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Note from the editor

Dear reader,

After six volumes, the newsletter is changing its familiar but by now outdated layout. Christel Schommertz and Thomas Pott of the Max Planck Institute for the Study of Societies in Cologne, which also hosts the newsletter, have done an excellent job developing the new design.

The current issue and the next one will be devoted to historical perspectives in economic sociology. To begin with, Johan Heilbron provides a historical account of financial markets, which shows that stock markets have never been perfect, free markets. Instead, they are political constructs whose emergence would have been infeasible without the government's own continuous involvement.

In David Chiavacci's contribution about the emergence of the modern travel market in Japan, a number of core debates in economic sociology, about the role of institutions, social networks and culture in producing economic change, surface. In fact, the travel market bloomed due to a conception of religion which was not opposed to material life and which allowed pilgrimage to gradually transform into tourism.

In two other contributions, Gertraude Mikl-Horke and Leonard Seabrooke present thinkers that have so far not been 'canonized' in economic sociology, in spite of their important contributions to debates of their own days, and their relevance for contemporary discussions. Mikl-Horke shows how the Austrian sociologist Rudolf Goldscheid analyses the values and interests that underlie economy action and that stand in the way of a 'human economy.' Goldscheids thinking shows strong familiarities with the moral economy of the early twentieth century political scientist John Hobson. As Seabrooke shows, this moral economy revolves around 'improperty', that is the unfair seizure of assets by others.

Finally, in the interview series Carlo Trigilia of the University of Florence argues that economic sociologists should be more keen on influencing policy. Alex Preda of the University of Edinburgh recommends readers recent literature in economic sociology.

In the next issue historical themes will be continued, among others with a contribution by Bruce Carruthers of Northwestern University. Submissions for the issue afterwards, which will be about globalization, are welcome. So are reviews of recent books in economic sociology.

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Taking stock: toward a historical sociology of financial regimes

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> *Money is the social instrument that gives the most accurate indication, in its uses and its changes over time, of the degree to which functions are divided, of the extent and nature of social interdependence.* – *Norbert Elias* –

Introduction*

Among the daily torrent of news messages on radio and television two subjects have secured a permanent place: the weather and the stock market reports. The financial indicators are reviewed several times a day. Exchange rates, share price indices, and major price swings are all reported, often followed by brief explanations. A mild decline in share prices is explained in terms of profit-taking, a slight increase reflects a "technical recovery" or "regaining of confidence," and major fluctuations point to investors buying or selling their securities *en masse*. Thirty years ago, such messages were much like the shipping forecast or farming news – they were specialized reports for a limited audience, intruding only occasionally in the public sphere. Today, stock market reports are at the heart of the business news, and have become an indispensable part of daily news broadcasts in the wealthy parts of the world.

The prominent place accorded the stock market is first of all related to a series of changes that took place in the financial world in the last few decades of the twentieth century. The growing interest in shares arose together with a richly varied assortment of financial services and products: new types of loans, numerous investment constructions, and a wide range of derivative products.[1] Many of these are traded on stock exchanges, which have themselves changed dramatically. Options markets are a good example. Although futures trade has existed for hundreds of years, it was most often vividly contested. Regular and legitimate markets for options on shares and interest or exchange rates are a very recent development. The first options exchange opened its doors in Chicago in 1973.[2] Its first European equivalent started business five years later in Amsterdam and was soon handling one million options contracts annually; by the late 1990s, annual turnover in Amsterdam had risen to 60 million contracts. The trade in shares and bonds underwent similar growth: between 1980 and 2000 the turnover at Amsterdam's exchange increased by a factor of 80.[3] Options, shares, and bonds are generally bought and sold by professional brokers employed by financial companies or institutions. But private individuals are increasingly venturing into the field on their own. Attractive returns and a rising tide of offers have turned more and more private citizens into investors. In the 1970s, about 400,000 people invested in stocks and shares in the Netherlands; by 2000, just before the decline of the market, the number had risen to almost two million.[4]

Managing money has become the increasing concern of ever larger groups of people, and today even crops up in reflections on lifestyle and leisure activities. Yet the fascination exerted by fast and smart money is tempered with disbelief and suspicion. The controversies and scandals that hug the headlines with increasing regularity sustain fears of fraud and imminent personal ruin. Financial thrillers, a genre not much more than 20 years old, revolve around swindlers and the swindled in the world of big money, around code accounts, front running, and other monkeyshines to which gullible outsiders can all too easily fall victim.[5]

Financial services, as they are humbly known, were one of the fastest growing sectors of the economy in the last quarter of the twentieth century. Financial transactions became proportionally more significant, as did the extent and social significance of financial institutions and markets.[6] Accounts of these developments generally focus on share prices: the narrative is about peaks and troughs, the overvaluing or undervaluing of certain shares, and the corresponding repertoire of decisions: buying or selling.

It is quite possible, however, to approach the stock exchange from a different angle altogether, one that does not revolve around share prices but around the social dynamics of the process underlying fluctuations in the market. Share prices result from a large number of actions that cannot be controlled by any of the individuals or groups involved. Every investor makes more or less purposeful decisions, but the combined outcome of these activities is not intended, and cannot be foreseen, by any of them. The movements on the stock exchange do not proceed according to any purpose or plan, they exemplify what Norbert Elias has called a blind process. It could scarcely be otherwise: if prices could be predicted, there would be no trade: instead we would have only buyers, or only sellers.

As the unplanned outcome of many related actions, stock prices are a function of the social configuration embracing all those involved. The trade in stocks takes place in a dynamic constellation of interdependent groups: institutions that issue stocks, investors who buy and sell them, and a mediating group of traders, stockbrokers, analysts and advisors. The structure of this constellation and the way it functions are the product of a historical development that, while to some extent autonomous in relation to other processes, cannot be detached from the wider social context. States in particular are of paramount importance, since they enable peaceful trade, offer legal protection, and are in many ways directly involved in market formation, through taxation and subsidies, and through regulatory and supervisory measures.

From this point of view, two general historical sociological questions can be formulated. The first has to do with long-term trends: how have exchanges and stock markets evolved, what phases can be distinguished, and how can this long-term development be explained? This leads to a second, composite question: has the financial sector indeed entered a new phase in the last few decades of the twentieth century, and if so, which groups played a dominant role in this context, and how can this new phase be interpreted and explained?

Taking a historical look at the stock exchange, we can basically distinguish four successive stages prior to the last decades of the twentieth century. In the first and by far the longest stage, there was no trade in stocks. Tradeable public loans and shares in private companies were unknown in antiquity, and the concept of public debt, as Earl Hamilton noted, is one of the few phenomena that does not have its roots in Greco-Roman antiquity.[7] The second stage, in early modern Europe, witnessed the first issues of long-term tradeable loans or bonds, and tradeable securities and shares. Initially it was states and companies closely linked to states, such as the Dutch East India Company (VOC), that issued stocks. Once this mode of financing became more widespread, the sector entered the third stage, one of professionalization and institutionalization. Professional stockbrokers formed their own organizations in the course of the eighteenth century, and these in turn set up the national stock exchanges, which became the hub of a steadily growing financial sector. From the late nineteenth century onwards – in the fourth stage – the stock market underwent further expansion, now driven specifically by private enterprise. From this time onward, trading on the stock exchange no longer focused on government loans and shares in state-subsidized or state-related companies, but widened to include shares in large private enterprises.

Stock markets as political constructs

Trading on the emerging stock market arose in combination with processes of economic growth and state formation. With the gradual expansion of trade and industry, the money economy expanded in Europe, and larger groups of citizens obtained more financial resources. At the same time, and closely related to the growth of the money economy, states had come into existence, which had a chronic need of extra resources to fund their political and military rivalry.[8] State expenditure was largely military expenditure, and one of the main problems facing European rulers in the sixteenth and seventeenth centuries was the rising cost of warfare. Technological advances had increased the costs of armament, armies became bigger, and wars were frequent and protracted. To pay for all this, taxes were increased, and new levies and excise duties were constantly being introduced.

When war broke out, however, regular sources of revenue never sufficed, and loans had to be procured. Rulers could obtain short-term loans from international bankers, but since these were offered at a high rate of interest, they tried their utmost to replace them with cheaper longer-term loans. City councils had already developed such a solution. Since the late Middle Ages, they had issued loans that entitled the holder to an annuity or *rente* until the loan was paid off or until his decease. When long-term loans of this kind were issued, specified types of tax revenue served as collateral, so that financiers could be confident of getting their money back.

These modes of funding became more widespread from the sixteenth century onward, accounting for a substantial part of the state's revenue. Provincial and central authorities took to issuing long-term loans at the outbreak of war, with future tax revenue being reserved for repayment. The Dutch Republic in particular, followed in the eighteenth century by Britain, used these means to procure large sums of money relatively cheaply.[9] States with less efficient tax systems could borrow less, had to pay higher rates of interest, and resorted more frequently to forced loans.[10] That states with a better financial bill of health had a competitive advantage was unambiguously expressed in the military balance of power. The small Dutch Republic survived the Eighty Years' War against the Spanish empire, while Britain managed time and again to defeat the three times larger France.[11]

As these long-term loans to the government became more entrenched, they also became more easily transferable. Instead of being drawn up in an individual's name, they specified that they belonged to the "holder" or "bearer."[12] This meant that bonds could be transferred and traded. This transferability expanded the system further: the state retained the money borrowed for the full term specified, while the lenders could recover their investment at any time by simply selling the bond. Thus the primary market for the issue of bonds gave rise to a secondary market in which the bonds issued could change hands. The combination of the two was the core of the emerging stock market. Stocks were, in brief, tradeable entitlements to a regular income over a long period of time.[13] Tradeability, or liquidity, reduces the risk for those purchasing bonds without having any adverse effects for the issuer.[14]

With the advent of tradeable bonds, rulers became less dependent on a handful of international financers, and more so on a larger – chiefly urban – wealthy elite. This shift in relations of dependency generally fostered a process of parliamentarization; it also led to a situation in which the public debt was constantly increasing and repayments were scarcely made, since there were few other modes of investment open to the patriciate.[15]

One alternative to purchasing government bonds for wealthy citizens was to use their capital to purchase shares. Merchants formed corporations in which they each took shares as early as the late Middle Ages.[16] But these corporations remained small, they were generally short-lived, and their shares circulated among a small select group. The transition to large-scale, permanent enterprises with tradeable shares came with the formation of trading companies. In exchange for payments to the state, these companies secured a monopoly on trade with overseas territories. Since long-distance trade required more capital, trading companies started issuing shares. The example was provided by the VOC, established in 1602 at the Dutch government's initiative by a merger of several smaller local companies. More than 1,800 people pledged a specified sum, acquiring the right to a share of the profits. They were effectively indemnified against any financial risk greater than their deposit, but aside from a small group of directors they had no say in the VOC's policy. It was soon determined that the capital accrued could not be claimed back; anyone who wanted to be rid of his share would have to sell it.[17] So just as in the case of government bonds, the launch of the new trading companies called into being both an emissions market and a trading market.

Speculation was built into the stock market from the outset. Unlike the fixed interest on bonds, dividends depend on an unknown quantity: profit. The uncertainty surrounding profits increases the risk and creates scope for speculation, which increases the risks still further. Even in the early years of the Dutch stock market some people were already indulging in what was known graphically as *windhandel* – "trading in wind." A group of speculators led by Isaäc Le Maire sold large numbers of VOC share options in 1609, without actually owning the shares. As the time approached when they would have to deliver the shares, they spread rumors of shipwreck and other misfortunes, which sent the share price plummeting. They enhanced the trend by selling small numbers of shares themselves, continuing until the share price had fallen below the level at which they had sold them. A series of prohibitions designed to root out *windhandel*, defined as the sale of shares that one does not possess, had little effect.[18] *Shorting*, as it is called in English, is still widely practiced today.

Joint-stock corporations set up along the lines of the VOC proliferated in several countries in the course of the seventeenth century. They acquired certain privileges from the government, and some took over a share of the public debt in exchange. Holders of government bonds could exchange their bonds for shares in the new companies. That happened on a large scale in Britain and France, until the first international stock market crisis, in 1720, brought it to an abrupt end. The share prices of the new businesses collapsed as dramatically as they had soared, bankrupting companies and ruining investors. In consequence, the rules for establishing corporate enterprises were tightened up, not to be eased until the nineteenth century.

Institutionalizing exchange

Although initially separate from one another, the trade in bonds and shares eventually became concentrated in commodities exchanges, where merchants traded their merchandise and settled their financial affairs. The stock exchange was a small but steadily expanding section of the commodities exchanges in trading cities such as Amsterdam, Hamburg, London and Paris. As soon as the trade in shares reached a certain level, professional stockbrokers arrived on the scene, who sometimes collaborated and offered services to investors and to each other. In the course of the eighteenth century they formed organizations, which gradually secured a monopoly on the trade in shares. The organizations adopted regulations and rules of commerce, on the basis of which they secured recognition by the government. Stockbrokers breaching these regulations could be excluded from trade.

As a result of this change, the open market that had existed in and around the commodities exchange was transformed into a fairly closed market: trade was concentrated in a separate space or a separate building that was managed by an association of specialized agents: commission merchants, jobbers, and other stockbrokers.[19] The first exchange organized in this way was the one in London, which after the French Revolution became the largest, taking over Amsterdam's international role. The revolutionary and Napoleonic wars had caused traders from many European cities to flee to Britain, where the same wars had boosted trade in government bonds.

