicts over the market in public discourse.

Information about the project

Expected date of defense: January 2006
PhD. Student: PW (Peter-Wim) Zuidhof MA.
Supervisor: Prof. Dr. Arjo Klamer
Erasmus Universiteit Rotterdam, Dept. History, Art and Cultural Studies.
Zuidhof@fhk.eur.nl

References

Fourcade-Gourinchas, Marion, and Sarah L. Babb. "The Rebirth of the Liberal Creed: Paths to Neoliberalism in Four Countries." *American Journal of Sociology* 108, no. November 2002 (2002): 533-79.
Klamer, Arjo, Robert M. Solow, and Deirdre N. McCloskey. *The Consequences of Economic Rhetoric*. Cambridge ; New York: Cambridge University Press, 1988.
McCloskey, Deirdre N. *The Rhetoric of Economics*. 2nd ed, *Rhetoric of the Human Sciences*. Madison, Wis.: University of Wisconsin Press, 1998.

Young researchers are kindly requested to send in a brief description of their PhD project. Please indicate first: Name of PhD candidate, title of the project, Department, University, City, Postal Code, and email address. Then give a concise description of the project, not longer than 300 words.

Please send project descriptions to be included in the next issue of the Newsletter as an email attachment to the Editor at:

velthuis@dds.nl