Well into the nineteenth century, stock market trading was dominated by long-term loans purchased by local, provincial and central authorities. In 1850, three-quarters of the funds listed on the London stock exchange market were government bonds. The same applied in Paris and Amsterdam.[20] Stock exchanges were as yet of little significance to private companies. Entrepreneurs financed their activities through family networks, borrowing extra money from banks.[21] Only undertakings with a more or less public function had their share prices quoted at the stock exchange: banks entitled to print money, and companies that built bridges, canals and railroad tracks. Of these, railroad companies were the biggest and by far the most numerous.[22]

Railroad companies had high investment costs, which made it necessary to issue stock, but they also received government subsidies. Without government recognition it was scarcely possible for entrepreneurs to gain the confidence of substantial groups of investors. Shares in private companies were seen as very high-risk: the profits to be expected and even the company's survival were uncertain, and the reliability of entrepreneurs too was a matter of doubt. Government support provided a measure of security. Thus, the French government guaranteed a minimum rate of interest on railroad bonds.[23] The shares of the Netherlands Trading Company (est. 1824) could only be placed after the dividends had been guaranteed by King William I.[24] In Britain and the United States, more was left to private initiative, but these countries also had government support for companies with a public or semi-public task.[25]

Besides playing a key role in the market in bonds, governments were also crucial to the formation of markets for shares. State formation and market dynamics were not opposed to each other but intertwined, and the institutional arrangements that arose in this interaction would to a large extent determine the specific structure of national economies.[26]

At the end of the nineteenth century, railroad companies served as a model for the way to organize, manage, and finance large companies.[27] Many of the industrial companies that arose at this time became corporations. In this legal form they no longer needed separate permission from the government or parliament, as legislative restrictions had been eased, and their shareholders profited from the limited liability, which had in the past been the prerogative of the owners of companies enjoying government recognition.

For these new corporations, share issue served a variety of purposes. In line with prevailing views it occasionally served to attract new capital, but that was generally not the main purpose.[28] It was more often a way for the original owner or proprietor to convert his interest in the company into cash. Though this did not provide the company with any financial advantage, it did confer indirect advantages: the sale of shares strengthened the position of the new directors as the shares were disseminated among a larger and more diffuse group of shareholders. This was one of the main reasons for the separation of control from ownership, in other words of managers from shareholders, that was to become characteristic of major companies in the twentieth century.[29]

Issuing shares also made it possible to pay off bank debts. This was particularly common in Germany, where the big universal banks gave companies long-term credit in return for shares. When it suited the banks, the shares were sold, but since they often held on to them for many years, banks had a key position in companies' supervisory boards.[30] In other cases, shares were used to finance takeovers or mergers. Even then the shares did not appear on the market; they were either transferred to other companies or came into the possession of these companies' owners.

Since issuing shares served a variety of functions, there were substantial differences in property relations. In relations between companies, the dominant position was sometimes held by banks and sometimes by other companies or holding companies belonging to wealthy families. In the first case, financial capitalism was commonly the dominant structure of accumulation (Germany), whereas some form of family capitalism tended to be dominant in the second case (Italy, France).

With the increase in the number of corporations at the end of the nineteenth century, the stock markets too underwent a period of rapid growth. Government loans played a smaller role as more shares were traded, which had an impact on the image of trade in stocks and shares: from then on, it was to a large extent the fortunes of industrial and financial enterprises that determined exchange business. In London, government bonds still accounted for three-quarters of the value of the exchange in 1850; by 1913 they accounted for only one-third.[31]

As big companies acquired more interest in the stock market, and national governments played a greater role, stock exchanges became more integrated into national economies. After the First World War, the number of listed foreign companies and investment in foreign shares declined; the stock market became subject to a more austere national regime.[32] Besides the self-regulation that had been customary throughout the nineteenth century, statutory regulations were enacted, and national supervisory bodies called into existence. The new regime became especially marked after the Crash of 1929. Listed companies had to fulfill stricter requirements, and compliance with these and the new, stricter rules of trade was monitored either by the Ministry of Finance, the Central Bank, or by a separate body such as the US Securities and Exchange Commission, set up in 1934.

National states and financial regimes

Viewed as a long-term trend, the development of stock exchanges was linked in the first place to the growth of trade and industry, which created an upper layer of society with surplus financial resources. The institutions that successfully attracted this capital were emerging national states, and the driving force behind the development of stock exchanges was inter-state competition. By issuing tradeable bonds, some states expanded their resources and became less dependent on international bankers from whom rulers had borrowed in the past. Britain had demonstrated the advantages of this mode of government funding over those used by larger states such as France and Spain in the eighteenth century, and its strategy was soon being emulated, first in the United States, and later on in other European countries too.[33]

The rivalry between European states, which was largely responsible for the genesis and spread of markets in government bonds, was also the driving force behind the formation of markets for shares. For after the trading companies, the joint stock company was an organizational form used primarily for other companies with a public or semi-public task. It was not until the last decades of the nineteenth century, when legislation had been liberalized, that private companies too increasingly acquired corporation status. Self-financing and bank loans remained the primary sources of financing firms, but supplemental to these, issuing shares presented certain strategic advantages. To minimize the potential risks of shares, companies generally took protective action such as issuing preferred shares or shares without voting rights.

The stock market, often considered as the market closest to the ideal type of a perfectly competitive market, is thus a political construct. Its development, furthermore, exhibits the same pattern as other successful innovations.[34] The new modes of financing were slow to catch on at first. But once the competitive edge they provided became clear, they spread rapidly and were eventually considered indispensable. Despite enduring national differences, stock exchanges became an integrated part of the financial regime of all advanced market economies.[35]

Collectivization and shareholder power

The last three decades of the twentieth century constituted in many ways a new stage in this long-term process. Innovations in information and communications technology coincided with the deregulation of capital markets, as a result of which the stock exchange underwent enormous growth.[36] In this rapid and at times turbulent development, professional representatives of shareholders played a key role. Both stock exchanges and listed companies found themselves having to deal with far greater shareholder power than ever before. For instance, large shareholders successfully exerted pressure to abolish fixed brokerage fees. In the United States this happened in 1975, in the UK with the so-called Big Bang of 1986, and the rest of Western Europe soon followed suit. The abolition of fixed commission rates greatly boosted competition among stockbrokers and exchanges and slashed transaction costs. The members of the stock exchange, which had for years been an amenable gentlemen's club, suddenly found itself having to ward off rivals, first domestically and soon at international level.[37] Trading houses merged or were taken over, and in order to attract more capital for international competition, a number of exchanges abandoned the partnership structure and became listed companies themselves.

One of the first signs of the shift in the balance of power was a wave of company takeovers in the United States, starting in the 1970s. After a long period of growth and unthreatened international hegemony, American companies faced increasing competition from Japanese and German companies and saw profit margins shrinking.[38] The oil crises of 1973 and 1979 drove prices up still further, against a background of steeper inflation and rising interest rates. The resulting fall in share prices made it profitable to buy up companies to split them up and sell them. These "hostile takeovers" were conceived by small firms of financial specialists and carried out with borrowed money. They were justified by invoking the view that companies were intended in the first place to generate income for those to whom they belonged – that is, the shareholders. The term "shareholder value" was coined in the early 1980s to express this. According to the underlying doctrine, the management must strive to maximize the shareholders' interest; all other objectives must be subordinate to this, and where management fails in this respect, it is up to shareholders and their agents to take action. This view, which is based on ownership, not entrepreneurship, was backed up with financial and economic theories and struck a sympathetic chord with management consultancies that were involved in the restructuring processes of companies.[39] The emphasis on the discipline imposed by the capital market corresponded to the neoliberal orientation that in policy networks came to supersede the Keynesian principles that had prevailed up to then.[40]

Falling profits and a spate of takeovers forced the management of American companies to undertake reorganizations and to reconsider the strategy of their enterprise. In these circumstances, a relatively new group of shareholders moved into the arena: institutional investors. These institutions – pension funds, life insurance companies, and investment funds – had arisen independently of one another, partly as a result of changes in pensions legislation and partly as a result of changes in saving behavior among the population. These collective funds had increasing resources at their disposal and invested a growing proportion in stock. In 1950, private individuals owned 90 percent of shares in the United States; by 1997 this figure had fallen to 40 percent.[41] The difference is explained by the emergence of institutional investors, who now own more than half of all shares issued in the United States.[42]

The gradual shift from private to collectively managed capital was initially interpreted as socialization by stealth in property relations.[43] Peter Drucker, for instance, who was one of the first to comment on this trend, wrote of the advent of pension fund socialism.[44] Paradoxically, however, the collectivization of stock ownership led not so much to improvements in the position of employees or small savers, but rather to greater shareholder power, and ultimately to a kind of investor capitalism, to use Michael Useem's expression.[45]

Their responsibility for large sums of capital and their financial expertise made institutional investors an increasingly important group for business management to take into account. The balance of power between management and shareholders shifted in favor of the latter. The administrators of collective funds, for instance, financed a sizeable proportion of takeovers in the 1980s.[46] Some started pursuing more active policies of their own. Public servants' pension funds took the lead here. Unlike the more cautious company pension funds, they adopted a critical, activist approach to management.[47] It was the Californian teachers' pension fund CalPERS, for instance, that set up the Council of Institutional Investors, which started coordinating the actions of major shareholders in

1984.[48] In publications, at shareholder meetings, and in regular consultations with managers, they advocated a business orientation that would be based consistently on shareholders' interests. That meant higher returns, more transparency about the company's aims, and better and more regular flows of information.[49] Companies that underperformed in these areas saw their share prices fall, increasing their vulnerability to a takeover.

Dependency on the stock market forced the management to adapt to the new balance of power, and many top managers did so by securing better pay and protection. Provisions for golden parachutes in the event of dismissal, together with share and option plans were soon standard elements of managers' contracts. With pay dependent on share prices, the interests of top management and shareholders coincided far more than before, and increasing shareholder value came to prevail over other company objectives. For instance, while the share of company profits paid out to shareholders had been falling for over fifty years, since 1980 companies have been paying higher dividends instead of reserving money for investment.[50] Other measures too that have become widespread, such as buying shares in your own company, reflect the changed relations between shareholders and management. The consequences for top management salaries regularly reach the press. According to a survey conducted by the US magazine *Business Week*, in 1965 an American company chairman earned an average of just over forty times the wages of a factory worker; thirty years later he earned more than four hundred times as much.[51]

The rise of organized institutional investors not only explains the shift in the balance of power in the business sector, it also explains to a large extent the boom in share prices in the 1980s and 1990s. It was institutional investors, and in the United States above all pension funds, that purchased shares on a large scale from 1980 onwards.[52] Once that process was underway, it acquired a self-perpetuating momentum. As long as major investors were convinced that other investors were still buying shares, they too went on buying, even though share prices seemed rather high. For professional investors the important thing is not so much to determine which shares have the highest return, but to find out which shares are likely to be most popular with other investors. Once someone thinks he knows the answer to that, he will behave accordingly. In other words: professional investors tend to do what they expect significant other investors to do.[53]

This *enlightened mimicry*, as it may be called, reinforces the cyclical pattern that characterizes financial markets.[54] Anyone who expects that more people will be buying than selling will also tend to buy. And vice versa. What is a rational decision for each investor individually leads to collective consequences that are no longer rational. The stock market bubble at the end of the twentieth century is a recent illustration. During the Internet rage of the late 1990s, the managing director of a major Dutch investment fund said that he and many of his colleagues were actually "pessimists who had invested to the hilt." That is a comment that can only be understood as an expression of a social mechanism: these investors themselves thought share prices unjustifiably high, but they did not sell them, because they evidently suspected that there were enough others who did believe in them. The mechanism of enlightened mimicry works the same way among analysts and advisors: they advise people to do what they expect most others to be advising.[55]

International comparisons and the explanation of convergence

The United States and to a lesser extent the UK undoubtedly led the way in the stock market boom of the 1980s and 1990s, but similar trends were soon making themselves felt in continental Europe and Japan. This prompted surprise and resistance, and requires further explanation, since there are structural differences between Anglo-Saxon and the so-called "Rhineland" economies.[56] These differences relate not just to labor relations and industrial organization,[57] but affect property relations too.

In continental Europe and in Japan, shares are concentrated more heavily in the hands of banks and companies that belong to networks of relatively stable and reciprocal relations. In consequence, "hostile" takeovers are uncommon there, bank loans are a more important source of financing than issuing shares, and the stock market in these countries is smaller and less dynamic. These differences are still considerable. While American companies own virtually no shares in other companies, in Japan, for instance, about half the shares are owned by other firms; in Germany the proportion is 40 percent, and in France 35 percent.[58] The value of bank loans to companies in Europe, when compared to GNP, is about three times as large as in the United States. And the total value of the stock market, or market capitalization, in Europe and

Japan – again in comparison to GNP – is about half that of American stock exchanges.[59]

The financial regimes of industrialized countries display significant variations that are related to differences in economic development and to the process of state formation in the countries concerned.[60] Even so, shareholder value and the trade in shares have also moved to the fore in continental Europe and Japan.[61] The social mechanism at work here is at least partly the same as that in Anglo-Saxon countries: in the Rhineland economies too, major institutional investors have come into existence, particularly investment funds, which have taken to promoting their interests more actively than in the past. Thus, German, French, and Japanese institutional investors currently own 15 to 25 percent of the shares issued in their countries.[62] Moreover, another 15 to 30 percent of the shares in these countries are in the hands of foreign institutional investors. This means that significant groups of major shareholders have come into existence, which are not part of the traditional network structures around banks and companies and have weaker ties with the companies of which they own shares.

Not only has the composition of the group of major shareholders changed, companies now find themselves in a different position than before. They are more dependent on international connections for purchasing components and materials, for the marketing of their products, and for financing their activities. International competition means, for instance, that it is becoming more and more common for European and Japanese companies to be listed on the stock markets of London or New York. This has an impact, for instance, on the applicable norms for shareholder value there. Transnational dependencies of this kind also weaken the national networks in which these enterprises were incorporated and make companies gear their actions to the demands of global markets, including capital markets.

These two developments, the rise of institutional investors with weaker ties to the firms they partially own and the growing global interdependencies, explain why, in spite of enduring differences, trends have arisen in Europe and Japan similar to those in Anglo-Saxon countries. The changes in France provide a good example. According to a recent study, 45 percent of the shares of the largest French companies are owned by foreign funds.[63] The increased interest of above all foreign institutional investors has led to an unprecedented level of shareholder activism, and a radical change in attitudes to shareholder value among the senior management of French companies.[64]

This explanation for the increased power of shareholders is in need of further elaboration and scrutiny, but it illustrates the approach to which I briefly referred at the beginning of this paper. The dynamics of the stock market at the end of the twentieth century was primarily linked – this is the proposition – to the formation of a relatively new group of powerful shareholders. The collectivization of stock ownership triggered an unplanned, self-reinforcing dynamics, that was not controlled by any of the participating parties and that led in turn to unforeseen shifts in the balance of power between all those who were in any way dependent on the stock market. The executive management of major companies has been able to compensate for their greater dependency on capital providers by introducing a new and highly profitable system of payment. For many employees, the greater dependency on the stock market has reinforced the trend towards flexibilization of labor relations and growing insecurity, often combined with a relative drop in income.[65]

This development has not taken place in the same way and to the same degree everywhere. More or less enduring differences in financial regimes continue to exist across nations and regions, but because of the emergence of powerful global investors and of increasing transnational interdependencies a trend has arisen that is also making itself felt in countries where the stock market is traditionally of less significance, and where shares are still to a large extent in the hands of banks and other companies.

The historical sociology of financial regimes

The development of the stock market and the trade in stocks and shares can hence be seen as a long-term social process. The buyers and sellers of stock, together with groups of intermediaries (brokers, commission merchants and analysts) make up a financial regime, which can be conceptualized as a relatively autonomous field of power and dependency relations. The specifically economic aspects of this regime too, such as price formation and developments in share prices, can be construed as a function of the social dynamics of this constellation. Taking this general sociological principle as the point of departure, I have briefly outlined the development of the stock market and presented an interpretation of the changes it went through especially at the end of the twentieth century. While the sociology of finance has made significant contributions both in the more distant past and in more recent years,[66] one of the challenges facing the new economic sociology will be to develop research into the social structure of the financial world from a more explicitly historical and comparative perspective. For such a historical sociology of financial regimes, it will be essential to include a long-term view.

Endnotes

* Slightly revised version of an inaugural address for the chair in the social sciences, in particular in the sociology of long-term processes (Norbert Elias chair), given at Utrecht University. I should like to thank Johan Goudsblom, Tom Schram, Geert de Vries and Nico Wilterdink for their comments. Translated from the Dutch by Beverley Jackson.

1 Chesnais (1996) provides a general overview. For stock market oriented overviews see Binswanger (1999), Kaufman (2000) and Shiller (2000), for monetary trends see Helleiner (1994) .

2 Mackenzie & Millo (2003).

3 The reference is to annual turnover on the "official" market (calculated on the basis of data supplied by Euronext market).

4 On the basis of a comparison of different studies (NIPO, Center for Marketing Analyses, *Totaalonderzoek Financiële Diensten*, CBS (Statistics Netherlands) for the years 1996–1998, the Central Bureau of Statistics (CBS) concluded that in 1998 about 1.7 million households in the Netherlands invested directly in the stock market (whether in shares, bonds, options or investment funds).

5 Financial thrillers were initially written by people working in the financial world in the 1980s, authors such as Po Bronson and Stephen Frey in the United States, and Linda Davies and Michael Ridpath in the United Kingdom. The genre was inspired by best-sellers like Tom Wolfe's *Bonfire of the Vanities* (1987) and Michael Lewis's autobiographical account *Liar's Poker* (1989).

6 Since the social sciences became increasingly divided into different disciplines in the twentieth century, economic issues were increasingly left to economists and became marginal in other disciplines. Thus, sociologists came to ignore the specifically economic questions (price formation, money, market theory) and business firms were primarily studied as labor organizations: economic sociology gave way to the sociology of work, professions and organizations. In comparison to the academic founders of the discipline (Weber, Simmel, Sombart, Durkheim, Simiand, Pareto) this was a narrower, impoverished approach (cf. Blomert 2001, Gislain and Steiner 1995, Heilbron 2001, Swedberg 1987). The recent interest in financial markets and institutions clearly reflects this division of labor by discipline. Economists focus on price formation and capital flows, political scientists are mainly interested in questions of regulation and governance, anthropologists focus on the culture and the interaction rituals of brokers, while sociologists have largely concentrated on social networks and institutions. For overviews of the main approaches, see Smelser and Swedberg (ed. 2005), Underhill (2000), Lindh de Montoya (2000). Among the most remarkable recent contributions are a small group of detailed, largely anthropological studies (see Abolafia 1996, Cardon et al. 2000, Godechot 2001, Kalthoff et al. 2000, Knorr-Cetina & Preda 2004, De Goede 2005). These are linked to studies such as De Regt (1993) and Zelizer (1994). From a comprehensive historical-sociological perspective, a highly relevant study is that of Arrighi (1994), which is based on an analysis of long-term cycles.

7 See Goldsmith (1987). The Hamilton quotation is cited in Andreau (1999: 122).

8 On state formation see esp. Elias (1939) and Tilly (1990); the development of government revenue and expenditure in Europe has been documented in Bonney (1995, 1999). On economic growth, see Goudsblom (2001: 76–93).

9 In Holland, interest rates fell from over eight percent in 1580 to four percent in the mid-seventeenth century (see Hart, Jonker and Van Zanden 1997); French, Spanish and English rulers had to pay considerably more (see Parker 1974). Historians refer to the Dutch and British innovations as a "financial revolution" (Dickson 1967, Tracy 1985). On relations between the Dutch and English exchanges see Neal (1990).

10 The divergence in the creditworthiness of states is related to the distinction that Charles Tilly has drawn between a capital intensive and "coercion intensive" trajectory of state formation (Tilly 1990).

11 On the contrast between France and the UK, see Carruthers (1996), Kennedy (1988: 76–86), Root (1994), and especially Hoffman, Postel-Vinay & Rosenthal (2000). In spite of the attempts of Law, Turgot, Necker and others, the structural reform of France's public finances proved impossible and the French state ultimately collapsed under its burden of debt: the sociological theory of the state here becomes a theory of revolution. Revolutions arise not so much from conflict between classes and economic exploitation as from the struggle that is generated by state and taxation crises (Collins 1993).

12 This was originally a system developed by merchants for use with debentures and bills of exchange (Van der Wee 1991: 183).

13 Over the years, the variety of available stocks and shares has increased enormously, and numerous financial products have become tradeable – a process of securitization.

14 One of the main conditions for liquidity is the standardization of the securities to be marketed. For a sociological analysis, see Carruthers and Stinchcombe (1999).

15 On parliamentarization, see Elias and Dunning (1986); on the non-repayment of the public debt, see Van Zanden and Van Riel (2000: 34–35).

16 Braudel (1989, vol. 2: 414).

17 De Vries and Van de Woude (1995: 450–462).

18 Van Dillen (1970: 453); Smith (1939).

19 In his institutional history, Michie places great emphasis on this point. Before the founding of the London stock exchange there was a "market" for stock, but not an "exchange". But the institutionalization was a capricious process riddled with conflict; trade was constantly being conducted outside official channels. In Paris and elsewhere "trading behind the scenes" was an ineradicable presence, and the official market and its unofficial counterpart were locked into permanent rivalry (Lehmann 1997). For many years, the Netherlands had two rival associations, "Het Collegie tot Nut des Obligatiehandels" (1780–1857) and the "Nieuwe Handel-Sociëteit" (1833–1857) (De Vries 1976).

20 See Michie (1999: 89), Lehmann (1997: 16), De Vries (1976: 33).

21 Cameron et al. (1967), Pollard and Ziegler (1992), Sylla (1998).

22 In the mid-nineteenth century, railroad companies accounted for almost 20 percent of the value of the London stock exchange. By 1900, they accounted for half of this value (Michie 1999: 89). Much the same trends were seen in France: 12 percent in 1851 and 40 percent in 1900 (Lehmann 1997: 21). The expansion of the railroad network generated a boom in this stock in many countries. Much of this trade took place at provincial markets, where local railroad companies were listed, and was accompanied by a flood of informative material and plain advertising. Guides, pamphlets, manuals and almanacs started appearing for the first time on a large scale with details of how citizens could best invest their savings (Preda 2001).

23 Preda (2001).

24 De Vries (1976: 35).

25 Baskin and Miranti (1997: 132–133), Sylla (1999).

26 The interrelatedness of state formation and market dynamics is a key theme in economic sociology, cf. Polanyi (1944); for present-day examples of this approach, see esp. Bourdieu (2000) and Fligstein (1990, 2001). For economic-historical studies based on a comparable approach, see Van Zanden and Van Riel (2000) and Sylla, Tilly and Tortella (1999).

27 On the development of big enterprise viewed from a sociological perspective, see Fligstein (1990), Roy (1997), Stokvis (1999).

28 According to Mary O'Sullivan, the issue of shares was not an important source of financing for the rise of industrial companies. In the United States, for instance, only six percent of shares were truly tradeable around 1900 (O'Sullivan 2000: 49, 75).

29 See Stokvis (1997) and Van Zanden (1997).

30 Cf. Lazonick and O'Sullivan (1997a, b).

31 Michie (1999: 89).

32 Michie (1999), Wilterdink (1993).

33 On the United States see Sylla (1999), on France see Kindleberger (1984: 114–115), on Germany see Tilly (1999), on the Netherlands see Hart, Jonker, and Van Zanden (1997).

34 For a general analysis, see Goudsblom (2001: 45–59).

35 There is neither theoretical nor empirical agreement among economists concerning the question of which financial systems are most efficient in the broad sense of the term, bank-based or market-based systems, cf. Allan and Gane (2000). But the issue of the relative efficiency of financial systems is a paradoxical one. It cannot really be answered without taking the wider social context into consideration (legislation, modes of regulation, cultural traditions), but once such factors enter the picture, the scope for formal models diminishes, and economists tend to lose interest.

36 Cf. Chesnais (ed.) (1996), Kaufman (2000), Guilhot (2004).

37 Cf. Augur (2000) for an inside view on the changes in the London financial world.

38 For an analysis of these changes, see Brenner (1998).

39 The changes in this period were accompanied by the rise of the new academic discipline of *finance* or financial economics. What had been a largely applied and practical field became a full-fledged academic sub-discipline (see Whitley 1986). Among the leading specialists in this new financial economics were the exponents of "agency" theory (Jensen, Meckling). They regarded a private enterprise as a contract between a principal (the shareholders) and an agent (management), whereby the agent should promote the principal's interests. This view reduces the whole question of entrepreneurship to a problem of shareholder power.

40 On the dissemination of anti-Keynesian market fundamentalism, see Dezalay and Garth (2000) and Dixon (1998).

41 O'Sullivan (2000:156).

42 In the United Kingdom this percentage is higher still: over two-thirds of stock is owned by institutional investors; see Davis and Steil (2001: 297). For a description of institutional investors in the UK, see Golding (2001).

43 On this shift and the trend toward "collectivization," see Wilterdink (1984) and De Swaan (1987).

44 Drucker (1976).

45 Useem (1993, 1996), see also OECD (1997, 2000) and Fligstein (2001: 147–169).

46 Cf. Baker and Smith (1998: 224).

47 Useem discusses the activism of public servants' pension funds in terms of "pounding on the private sector for public gain" (Useem 1996: 56).

48 On shareholder activism see Davis & Thompson (1994), Useem (1996), Smith (1996).

49 These issues were at the heart of the debate on corporate governance, on which subject numerous influential reports were published throughout Europe in the 1990s. The increased influence of shareholders is the central topic of this ongoing debate; see OECD (1998).

50 For the development of the 'pay-out ratio,' see Van Zanden (1997: 68) and O'Sullivan (2000: 192).

51 Quoted in O'Sullivan (2000: 200); see also <http://www.payatch.org>.

52 In the United States a new pensions act, the Employment Retirement Income Security Act (ERISA, 1974), was the main factor that induced pension funds to spread their investments more widely and to invest more in shares. In 1980, Dutch pension funds had invested only four percent of their portfolio in shares; by 1998 this figure had risen to 40 percent (CBS 2000: 24, 53).

53 Since share prices depend on the valuation of a large group of investors, expected shifts in this valuation are of strategic importance. Some investors focus largely on the early detection of such trends. Keynes therefore compared speculation to a beauty contest, in which the aim is not to determine which is the most beautiful girl, but to predict which girl the jury will like most (Keynes 1936: 156). One of the most popular ways of predicting market trends is the now universally accepted "technical analysis." This method consists of analyzing price graphs in combination with data on the volume of trade. "Bottom" and "resistance" lines are drawn, based on previous price graphs; is a "resistance" line is crossed in an upward direction while the volume of trade is sufficient, it is a signal to buy; if the share price falls below a "bottom" line it is time to sell. Economic arguments play no role whatsoever here; the analysis rests solely on the hypothesis that past investor behavior will be repeated in the future: if investors tended to buy at a certain share price level in the past, they will do so in the future. If enough investors believe in this approach, the mechanism of the self-fulfilling prophecy comes into play.

54 On the recurrence of bull and bear markets see Chancellor (1999) and Kindleberger (1978); on the stock market rage at the end of the twentieth century, see Shiller (2000).

55 To go against the trend is dig your own grave, or as investors like to say, "the trend is your friend." One market analyst commented in an interview that if the new CEO of a company makes a good impression, he is obliged to issue a positive advice: "Because I know that other analysts and investors will be favorably impressed and that prices will rise." (Interview with Robin Fransman of Van Lanschot Bankers in the daily newspaper *NRC Handelsblad*, August 9, 2001).

56 See Albert (1992). Albert's essay is an example of the trend of using a comparative perspective primarily to emphasize differences and to shield them from the threat of global standardization. Such an approach makes it difficult, however, to understand and interpret similar trends.

57 Cf. Crouch and Streeck (ed.) (1997), Whitley (1999), Windolf (1999).

58 The figures relate to 1998, see Davis and Steil (2001: 297).

59 In 1999 the value of bank loans to companies was 12 percent of GNP in the United States, as against 45 percent in Europe. Market capitalization was about 180 percent of GNP in the United States, as compared to 90 percent in Europe and just over 100 percent in Japan; see European Union, *Initial Report* (2000).

60 According to Gerschenkron's classical explanation, national features of this kind are largely explicable by differences in the phase of industrialization. In Britain sufficient capital was available to finance industrialization. In countries that underwent industrialization at a later stage and had to compete with Britain, banks were necessary, while in countries in which industrialization took place even later (e.g. Russia) the state naturally took a leading role in financing it (Gerschenkron 1962). Gerschenkron however pays too little attention to the interrelatedness of state formation and market formation to be truly convincing; some of the national differences he discussed are older than he suggests (cf. Sylla, Tilly and Tortella 1999). For a thorough analysis of Gerschenkron's thesis see Forsyth and Verdier (eds.) (2003).

61 Michel Albert identified this trend (with regret) in 1991; Ronald Dore presents a similar analysis and conclusion, but his focus is on Japan (Dore 2000).

62 Davis and Steil (2001: 297). The divergence in the role of institutional investors is to a large extent attributable to differences in pension systems. In countries that use an unfunded system, pensions are paid directly from pension contributions, and there are no pension funds. Only in countries with a funded system are pensions paid from accumulated financial reserves that have to be administered and invested.

63 *Le Monde*, June 15, 2001.

64 Cf. Morin (1998).

65 See Wilterdink (1993, 1998, 1999). On the dissatisfaction with the new labor relations, see Sennett (2001), on the new social anti-globalization movements, see Starr (2000).

66 For overviews see especially Blomert (2001), Keister (2002), and the chapters by Linda Brewster Stearns and Mark Mizruchi (Banking and Financial Markets) and Bruce Carruthers (The Sociology of Money and Credit) in Smelser and Swedberg (eds.) (2005).

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Overcoming space and social distance: institutionalization of the mass travel market in Japan

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Introduction

The study of the historical development of economic markets is of crucial importance for economic sociology. Only through analyzing long-term developments we are able to gain insights into the functioning and the dynamics of economic institutions that are not only socially embedded, but also have historical depth. Analyzing economic history with the theoretical tools of economic sociology will not only lead to a better understanding of historical processes, but will also result in a sharpening of the theoretical understanding of economic sociology. Furthermore, a fruitful cooperation and dialogue between specialists in economic history and historically oriented sociologists will hopefully develop.

The institutionalization of the mass travel market in Japan is in this context for several reasons a very interesting case study. First, due to its special characteristic and inner structure, early modern mass tourism is in general an especially worthwhile object to study. In comparison to the ideal types of historical markets constructed by Swedberg (1994: 273), a mass travel market is a mixture between the ideal type "local city market" and the ideal type "long distance trade market". On the one hand, a mass travel market is a mass consumer market and consists like the "local city market" of a large number of buyers and a smaller number of sellers. On the other hand, a mass travel market is like the "long distance trade market" also characterized by geographical and social distance between sellers and buyers. Furthermore, the main products in the travel market are not tangible goods, but services. These characteristics of the mass travel market result in number of barriers to their institutionalization. The geographical and social distance between customer and seller has to be overcome and trust relationships as a basis for economic exchange have to be established. In other words, the market as a network of stable trust relations between sellers and buyers has to be socially constructed (Berger and Luckmann 1966; Granovetter 1992).

Second, the mass travel market in Japan is of special interest because of its very early institutionalization during the 17th century. Although the exact number of travelers in Early Modern Japan is unknown, it is possible to estimate the volume of travel activity on available records. Based on the number of ferryboats that crossed lake Hamana in 1702, it can be assumed that at least one million people or about one-thirtieth of the total population traveled that year alone on the Tôkaidô, the main highway of Early Modern Japan (Ishimori 1989: 179–180). Compared to other countries, Japan had in a very early stage of its history a full-developed travel market and a form of mass tourism.[1] This raises the question which factors and mechanisms contributed to this very early institutionalization besides some obvious factors like a relative high degree of social stability and of general economic prosperity as well as a good travel infrastructure?

Third, detailed historical studies of tourism and traveling in Japan are available (e.g. Kanzaki 2004; Shinjô 1982; Vaporis 1994). These extensive studies cover the whole development of the mass travel market in Japan over a period of over 250 years, respectively 500 years if its precursor is also counted. Therefore, an analysis of the institutionalization of mass tourism in Japan can be based on a strong empirical base and the full institutionalization process from its precursor to its fully developed, mature form can be studied.

The following analysis of the institutionalization of mass tourism in Japan will concentrate on the relation between suppliers and consumers as a core element of the travel market. Due to space limitations, the political regulation of the mass travel market has to be left aside. Also the historical context of the institutionalization process and the infrastructural changes will only be discussed briefly.

The analysis follows the historical development of the mass travel market in Japan that can be divided into three periods:

1 prototype and precursor of the mass travel market (mid 14th century to late 16th century);

2 social construction of the mass travel market (late 16th century to mid 18th century);

3 fully institutionalized mass travel market (mid 18th century to mid 19th century).

Prototype and precursor of the mass travel market: (Kumano) pilgrimages

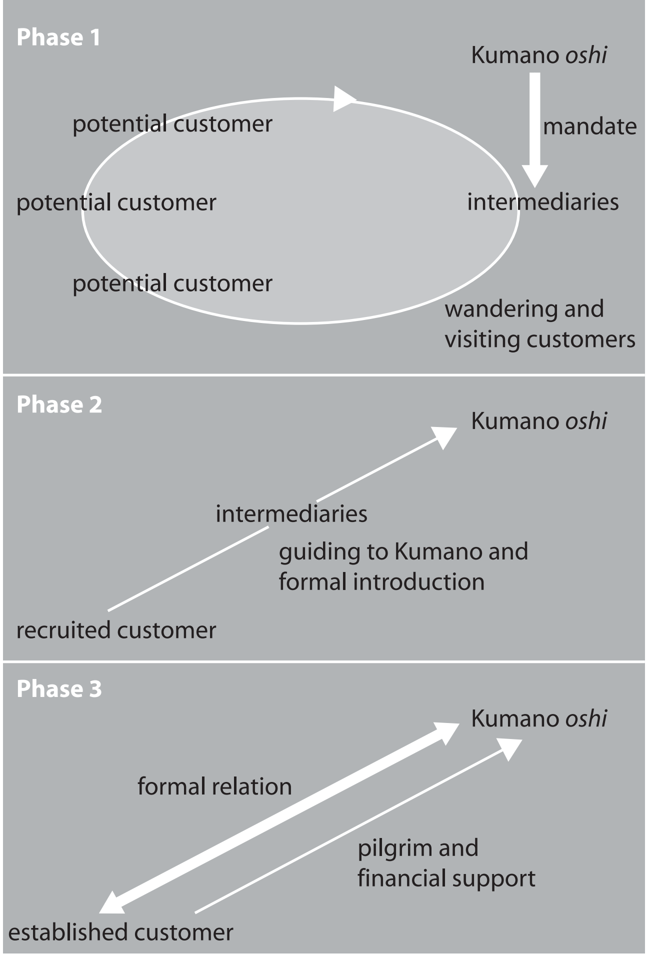
The historical forerunners of the mass travel market in Japan were pilgrimages to religious centers. In the early Muromachi period (1333–1573), the imperial court lost its hegemonic position and competing warrior clans started to gain more and more power. One outcome of this disintegration of political order and the resulting power struggle was that religious institutions lost control over their manors and were forced to look for new sources of income for economical survival.

Priests of lower rank, called *oshi*, started to establish networks with new patrons, which conducted pilgrimages to the shrine or temple and supported the religious institution financially. A large number of religious centers like Ôyama, Koya or Ise started to look for new patrons and to attract pilgrims. However, by far the most important pilgrimage center of this period was Kumano (Miyake 1996: 128–132).

Religious specialists like mountain ascetics that were wandering through the country played a crucial role as intermediaries in the acquirement of new patrons for Kumano. During their journeys these intermediaries recruited new potential customers as agents of Kumano *oshi*, which were stationary waiting in Kumano for new customers that were guided to them (Shinjô 1966: 68–70). Once a new potential customer would have traveled to Kumano and met personally with an *oshi*, both parties would sign a document and establish a formal relation.

The pre-modern travel market in Japan was dominated by what might be called the Kumano business model (see figure 1). Intermediaries recruiting new costumers on the mandate of Kumano *oshi* were the core element in this business model. Through the activities and the introduction of these religious vagrants the geographical distance between potential customer and Kumano could be overcome. The Kumano business model relying on intermediaries functioned very well because Kumano had only a small number of wealthy costumers. At this time traveling and pilgrimage were confined to the members of the very small and powerful upper class. The common people could at most travel to a pilgrimage center far away as servants of their masters. Therefore, it would be inappropriate to speak of a mass travel market during this period.

Figure 1 **Kumano business model**



Social construction of the mass travel market: religious tourism (to Ise)

In the second half of the Muromachi period, the popularization of traveling began in Japan. Customers in Kumano and other religious centers started to include wealthy farmers from the Kinki region, the agro-economically most advanced region. However, the real popularization of long distance traveling as a normal leisure activity of the common people developed during the late 16th and 17th century in Japan. A veritable travel boom took place during this era while the mass travel market was institutionalized. During the 17th century the shift from the upper class to the common people was completed; the overwhelming majority of the travelers were from the common people.

This change was possible thanks to a new political order and significant improvements in the travel infrastructure. During the second half of the 16th century, after 400 years of power struggle, powerful warlords started to rebuild a national political order. The conclusion of this process was the establishment of the Tokugawa shogunate in 1603 that lasted for over 260 years until 1868. This period was marked by a new political and social stability, economic growth, and a reinforcement of public security through the containment of bandits and pirates. These developments were crucial pre-conditions for the increasing travel activities of the common people. The political unification went also hand in hand with an upgrading of the existing road infrastructure, the construction of new roads, and a simplification and harmonization of the road control system.[2]

A replacement of Kumano by Ise as the most important traveling destination accompanied the popularization of traveling. While Kumano stagnated in its importance, Ise became *the* travel destination in Japan during the 17th century. This switch from Kumano to Ise was on the one hand due to an alteration in the character of traveling, and on the other hand to differences in the organizational pattern of the networks between vendors and customers (Shinjô 1966: 68–72).

Hand in hand with its popularization, traveling in Early Modern Japan changed from pilgrimage to a form of religious tourism. Although the travel activities of the population were not totally detached from religious motives, traveling was more and more characterized by sightseeing and other leisure activities. Often travelers conducted long side-trips to famous places, hot springs and cities during their journeys to religious institutions (Hashimoto 1995). Traveling was a possibility for the people to escape from the hardship of everyday life; the term *yusan tabi* (pleasure travel) became a word of everyday language in Early Modern Japan (Shinjô 1982: 724).

In the view of the common people of Early Modern Japan, the combination of tourism and pilgrimage was not a contradiction.[3] Amusements as well as religious practices were part of the relaxed part of life (*hare*), in which body and soul were regenerated. They were in contrast to the seriousness of everyday life (*ke*) with its hard physical work (Varner 1977: 473). Furthermore, religious practices in Japan, especially in the little tradition of the population, are not characterized by an ascetic avoidance of the material world, but is oriented to concrete success and profit in this world (*genze riyaku*) (Reader and Tanabe 1998).

The switch from Kumano to Ise as the most important travel goal reflects these changes in travel activities. Ise, apart from its religious significance, had several tourist highlights with a number of theatres, its famous Kasuga dances, and not to forget one of the largest pleasure districts of the country with over 70 brothels (Nishigaki 1983: 178–179). Its seafood that was known and praised in all Japan made Ise a complete tourist attraction. Kumano had no such tourist highlights and was simply not a very attractive travel destination for the pleasure-seeking crowd traveling in Early Modern Japan.

However, even more important for the rise of Ise and the decline of Kumano were the differences in the business model of the two travel destinations. From the later Muromachi period onwards mountain ascetics and other religious travelers stopped their vagrant life. They settled down in villages and towns and started to act as religious specialist for local communities. Without their crucial agents the Kumano *oshi* were no longer able to attract a large number of new customers. Their business model was not suited for the new era of mass traveling of the early modern period, which was characterized by a larger number of customers and a much harder competition.

In contrast to Kumano, the *oshi* of the Ise shrine had a stronger and direct relationship with their customers. They traveled by themselves through the country, looking for new customers. During their travels they visited also their established clients in order to strengthen their relationship with them and to gain supplementary income. Ise *oshi* distributed calendars, tea and other items to their clients and received a "contribution" in return (Nishigaki 1983: 109–110). These yearly customer visits were of crucial importance as lucrative side business. The common people could not be expected to make large donations like the patrons in the early Muromachi period that had been part of the small, but wealthy upper class. But through their trade with their clients, Ise *oshi* could gain a reasonable profit from their regular customers. Agents of the *oshi* played only a secondary role in the Ise business model. They acted as guide for the customers on their travel to Ise and as local representatives of an *oshi*. These functions could also or even better be fulfilled by religious specialists after they had quitted their vagrant life and settled down in local communities.

Economic growth and increasing wealth of the common people was a crucial pre-condition for the development of a mass travel market in Early Modern Japan. Especially in the first half of the Edo period, the economy flourished while the living standard of the population increased significantly (Totman 1993). Still, despite the economic growth and increasing living standard a farmer or craftsman could not have financed a long distance trip individually. The organization of local communities into groups or fraternities of mutual assistance for long distance trips to Ise allowed the cooperative financing of these trips and was of crucial importance for the travel boom in Early Modern Japan. These corporate bodies on the local level might be called people travel clubs. Every member of such a body paid an annually amount to its fund. In some villages the crop of certain fields or areas of forest was also added to the fund (Ono 1976: 172). Financed by this fund a number of members per year could travel as representatives to Ise. Often representatives were chosen among the members by drawing lots (Sakurai 1988: 248).

Organizing themselves into fraternities allowed their members to pay for their own travel costs in small installments over several years. In comparison to current consumer credits this system had the advantage that no interests had to be paid. As these travel groups were organized on the level of a village or town neighborhood, social control mechanisms could ensure that nobody would maximize his own profit at the expense of the group. Social pressure inside the community detained members from leaving a fraternity soon after their travel had been financed by the fund of the corporate body. The magnitude of the social pressure manifests itself in the fact that often all families of a community became member in the local Ise group, although membership was voluntary (Sakurai 1988: 257; Shinjô 1982: 781–782).

Through these corporate bodies customers also gained more weight in their business relationship with an Ise *oshi*. In the terminology of James Coleman (1988: 105–108), the social networks were closed on the side of the customers. Therefore, they were not single, relatively unimportant customers, but acted always as representatives for a group of customers. A supplier had to be careful to satisfy every customer with his services. Otherwise he risked losing the entire group. Every Ise group was a kind of small consumer organization of travelers that gave them more weight in the eyes of the sellers.

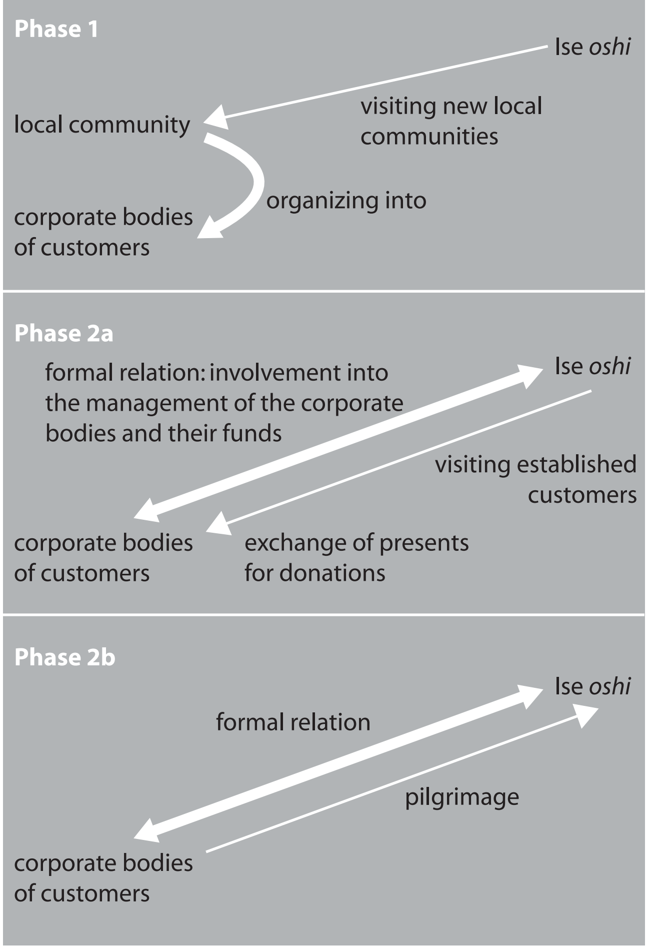
The activities of the Ise *oshi* as entrepreneur encompassed more than simply recruiting new customers during their travel through the country. They were the driving forces behind the establishment and incorporation of local Ise fraternities (Sakurai 1988: 249). The continued existence of travel groups was also of crucial importance for them, because without Ise fraternities most customers of the population would not have been able to travel to Ise. In order not to loose their customers, Ise *oshi* were not only the initiators of Ise fraternities, but often fulfilled a leading role in their management and in the administration of their funds as well (Kanzaki 1995: 48). Again, through his central role in the travel groups, the Ise *oshi* could also strengthen its relationship with his customers.

Still, in the center of Ise *oshi*'s business activities stood organizing the trips of their customers and taking care of them during their stay in Ise. They organized travel guides for their customers that accompanied them to Ise. And they would accommodate their customers in their house during the stay in Ise. During these sojourns, which lasted several days in Ise, they would organize a whole program of activities for their customer. A part of these activities clearly had a religious character like prayers, rituals and, of course, a visit at the Ise Shrine. Other activities organized by the Ise *oshi* could hardly be described as religious. Amusement and pleasure were the central element in these activities in Ise. The Ise *oshi* gave extravagant banquettes, organized Kasuga dance performances for their guests or recommended appropriate souvenirs to them. Even a personnel introduction into the local nightlife and the famous red-light district in Ise was often part of the services (Kanzaki 1995: 48).

These activities in Ise and the luxurious hospitality in the house of the Ise *oshi* stood in diametrical contrast to the simple everyday life of most travelers. It was also a form of marketing for Ise, as the visitors would go into ruptures about their travel to Ise and especially about their stay in Ise after their return to their villages and communities. How deeply travelers were especially impressed by the luxurious food that was served to them in the Ise *oshi*'s houses is visible in their travel diaries. The sober and very short listing of the places passed on the way would be suddenly interrupted by an euphoric and detailed description of the menus of several courses that were served (Fukai 2000: 136–138).

In comparison to contemporary travel agents, the business activity of the providers in the Ise business model was much broader. The Ise *oshi* were traders as well as initiators and managers of travel groups during their business trips; at the same time, they were travel agents, tour guides and innkeepers for their customers in Ise. Also, they build and maintained the social networks through which their services could be delivered (see figure 2).

Figure 2 **Ise Business Model**



The stable networks between travelers respectively travel groups on the one side and Ise *oshi* on the other side was the basis for a mutual trust relationship between sellers and customers in the mass travel market in Early Modern Japan. These social structures of the mass travel market also resulted in incentives for both sides not to deceive the business partner despite geographical and social distance. However, one question has still to be answered (in detail): How was it possible in the beginning to establish trust relations between an Ise *oshi* and a local community? After all, in the beginning an Ise *oshi* would be a complete stranger. How could he gain the appreciation and trust of the local community that he visited for the first time?

The main factor allowing Ise *oshi* to gain the trust of a local community and to establish travel groups was their religious status. They could follow up in and rely on the long tradition of religious specialists wandering through the country and fulfilling services to local communities as healers and priests. Because of the established pattern of wandering religious specialists, it was easier for an Ise *oshi* to win the trust of their potential customers and whole communities. The high esteem that they had in the population is visible in the large number of stories that circulated about them, in which their good acts and help for people in need are described (Fujitani and Naoki 1991: 101). With the increasing prestige of the Ise Shrine as the most important religious center and pilgrimage destination among the common people in Early Modern Japan, the social status of the Ise *oshi* increased even further among the population. Although only a small minority of Ise *oshi* was still directly affiliated as priests with the Ise Shrine (Fujitani and Naoki 1991: 132–133), they deliberately did not point out this fact to their customers:

An *oshi* was called "Mr. Ise", but their activity no longer had anything to do with Ise Shrine itself. In their cleverly delivered oral messages, they might have said, "I came from Ise," or "I am tayô from Ise," but they would have never say "I came from Ise Shrine." Nevertheless, in communities in the countryside, people doubtless believed that they could obtain the deity's grace from the *oshi* (Kanzaki 1995: 46).

From the 18th century onwards, the Ise *oshi* lost their religious status, especially among the urban population. A large part of travelers regarded their relation to an *oshi* strictly as business (Shinjô 1982: 769–770). However, how high and even magical the status of *oshi* must have been – especially among the rural population – is visible in remote and isolated farming villages. In these villages even in the early 20th century, the water in which *oshi* or their agents had bathed or washed their feet, would be kept and drunk as medicine in the case of sickness (Sakurai 1988: 259).

Fully institutionalized mass travel market: diversification and individualization

From the second half of the 18th century onwards, a maturation of the travel market in Japan can be noted that resulted in a further commercialization and a diversification of the market. The institutionalization of the mass travel market resulted over the years in an enlargement and expansion of the services and goods available. A large number of shops, where one could pay everything utile and necessary while traveling, had been established along the important routes. And a large quantity of publications for traveling and guidebooks were available. Private lodging had developed along the roads, taking over the business from the old temples that had given shelter to the travelers in earlier periods. The competition among these hostels and hotels increased. Some inns offered new services like portable meals for on the way (*bentô*) or organized guided sightseeing tours in order to distinguish themselves from the mass of lodgings (Fukai 2000: 193–194). Other private lodgings organized themselves into lodging groups guaranteeing the same services, like for example the Azumakô, which was established in 1804 (Toyoda and Kodama 1970: 177).

This expansion of the infrastructure and further commercialization of traveling was accompanied by a diversification of the travel destinations. New forms of traveling developed like e.g. the day trips from Edo or Kyoto that came en vogue in the late 18th century (Fukai 2000: 141). Ise's importance as travel destination decreased. Already in the 1730s Ise had reached its zenith. Although Ise was still the most important travel destination during the 19th century, the number of visitors declined (Shinjô 1982: 1156–1157).

An example for this tendency is the city of Ueda in Nagano, for which data are available. The average number of travelers to Ise per year declined from averagely 13.1 travelers per year from 1707 to 1803 to only 3.6 travelers for the period from 1804 to 1867 (Fukai 1977: 141). Another indicator for the decreasing importance of Ise as travel destination is the falling number of *oshi* houses (or companies) in Ise. In the case of the Outer Shrine in Ise, their number had strongly increased from 391 houses in 1671 to 615 houses in 1724. However, it decreased again until 1792 to 357 houses and stood below 400 houses until the end of the early modern period in Japan (Shinjô 1982: 758–759).

The successful business model of the Ise *oshi* had been copied by *oshi* from other shrines and temples, which had established customer networks themselves. All over the country pleasure quarters developed in front of the entrances of temples and shrines and new places actively started to attract tourists and travelers (Ishimori 1989: 185; Nenzi 2004). The Ise *oshi* were confronted with a large number of new travel destinations that had effectively copied their business model (Sawaki 1999: 14).

Another tendency was the individualization of traveling. If people had the money they could travel on their own (Formanek 1998). People were used to long distance travel. Everyone knew relatives and friends who had already traveled and could give advice. A large number of detailed travel guides were available while all necessary goods were sold along the way. The specialist services of the *oshi* and their agents were simply no longer needed (Shinjô 1982: 707).

Concluding remarks

In the center of the full institutionalization of the travel market in Early Modern Japan were the social networks between *oshi* as vendors and entrepreneurs and their customers organized in corporate bodies. Through these social networks the spatial and social distance of the market was overcome. Ise *oshi* were the central figures and initiators of these social networks. They were not simple travel agents that organized journeys and sojourns in Ise for their customers, but socially constructed corporate bodies that allowed for the travel activities of the common people. In order to be an economic entrepreneur the Ise *oshi* had to be a social entrepreneur.

This social entrepreneurship is also the main difference between the Kumano business model and the Ise business model and explains the switch from Kumano to Ise as the main travel destination. Of course the rise of Ise is also due to a change on the demand side. The common people as customers demanded more and more amusement and leisure activities during their travels. Traveling changed with its popularization from "pure" pilgrimage to a form of religious tourism. Because of the attractiveness of Ise as a leisure travel destination, Ise *oshi* were much better able to meet these new demands in the evolving travel market than Kumano *oshi*. But it was their independence from intermediaries, their direct ties to their customers and their social entrepreneurship that allowed them to use this market opportunity.

From the second half of the 18th century onwards, once the mass travel market was fully institutionalized, a diversification and individualization of traveling developed. Ise lost importance as *oshi* of other travel destinations had successfully copied its business model. Information about traveling and trust relations between seller and supplier in the mass travel market were no longer limited to social networks. The services and products in the market were more and more standardized while information became available through for instance travel guides, friends and relatives. Everyone who had the money could travel on his own and did not have to rely on travel specialists. Although social ties are of crucial importance even in contemporary consumer markets (see e.g. DiMaggio and Louch 1998), the example of the mass travel market in Early Modern Japan suggests that they decline in importance once the market is fully institutionalized and standardized.

Endnotes

1 To illustrate the level of travel activity in Early Modern Japan in international comparison, one may quote Engelbert Kaempfer, a German doctor, who was one of the few Westerners that had the opportunity to travel through Japan during the early modern period despite Japan's national seclusion policy. When he visited Japan at the end of the 17th century, he was surprised by the number of people who traveled on the Tôkaidô: "It is scarce credible, what numbers of people daily travel on the roads in this country, and I can assure the reader from my own experience, having pass'd it four times, that [the] Tokaido ... is upon some days more crowded, than the publick streets in any [of] the most populous town[s] in Europe" (quoted after Vaporis 1994: 15).

2 Before this simplification and abolishment of obsolete checkpoints, a traveler had to pass 60 of them on the short distance of only 15 kilometers between Kuwana and Hinaga (Ishimori 1989: 182).

3 A clear differentiation between tourism and pilgrimage is in every culture very difficult to make. Journeys are often a mixture between the two and a clear differentiation could only be possible on the basis of the internal motive of a traveler. One should be very careful not to differentiate between tourism and pilgrimage because of the external actions of travelers (see also Pfaffenberger 1983).

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John A. Hobson as an economic sociologist

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John A. Hobson's work is not often associated with economic sociology. Hobson is more commonly recognised as a political economist, and sometime international relations theorist, of the late-nineteenth and early-twentieth centuries who provided powerful polemics on the domestic sources of economic imperialism and the need for international government (Hobson 1915; Long 1996). More than this, however, his scholarship calls us to understand the sociological bases for economic action and, while clearly over-shadowed by his contemporaries, there are grounds to consider his work as a contribution to economic sociology of the period. At the heart of Hobson's work are moral categories for types of economic action strongly associated with organic analogies of wellness and illness. Hobson devised these categories to delineate relationships between different types of social groups and as a platform for arguing that the state should provide moral guardianship for the economy as a whole. Moreover, he used organic analogies to discuss economic social relationships among individuals and institutions with the aim of establishing and identifying patterns of behaviour that could lead to positive societal transformation. Economic sciences of the period were, in his view, cloaking social relations of prestige and control, permitting a separation of production, retailing and consumption that led to social ills and fuelled imperialism. Accordingly, Hobson sought to animate the social imagination by exposing the moral and economic deficiencies of late-nineteenth and early-twentieth century Britain. When Hobson's work is read *in toto* it is evident that he sought to understand and theorise the sources of change at both the domestic and international levels through an analysis of micro and macro economic social action. This note outlines how we may reconsider John A. Hobson as an economic sociologist and his relevance to contemporary economic sociology.

The moral economy and the organic self: wealth and illth

The popular interpretation of Hobson's work, particularly in political science and international relations, may be summed up as follows: unfettered capitalist production leads to industrial surpluses that, when domestic demand is waning, encourage capitalists to secure markets abroad through coercion, inevitably leading states into conflict with one another (Waltz 1979: 19–26). Solve the economic distribution, so the argument goes, and you've solved the problem. Imperialism is cured. This interpretation however obscures the fact that Hobson's work is not a 'scientific theory' about how to clear domestic markets, nor is there a coherent anti-capitalist 'Hobson-Lenin' theory of imperialism (Long 1996; Clarke 1981: 311). Hobson saw capitalism as an effective generator of wealth if the state played a progressive role in making it socially regenerative; that the state provided moral guardianship and acted as a vanguard for public enlightenment about the natural benefits of free trade (Hobson 1903: 372–3; 1915: 134–140). To understand how this may be achieved, Hobson viewed the economy as a moral space. His work is underpinned by his interest in the moral grounds for economic social action. Unravel patterns of economic morality, so his argument goes, and there's a much better chance of not only stopping imperialism but also preventing the desire for it. Hobson is concerned with controlling not only the mechanics of the marketplace but directing passions within capitalism for socially beneficial outcomes (cf. Hirschman 1977).

Fundamental here is a basic view of economic behaviour that Hobson inherited from John Ruskin (see Hobson 1898a, Hobson 1920). According to Ruskin the notion that a 'technical law of purchase and gain can be set down for national practice, is perhaps the most insolently futile of all that ever beguiled men through their vices' (Ruskin 1890: 60). For Ruskin economics was becoming a 'science of gymnastics which assumed that men had no skeletons' (Ruskin 1890: 3). As a remedy he rejected John Stuart Mill's notion of wealth as 'to have a large stock of useful articles' or David Ricardo's technical definition of utility. Rather, usefulness is a moral judgement that falls upon the possessor of the object, not the object itself (Hobson 1926: 468–70). The term 'wealth' is therefore 'never attached to the *accidental object of a morbid desire,* but only to the *constant object of a legitimate one*' (Ruskin 1862: 30, his emphasis). Wealth is a term that applies to 'ploughs, but not to bayonets; and to forks, but not to filigree' (Ruskin 1890: 111). Bayonets and filigree were prime examples of objects used by 'idiots', which Ruskin defined as persons of no use to the state (Ruskin 1890: 125–6). Here wealth becomes associated with well-being and bad wealth, or 'illth', with illness. Idiots' actions weakened the body politic of the state and it is here where the organic analogies begin:

Whence it appears that many of the persons commonly considered wealthy, are in reality no more wealthy than the locks on their own strong boxes are … operating for the nation, in an economical point of view, as pools of dead water … acting not as wealth but (for we ought to have a corresponding term) as 'illth', causing various devastation and trouble around them in all directions (Ruskin 1890: 126).

Wealth circulating in the national economy was akin to blood in the body. A healthy humble diet and regular exercise kept circulation up and the mind stimulated, while excess in all its forms led to sluggishness and putrefaction (Ruskin 1890: 48–9). The problem here was not that capitalists were an irreparable source of bodily decay. Rather, it was all a matter of learning and training. Ruskin argued that capitalists did not necessarily care for material acquisition. What they really wanted was power over other men following a zero-sum conception of power within a society. Capitalists therefore required education through encouragement, and perhaps state pressure, to realise a higher moral purpose from economic life. By improving their own economic diet they would feel better and allow the general population to increase its standard of living in a positive-sum game. This was the aim for political economy as opposed to the economic sciences, to permit the 'multiplication of human life at the highest standard' (Ruskin 1862: 6).

Following Ruskin, Hobson argued that political economy required a sociological understanding that rejected objective economic value and instead 'subjectivised' value (Hobson 1893: 54–5; 1920: 90). This followed up on the general movement within economic thought away from a classical understanding of the value of a commodity as objective to a neo-classical understanding of value as subjective utility. But Hobson took this logic one step further. 'Subjectivising' value permitted a distinction between how people may technically add more wealth to the state through the 'mercantile economy' and what contributed to the 'well-being' of the state in a moral economy (cf. Ruskin 1890: 39–40). All kinds of economic action must be 'valued and discounted in terms of our human ideals of individual and social life' (Hobson 1914: 33). Subjectivisation, however, does not imply an *individual* but a *social* judgement, as 'recognition of the independent value of the good life of a society is essential to any science or art of Society' (Hobson 1914: 15).

For Hobson the notion of economic welfare being confined to individual consciousness was one of the great sins of the period. Although he recognised that groups were comprised of individuals who naturally differ, it was superior to think of welfare in terms of 'collective activities and enjoyments' (Hobson 1926: 473). Following this train of thought, Hobson also asserted a separation between wealth and illth to give economic social action an explicit moral content. Illth did not only to apply the 'powerful sectional interest within the national (or international) social organism' that provided the verve for imperialist expansion (Long 1996: 2). Illth was pervasive throughout social and economic life. Low-level socially 'conspicuous instances of "illth"' could be seen in a 'large proportion of the stimulants and drugs which absorb a growing share of income in many civilised communities, bad literature, art and recreations, the services of prostitutes and flunkeys' (Hobson, 1914: 107; 1912–13). Now while one person's bad art may be another's window to the soul, the point here was that subjectivising value permitted a debate about what kinds of economic activity should be engaged in and who should be guiding it. Subjectivising value also permitted a more holistic, organic view of economic behaviour:

Current economic science has not only treated each cost and each utility as a separate item or each unit of economic power, it has treated each man as two men, producer and consumer. The acquiescence in the economic tendency towards a constantly increasing specialisation of man as producer, a constantly increasing generalisation of man as a consumer, is only intelligible upon the supposition that the arts of production and consumption have no relation to one another. The standpoint of organic welfare reduces to its natural limits this distinction of producer and consumer, and enables us to trace the true interactions of the two processes. In a word, it obliges us to value every act of production or consumption with regard to its aggregate effect upon the life and character of the agent (Hobson 1914: 13–14).

Hobson came to this view early in his work while discussing the sources of the Great Depression from 1873–1896 (Mummery and Hobson 1889: 143–5). Here there was a clear difference between the production, retailing, and consumption of the same commodity (see also Hobson 1937a: 214–23). The problem here was that producers, retailers, and consumers looked not at the economy in general but at social relations within their own group. The separation of these three groups led to 'oversaving', 'overproduction', and 'underconsumption'.

Hobson's early answer on the best means to coordinate production, retailing, and consumption into an organic whole was through the power of labour to determine wages, increase broad consumption, and continue capitalist growth. After all, labourers were less likely to 'oversave' because 'each unit of "capital" will represent a real want, a piece of legitimate consumption deferred' (Hobson 1896: 91; 1937a: 40–2). They would therefore be more likely to consume, raise aggregate demand and stimulate the economy, spending money that would otherwise be 'wasted in an undue multiplication of the retailing classes' (Mummery and Hobson 1889: 209–12). The problem here, however, was overcoming an enormous collective action problem among labourers. As a remedy Hobson looked towards stevedores as a model example of trade unionism.

One implication from this earlier work is that labourers must recognise their long-term self-interests and a broader social moral interest. But for this to work they would also be required to educate themselves about their social role, rather than individual gain, in the economy. Hobson therefore relied on ordinary people to individually reflect about the need to embed their involvement with capitalism with morality. The economic social conditions, particularly the pace with which capitalism was spreading, provided the impetus for such reflection and would ideally lead to a macro-micro-macro psychological re-ordering among the general population. Self-education would provide a moral view of the economy and the best means to produce wealth and reduce illth. For Hobson it is vital here that all economic actors recognise that society supports markets, not their independent role as producers, retailers, or consumers. As such, all participants in modern capitalism were morally compelled to provide resources for society through paying taxes to the state. A failure to do so or worse still, an unjustified dependence on social resources, was a key source of illth.

But what if labourers and others were not compelled to reflect on their capacity for collective action? It is here where there is a change in Hobson's thinking, or at least a change in emphasis. Hobson's earlier answer on how to solve underconsumption, through the collective action of labourers , transformed into a stronger emphasis on the need for 'social unity and growth towards organic wholeness' through reforming the role of the state and key economic groups (Daunton 1996: 208; Hobson 1898a: 92; 1929: 32). The state and its institutions came to play the central role in removing illth and allowing capitalism to work for the betterment of all. Such institutions, however, did not automatically know their interests, nor were they a reflection of changes within the economic system (North 1990; cf. Blyth 2002). Rather institutions had to learn how to behave according to what was deemed appropriate for the general population rather than ideational elites (Seabrooke 2006: Ch. 2). Indeed, the state is required to intervene because modern capitalism allows individuals to dominate others, impairing other people's ability to lead happy lives with increased consumption and, instead, oversaving and creating illth.

The key group under attack were rentiers, who provided an economic 'taproot' for imperialism through their reliance on foreign portfolio investment and 'economic rents of land, profits of speculation, high interest of capital derived from monopolies' (Hobson 1896: 91; 1902; 1906). These forms of profit were criticized as sources of 'unearned income' (Hobson 1910). Such income was detrimental to society as when:

'unearned' income [comes] into the possession of 'wealthy' individuals and classes, it thereby causes large quantities of the national income to be consumed with little or no benefit. For much, if not most, of this surplus, being devoted to luxury, waste, extravagance and 'illth', furnishes by its expenditure not human utility but human 'cost', not an enhancement but a diminution of the sum of human welfare (Hobson 1914: 187).

Hobson argued that 'unearned income' fuelled a national dependence on foreign rents from imperialist activity while creating underconsumption (Hobson 1938: 194; cf. Keynes 1936: 364–71). Imperialism also led to cheap imports implicitly subsidised by the state that drove down wages in the home economy and generated social unrest, increasing the prospects for the militarization of society (Schwartz 2002–3: 338). What was needed was a mechanism to encourage investment into forms of wealth, such as productive enterprises, owner-occupied property, and technology that would provide labourers with greater leisure and time for self- education (Hobson 1896: 91). The state, rather than self-realisation among the labouring classes, was in the best position to provide such a mechanism through intervention into the economy through taxation. The state was in the best position to provide this service because it acted as a mid-point between the domestic and international realms (cf. Nettl 1968).

Through the state, imperialism could be cut out at its economic taproot by increasing consumption among the broader population through the introduction of a progressive tax system that would redistribute capital from the rich to the poor (Hobson 1902: 86–7). A progressive tax system would make the cost of living cheaper for the bulk of the population by removing tariffs and encouraging free trade (Hobson 1915). Rentiers would be taxed directly on their personal income, to stop their 'excess' profits from 'unearned income', particularly rents associated with foreign imperialism. Such 'unearned income', according to Hobson, 'could economically be taken by the public and used for public purposes' (Hobson 1896: 101). This need not be detrimental to rentiers, however, who could choose to transform into capitalist entrepreneurs who would profit from productive investments that would raise the standard of living of all within the national economy. Furthermore, this new domestic economic boom would allow the state to stop using its military muscle to protect foreign investments for rentiers and instead use its increased tax revenue to increase the 'well-being' of the broader population. This 'plea for a return to a sane standard of values' would balance the potential rationality of man against the irrationality of imperialism as a 'lower stage of social life' (Fieldhouse 1961: 209; Hobson 1898b, 167–9). In seeking to understand such irrationality, Hobson's interest in moral categories of economic action led him to turn his attention towards the economic importance of prestige and control that complicated the capacity for progressive state intervention.

Economic prestige and the reluctant state: property and improperty

Hobson placed great importance on attitudes towards economic social life. His rejection of the notion of self-equilibrating markets included a dismissal of the idea that market actors are simply in it for the money, or that a business community can exist without political clout behind it (Hobson 1937a: 53–5; Nowell 2002–3: 310). One key observation here is that rentiers preferred to have *stable* profits from wasteful and non-productive investments over potentially larger profits from domestic investments (Hobson 1896: 75, 86; 1909: 105–6). Rentiers' preference for stability over profit has been confirmed by economic historical analysis of the period that has compared the profitability of investments abroad compared to those at home in Britain; establishing overseas investment were less profitable but low risk, whereas home investments were more profitable in reality but perceived as being riskier in practice (Davis and Huttenback, 1987: 105, 306; Edelstein 1982: 120; Kennedy 1987: 152–3). Rentiers wished to defend their 'positional premium' over domestic property and sought not to manage their investments but relied on British state protection (especially the navy) in foreign investments in government debts, railways, mining and metallurgy (Offer 1981; 1993: 222). Investing overseas while retaining landlordism at home provided the means to continue underconsumption and prevent broader society from undermining the social, political, and economic status attributed to the propertied classes.

This dynamic fuelled domestic discontent about lack of access to property ownership within Britain (Seabrooke 2006: Ch. 3), as well as a common perception of rentiers using 'the public purse for the purposes of private profit-making' under the protection of an 'imperialism insurance premium' (Offer 1980: 237–8; Hobson 1898b: 175–6;1902: 58–60, 88). In short, Hobson identified rentiers' lust for control as a driving force in a period in which social liberal and socialist reform movements were becoming more prominent and gaining greater political purchase. Access to credit for property and for investment *increasingly* became highly dependent on personal networks, including the expansion of 'Gentlemen's Clubs' in the 1880s and 1890s (Taddei 1999; Capie and Collins 1996: 35). As also observed by Georg Simmel, in England the common man 'buys goods by cash payment; a gentleman is one to whom I give credit and who pays me every six months by cheque' (Simmel 1978: 479). Hobson rejected the legitimacy of creditworthiness networks within Britain and called for state intervention. The chief grounds here were that while the 'interests of the individual borrower lies in secrecy, that of society lies in publicity … as credit is an essential element to liberty' (Hobson 1909: 105–6). The persistence of status and prestige among British rentiers for credit access was a source of frustration for Hobson and provided an incentive for him to investigate the sociological desire to create such networks.

In understanding the importance of social prestige to economic life Hobson drew upon Thorstein Veblen's work, considering the *Theory of the Leisure Class* as a 'leading "book of revelations" in our time' (Hobson 1936, 1937b: 143; Veblen 1912). Hobson was particularly interested in Veblen's discussion of the psychological roots of an economic system, including changes in attitudes towards work life and home life. Also of interest was Veblen's discussion of how capitalist employers were not necessarily opposed to their employees in a 'class war', but how both may be pitted against financial traders. The new war was not been producers and workers, but between the 'producers of wealth and the manipulators of prices' (Hobson 1937b: 142).

In tracing the rise of large corporations Hobson saw in Veblen evidence that the transformation from 'ownership based on individual productivity to one based on pecuniary accountancy … corrodes the meaning of civilization' (Hobson 1936: 211; 1937a: 89–91). Veblen's work demonstrated how the wealth and illth Hobson identified in Britain was also occurring in the United States, where conspicuous consumption was directly tied to social prestige, and where such prestige was becoming institutionalised in new corporate structures (Veblen 1924). Veblen's view here was that Christian morals had tempered and informed the emergence of competitive Western capitalism, particularly through the notion of 'fair play' in business. Such Christian morals were now eroding with an emphasis on profit above all else and could only be rescued by resource to an 'impulsive bias [among Christians] for brotherly love' (Veblen 1934: 215–218).

Hobson recognised the desire for social prestige from economic life as a deficiency of the self. His clearest statement here comes from his distinction between property and 'improperty' (Hobson 1937a). Like wealth and illth, property and improperty are moral categories for economic relationships. In short, property was the consequence of genuine toil, while improperty came from the unfair seizure of assets by others (Hobson 1937a: 208). In Hobson's view improperty had perversely gained higher economic, political and social prestige from persons who not only consumed what they did not produce but derived a 'personal glory' in gaining lands, goods or services by force or cunning (Hobson 1937a: 21–4, 158–9). Those who indulged in improperty, such as rentiers, thought nothing of generating oversaving and underconsumption as they did not feel the deleterious effects. Rather, labourers were once more on the receiving end by losing access to their genuinely acquired property through lower wages and unemployment, alienation from housing and through the payment of indirect taxes that lowered their living standards. On the other hand, rentiers and large corporations were still able to receive rents from land and investments they contributed no work towards.

With the growth of corporate capitalism Hobson argued that a 'primitive' desire for superiority among those who favoured improperty was tied to personal insecurity, to nationalism, and to the individualisation of economic life. The managing director of a firm increasingly viewed its success as a consequence of his or her personal contribution, and not as embedded in broader social changes in the rise or fall in market demand (Hobson 1937a: 69). In this sense the individual's self-regard had triumphed over the morally correct view that society permitted him or her to conduct business in the first place. This scenario was all the more apparent because such individuals were reticent to compete with one another in an open marketplace and instead sought to create oligopolies. In comparison competition among labourers was encouraged through the propagation, particularly in the American context, of free bargaining over wages. Here Hobson decried the association between free and open markets and a negative conception of freedom, where one is more empowered without state intervention, because 'starving workers are not free bargainers' (Hobson 1937a: 175). Remove improperty from the domestic and international realms, goes the argument, and then we can talk about open and free competition.

Hobson saw an intimate relationship between micro-changes in social wrangling over prestige within dominant economic powers and macro-changes in the character of the international economy (cf. Hobson and Seabrooke 2001). The individualisation of economic life was akin to a rise in nationalism that led to conflict within states and between states (Hobson 1937a: 180–1; 1915). Those who sought improperty viewed it as their right to support, politically and economically, policies of national self-interest that were detrimental to the actual and potential trading partners. Worse still, such policies were based on a standard of civilisation that produced an 'excess of national self-consciousness' in developing economies (Hobson 1902: 11; 1937a; see also Bowden and Seabrooke 2006). Individual insecurities over social position and property within 'civilised' states were transforming the world into a place of economic and military insecurity

(Hobson 1937a: 134). Once again for Hobson economics without morality was a source of social decay.

As suggested above, Hobson relied on the state as the answer, particularly through taxation where it could assume its role as 'the rightful owner of surpluses which, in the ordinary conduct of private businesses, emerge as rents, extra profits or other excessive payments' (Hobson 1909: xi; 1919: 72–3; 1931: 38). Acceptable forms of taxation were on personal income, property that benefits from any public effort, death duties, ground rents and values, taxation of dividends, and 'excess' profits from monopolies (Hobson 1896: 102–3). Estate taxes were also targeted by Hobson as a just means to redistribute wealth, since those who preferred 'the satisfaction of their unknown descendants to their own' society were most likely to engage in oversaving and to seek improperty (Hobson 1933: 408).

In the early 1900s Hobson directed this message straight at the Liberal Party in Britain, who had the power after 1905 to pursue a 'social liberal' programme, most prominently through David Lloyd George's 'People's Budget' of 1909–10 (Hobson 1902: 88–90; Cain 1978; Hobson 1997: 138–40). Indeed, much of Hobson's attentions during this period went towards outlining principles for taxing unearned income as the state's principal source of revenue, as well as trying to determine how to measure waste within an industrialised economy (Hobson 1910: 225–32). He also provided clear grounds for why states should not impose tariffs on either trade or capital internationally. Indeed, such distortions diminished both the productive capacity of any economy to generate wealth, as well as redistributing assets away from broader society (through lower prices) to those who would seek tariffs as a means to protect the taxation of their personal income (Hobson 1910: 256–8).

While the Liberal Party was big on rhetoric in attacking 'unearned income' it did not push so far as to undermine one of its key constituencies in small to medium enterprises. Nor was it able to sufficiently tackle the power of the City of London (Dangerfield 1935; Ingham 1984). Hobson therefore turned his attentions to the Labour Party. During the early 1920s the British government responded to public support for increased taxation on rentiers and the propertied classes, and to public demands to boost consumption and the standard of living among the general population (Seabrooke 2004). The Labour Party also endorsed a positive and negative distinction in forms of wealth following Hobson's lead (Daunton 2002: 145–7). While Conservative governments dominated during the 1920s, positive and negative distinctions informed social reforms on pensions and housing to the extent that in 1931 he argued that the 'social determination of values is no longer an empty phrase' (Hobson 1931: 35). However, direct taxation retreated under Conservative government control as calls for trade protectionism increased during the mid-1920s. Worse still for Hobson, the Labour government of 1929–31 increased indirect taxation in preference to deficit spending and increased income taxation. The National Government that followed continued this trend.

Similarly to the early 1900s, Hobson identified this scenario as source of underconsumption and oversaving. Indeed, he argued that it directly contributed to the severity of the Great Depression of the 1930s (Hobson 1933: 416). By the mid-1930s Hobson saw governments across the Western world turning their backs on progressive taxation and instead introducing indirect taxes that harmed labourers and supported the holders of improperty, the generators of illth (Hobson 1937a: 183–4). Such actions were a consequence of the failure to use moral categories for types of economic action, or, in other words, of the 'failure of Labour and Socialist parties in this and other countries to make a clear distinction between the right and wrong sorts of property' (Hobson 1937a: 11). The solution, partially realised through the 'Keynesian Revolution' (Seabrooke, 2005), was to combine 'enlightened "liberalism"' and a 'practicable socialism' through increased public ownership and state intervention that viewed the economy as 'organically united' (Hobson 1937a: 180).

Hobson and themes in economic sociology

How may we consider Hobson's work as a contribution to economic sociology? Of course the depiction of the economy as a moral order is not alien to sociology of Hobson's lifetime, much of which is targeted against the supposed 'economism' or economic determinism of Marxist thought. Most powerful here was Max Weber's economic sociology, which outlined forms of economic social action and how they were informed by habits, customs, and norms, as well as by legal, charismatic, and traditional forms of authority and power (Weber 1978; Swedberg 1998). In particular, *The Protestant Ethic and the Spirit of Capitalism* outlined how the Calvinist call to moral self permitted the establishment of rational market capitalism (Weber 1976;

Swedberg 1998: 123–6). Furthermore, Weber's political writings discussed how the introduction of American-style finance capitalism was introducing 'unfreedoms' into Continental Europe (Weber 1988: 63–4; Seabrooke 2001: 38–43). Another particularly prominent example here is Emile Durkheim, for whom the pace of industrial capitalism had led to the isolation of individuals and a strong unease within social relations. For Durkheim the industrial corporation could embody moral values in wresting individuals from social isolation (Durkheim 1984). Hobson, however, saw the modern corporation as increasingly dominated by forces that sought to manipulate prices rather than produce wealth. As such, the driving force behind the modern corporation was improperty and a more sophisticated and subtle form of imperialism.

As considered above, Hobson's source of salvation was the state, particularly its capacity to use taxation as an instrument for social transformation. Hobson's work should also be considered a contribution to fiscal sociology. His work suggests that he would agree with Rudolph Goldscheid's sentiment that a budget is a 'skeleton of the state stripped of all its misleading ideologies' (Goldscheid 1958: 6; Schumpeter 1991; Campbell 2005). The state budget exposed how rentiers' private investments were being subsidised by the public purse while the broader population was denied state provided services due to a lack of revenue. Hobson's use of moral categories for understanding economic social action permitted him to push the view that taxation should raise general consumption and increase wages, living standards, and leisure time among the general community.

This call for increased taxation was, at all times throughout his work, linked to the notion that increased leisure and living standards would encourage moral self-reflection that could only better domestic and international society. At root here is the idea of the suppression of ego in preference for recognition of the importance of community. This was not to remove the individual from economic decision-making, but to remind the individuals of their obligations to the society in which they lived. His work sought to expose how a lust for economic prestige and political power led to conflict from the micro to the macro levels. It aimed to provide the conceptual tools for a transformation of social and economic life.

The most striking correspondence between Hobson's work and contemporary economic sociology is the emphasis on the need for status and prestige and control over profit (Fligstein 1990; 2001; Podolny 1992), and his desire to expose how economic life among rentiers and corporations was dependent upon close personal networks (Granovetter 1985; Powell, 1990). Furthermore, Hobson's emphasis on how different sectors of the economy looked primarily at each other as a social group – such as producers, retailers, and consumers – and not at the 'organic whole' of the economy may remind us of more recent work on 'induced role structures' and how markets arise from networks (White 1981; 2001). Furthermore, Hobson's 'subjectivising' of value on a social basis and the use of moral categories for wealth and property call us to ask if ordinary citizens consider their economic lives to be legitimate or fair (Gijsberts 2002). His emphasis on the relationship between wealth and property, and the state's role in organising and redistributing them is also an important reminder to the capacity of governments to transform social and economic life (Campbell and Lindberg 1990; Dobbin and Dowd, 1990). Likewise, the stress placed on status and prestige in access to credit and property may cause us to consider the benefits of state intervention to prevent discrimination (Massey and Denton 1993; Seabrooke 2006).

Hobson's emphasis on how the individualisation of the economy and its association with a corporate shift to 'pecuniary accountancy' may also remind us of work on the social construction of rationality within markets (Carruthers and Espeland 1991; Mackenzie and Millo 2003). His link between the construction of the self-maximising individual who wishes not to pay taxes towards his or her community, and the notion of a government within a dominant economic power using nationalism to justify the economic exploitation of other states, also links us with work on how the 'spirit of nationalism' is closely tied to modern capitalism (Greenfeld 2001). Hobson's key complaint towards the end of his life was that the spread of nationalism and the individualisation of the economy, which both geared toward profit and prestige as primary motivators of economic social action, and had placed blinkers on what economists and sociologists viewed as the realm of the possible (Hobson 1937a). Hobson's warning here is that in closing our minds to the social dynamics that inform economic relationships we would miss how societies were transforming in their attitudes and identities. Such change is now associated with processes of 'bricolage' and 'translation' in economic sociology and institutional theory (Carruthers and Uzzi 2000; Kjær and Pedersen 2001; Guillén 2001; Campbell 2004).

Hobson's interest in the role of ideas and identity is of note because it informs his view of institutions as aggregations of moral economic behaviour, that they are derived from how individuals give meaning and significance to types of economic social action. This view applies to how institutions govern society at home and abroad. It also provides a contrast with some of the new institutionalism where rational self-interest still does most of the heavy lifting in the analysis, leaving us with 'norms as error terms' rather than saturating the determination of interest (Seabrooke 2006: Ch. 2). Hobson also asks us, by employing moral categories, to consider the grounds for trust and compliance even within societies with well-established contract and private property systems (cf. Greif 2006). Legitimacy in economic relations cannot be established through the creation of an institution (and then left to the next crisis) but must be constantly justified. Hobson's use of moral categories and his emphasis on wealth/illth and property/improperty seeks to remind us that a sociological understanding of economic change must be grounded in the meanings individuals attribute to changes within their everyday lives.

Finally, we may best consider Hobson's body of work as a contribution to the economic sociology of politics (Swedberg 2003: Ch. 7). His framework integrates economic and political interests by refuting the notion that economic life is separate from moral, social, and political life. In this regard his use of organic analogies stressed the need to analyse the interdependence of different economic and political actors within the economy, with a failure to do so exacerbating political unrest by worsening underconsumption, oversaving, and illth. Hobson's work sought to understand how economic and social reform involved reform of the self that could then change the role of the state and stop imperialism and improperty in the international economy.

Endnote

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An old idea of “human economy” and the new global finance capitalism

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In our time we experience profound and fast changes due to technological revolutions and political-cultural reorientations. These changes have become specially pronounced since the 1990s of the last century, marking the end of the "short 20th century". They have transformed what Eric Hobsbawm called the "golden age" of the welfare state into our present neoliberal ways of thinking and organizing social and economic affairs. The early 20th century was an era of great changes in a technological as well as in a political-cultural sense, too, with a decisive influence on the way we learned to perceive social and economic affairs; this, in turn, had its impacts on the then emerging science of sociology.

It may be legitimate, therefore, to recall ideas from the early decades of the 20th century that since then have disappeared from our conception of social science, but may regain significance in our own situation in an age of transformation. These ideas addressed human life and humanity's higher development as the prime targets of our actions, social policy as the main task of the state, human beings as the goals and the means of the economy. Social science was intended to have a fundamental role in bringing about changes in accordance with these aims, requiring actions on the basis of widely diffused theoretical knowledge and practical ethics.

Introducing an early dissident sociologist

These ideas were fairly widespread among social thinkers of the first decades of the last century. One of them, however, Rudolf Goldscheid (1870–1931), expressed them most emphatically. Goldscheid was a Viennese of Jewish extraction, youngest son of a very wealthy family, who unfolded impressive intellectual and organizational activity in many fields. He was active in more or less all humanitarian and social movements of his time like the peace movement, the ethical movement, the feminist movement, monism, the human rights movement, the Pan-European-movement, as well as in philosophical and social science circles, some of which he himself initiated. He founded the Sociological Society in Vienna in 1907 and remained one of its leaders and the financial promoter and spiritual head of it until his death in 1931. He played a very active part in the foundation of the German Sociological Society as well and was one of its leading figures, although he kept himself in the background (Fleischhacker 2000). Both in this association and in the famous dispute over values in the "Verein für Socialpolitik" he represented a standpoint opposed to that of Max Weber and their conflict resulted in the retreat of the latter, although in the long run Weber's position was to become the prevailing conception of social science.

In a study of the early sociologists in Germany (Käsler 1984, 38) Goldscheid was mentioned among those of some prominence, but he never entered into the canonized history of sociology. The reason thereof was that the intellectual movements and social science conceptions he adhered to and actively promoted, were later on considered as "dissident" (Groschopp 1997) or as obsolete compared to the "modern" understandings of social science: He advocated a monistic view of science that derived from the encyclopaedic conception of enlightenment, a teleological approach to social science as ethics and a view of social evolutionism that placed great hopes on scientific findings to guide actions promoting the "higher" development of mankind. Science according to Goldscheid had to be oriented towards human progress as a "scientia militans" (Goldscheid 1905) based on values derived from evolutionary biology as well as on an emphasis on the will as the force underlying action. This conception of science which had retained strong elements of enlightenment thinking was abandoned finally in the course of the first decades of the 20th century, to be replaced by academic social science devoid of values as directing forces of scientific research.

Goldscheid's social thinking, however, had quite a reputable backing by the philosophical tradition in the Habsburg Empire ranging from Bernard Bolzano to Ernst Mach. Naturalism, monism and ethics as an exact science were also the roots of what later should become the "Vienna Circle of Philosophy" (Stadler 1997). As to the natural sciences he was influenced by biological evolutionism with a neo-lamarckian orientation and by the experimental psychology of Wilhelm Wundt and William James. His sociology was largely Comtean with elements from John St. Mill and complemented by a sense of social criticism based on Karl Marx. He was a socialist and a friend of the philosophical head of Austromarxism, Max Adler, but his socialism was similar to the movement of ethical socialism, his aim the "social-politization" of the state.

In his first great work on "The Ethics of the General Will" of 1902 he argued that science is always based on an anthropocentric perspective and, therefore, causal knowledge must be complemented by a teleological orientation, hence by a conception of ethics. This study was at the same time a critique of the state and the separation between morals and politics. He criticized the autocratic and imperialistic state of his day and the "rentabilistic"[1] form of the economy he saw developing in his days. The failure of the state and its elite to provide the means for the masses to lead lives worthy of human beings physically, socially and intellectually and of the church which condoned this failure and sided with the mighty both in the state and the economy, made it in his view necessary that the masses take action to improve their own condition.

In his second major work entitled "Higher Development and the Economy of Man" of 1911 he expostulated his conception of human sociocultural evolution and introduced the notion of "Menschenökonomie" which literally means "economy of man." By no means, however, did he intend to subject human resources to the logic of return on capital investment. Instead he saw man and mankind as the objective of economic activities, thus, striving for a "human economy".

The third phase in his work started during the First World War and was connected with the analysis, critique and reform of the financial background of the state which he developed mainly in his "State Socialism or State Capitalism" (1917). In the writings of this period he formulated what he called "Finanzsoziologie", which dealt with the social dimension of public finance, and was to become the field for which he is remembered up to the present day. In the following we shall take a closer look at his works on the "economy of man" and on public finance because they are of relevance from the viewpoint of economic sociology.

The "economy of man" and human development economics

Since the subtitle of Goldscheid's book on "Higher Development and the Economy of Man" was "Foundations of Social Biology" the few comments that there are on it, usually concentrate on his biological-eugenic perspective. By some (Kurz 1999) this was misunderstood in the sense of social darwinism, by others criticized for taking an outdated Lamarckian standpoint. However, the main intention of Goldscheid was not directed towards a discussion of biological theories or even to give social science a biological basis; he was primarily interested in human development and the active response of human beings towards the conditions of their environment. Contrary to the passive adaptation of organisms assumed in evolution theory, he introduced the notion of "active adaptation" of human beings. Man changes his environment according to his needs or his purposes and, in this way, creates the possibility of "higher development" in sociocultural sense.

In his theory of sociocultural evolution he combined conceptions of systemic interrelatedness and of synergy with a voluntarist emphasis on action. Active adaptation involving intellect and will power was for him the characteristic of human evolution which by promoting culture would eventually also improve the biological-physiological condition of the human organism. Human evolution in his opinion is, therefore, based on action and not on selection. He discarded selectionist eugenics and instead advocated "social eugenics" by which he meant changing the environmental conditions according to human needs. He called for adequate provisions for bettering the unfortunate living conditions of the masses in his time, but also for enabling higher development of all mankind including the peoples of the underdeveloped regions of the world.[2]

Since humanity's needs of survival and material betterment are very basic preconditions of the development of mankind, the economy is of fundamental importance for human evolution. Goldscheid criticized economics for neglecting to attribute value to human beings and for their reduction of man to the price of his labor in the labor market. He demanded the recognition of the value of human beings both with respect to their function as the most important resource of the economy and to their position as the ultimate aim of all economy.

Goldscheid developed his conception of “economy of man” as a necessary complement to the economy of goods (Fleischhacker 2002). This enabled him to view man as an economic resource which must be used sparingly and productively. He criticized the enormous waste of human life which was according to him reflected in his days both in the decrease in population growth and in the poor state of the health and the education of the masses. As man is the most important resource of the economy the exploitation of human energy and the reduction of life expectation are not only inhuman, but uneconomical. Goldscheid approved of Frederick W. Taylor’s conception of “scientific management”, but he would certainly not have accepted what later turned into “Taylorism” as a tool to exploit workers in the interest of profit-oriented efficiency.

In order to press his point that it is in the interest of the economy to make sparing and considerate use of human energy he employed expressions like “efficient production of man”, “organic capital” or “human material”, etc., which caused his “Menschenökonomie” to be misunderstood as an “economistic” approach. Despite the language used his intention was quite different, because it was not oriented at improving efficiency for the sake of profits or material gains for their own sake. The input of human resources must serve the goal to develop the human conditions of life for the individual as well as for mankind in order to actively promote human evolution. In a sense he could be called a forerunner of “human resource development”, were it not for his quite different view of the goals.

Goldscheid’s conception of the economy was production-oriented, in which needs and values, not individualistic utility and prices were the basic elements. It had more similarity with a Smithian conception than with the individualistic theory of his time which led to the microfoundations of economics. Smith had assumed interests and needs as the driving force of the economy, and in how these would lead to the common weal. The “Wealth of Nations” still had some roots in the ancient and late medieval idea of the economy of the “whole house”, or the “economia” of Aristotle as confronted with “chrematistike”. Goldscheid did not see the logic of the market and the price mechanism at the core of his resource-based conception of the economy. He criticized market economics for hiding the fact that economic action in real life is goal-oriented and presupposes valuation behind a cover of logics, rationality and self-steering dynamics. While apparently the mechanism of the market is an objective and rational way to allocate resources and to distribute goods and money, it is in fact deeply connected with values and ideologies. To uncover these so that one can see clearly what aims are followed by a certain conception of the economy, was one of his intentions.

Goldscheid was averse to all ideas proposing self-steering dynamics, whether it derived from evolution theory or from neoclassical economics. For him it was actions of man that accounted for the state of the world and its transformation. The intentions, interests and the will of actors were in his view the forces that guide the economic process and in this sense he was advocating individualism. But the individual strivings must be reoriented by education to follow aims beneficial for the common good which meant making individuals understand that their individual – long-term – interests are the same as those that are good for humanity as a whole.

The “sociology of finance” and state capitalism

With regard to the “road to socialism”, Goldscheid did not place any trust in a self-steering tendency towards socialism, but in revolutionary political action. But at the same time he saw clearly that political action is not enough, because the masses can achieve command of the state, but in order to keep it they must have the control over the economy. Therefore, a fundamental reorganization of the relation between the state and the economy is necessary as well. Since political power is always dependent on economic power, while the latter provides great influence by itself, economic power was in his view a precondition for the effectiveness of political regulations and measures.

Humanitarian measures or social policies cannot rely on good will or ideology alone; they must be understood as the best strategy in an economic sense. In Goldscheid’s understanding social policy should not be the “charitable little sister” of economic policy or power politics, but the main aim and purpose of the state. If the new state of the people was to pursue human and social development aims, it must have command of economic power.

Goldscheid showed that the emergence of the modern state was accompanied by depriving it of property of its own and reducing it to the framework for private capital interests. The mere "tax state" owns nothing and is, therefore, dependent on those who hold economic power. The state that is set up to act as trustee of the people, must be transformed from a tax state into a proprietor of the productive capital of the country. Thus, only through a "re-capitalization" of the state can the people maintain political power. Goldscheid's concrete proposal was that the state should take over about a third of the stocks of the major corporations in the most profitable sectors of the economy. He did not want to abolish private property in productive resources altogether; instead, state capitalization should form a complement to private ownership. What he aimed at was a powerful state politically controlled by the people that could realize its aim of social policy, but he did not envisage bureaucratic control of the economy. Being well acquainted with the "Theory of Economic Development" by Schumpeter with whom he had an exchange of ideas on the tax state, he was aware of the importance of the entrepreneurial spirit, but he was convinced that the leaders of industry would be willing to employ their talents in the interest of the people as well.

This, in short, is the argument of Goldscheid's third major set of works which he wrote during the last years of World War I and in its aftermath and which contained the ideas he advocated as one of the advisors of the Socialization Commission, a body which was set up in the aftermath of the revolutionary events following the First World War to work out programs for transferring private enterprises into state ownership. Although proposed for the practical purpose of political and economic reorganization, his intentions went beyond these immediate concerns. The political and economic control of the state was not to be an end in itself, but would have to prove its worth as an instrument for higher development of individuals, national societies and mankind as such. Therefore, his intentions were not limited to changing the economic and political organization of the nation state, but he pursued international concerns of pacification in the political-military field and of setting up of what one could call today institutions for global political and economic governance.

He saw a close relationship between internal and external politics and was aware of the necessity of a world organization both in political and economic sense. International trade should not be left to private enterprises pursuing their own interests and putting pressure on the policy of states. Therefore, he advocated national monopolies of foreign trade and international economic regulations. He saw clearly that politics and economics within and between states are closely connected, and he concluded that international political agreements or organizations would be ineffective without economic regulations.

The relevance for economic sociology

Goldscheid's ideas concerning "state capitalism", like similar ones of Walter Rathenau and others (Schwarz 1919), were widely discussed at the time in Germany where they met with much criticism among the predominantly conservative economists. In Austria, however, in the further course of events these ideas together with similar conceptions among social democrats as well as left Catholics had a considerable effect on the development of "Gemeinwirtschaft" ("communal economy"), which encompasses publicly owned and/or cooperative enterprises oriented at providing basic goods and services for the community, and on the acceptance of a fairly large nationalized sector of the economy (Weissel 1972, 220).

In the field of social science his conception of a "sociology of (public) finance" had a resonance which is still acknowledged today. He had tried to show the close interrelation of society and public finance in the course of the historical changes from antiquity onwards. Public finance can be seen as reflecting the social order and the prevailing conceptions of what is of importance or influence in the community, and the budget of the state can be called the skeleton of the social structure (Goldscheid 1917, 129). In this view he was supported by Schumpeter (Hickel 1976) who agreed that public finance could be seen as the best starting point to analyze societal conditions.

The idea of a sociology of public finance was taken up by the well-known scholars Fritz Karl Mann (1934) in Germany and Richard A. Musgrave in the United States. The latter included Goldscheid among the classics of the discipline (Musgrave/Peacock 1964). James O'Connor (1973, 12) referred to Goldscheid as well as Daniel Bell (1976, 260pp) who emphasized the importance of the normative aspects inherent in Goldscheid's sociology of finance. Until today Goldscheid is remembered in works of public finance and in "fiscal sociology" (Backhaus 2002).

As far as Goldscheid's conception of sociology was concerned it clearly differs very much from the prevailing conception as a result of the development of modern academic sociology. Goldscheid was at loggerheads with Max Weber over the question of values in science and the role of sociology in social evolution. The resulting conflicts in which he was engaged in the German Sociological Society and the Verein für Socialpolitik as an opponent of Weber are instances of the emergence of what would become "modern" sociology (Käsler 1981). The idea of social science which Goldscheid favoured soon was to yield to the conception of a "value free" empirical science with no relation to the natural sciences other than perhaps an analogy of methods.

Goldscheid's identification of sociology and ethics is quite alien to our understanding of scientific research as is also his identification of theoretical sociology with the practice of the workers' movement. It resembles some critical theoretical approaches that came to a last climax in the 1960's, but is less reflected in the critical theory of Adorno and Horkheimer than in the 'actionalist' sociology of Alain Touraine (1973), in which social movements are the central objective. The 'actionalist; stance has also some relevance for today's anti-globalization movements or approaches like "liberation sociology" (Feagin/Vera 2001). What are known as action theories in modern sociology, however, usually do not have this dynamic orientation of "Praxis", but are based on a Weberian conception.

In Goldscheid's time sociologists eagerly sought to define a special scientific object for their discipline in order to achieve academic recognition. The object of sociology was redefined as "purely social" drained of political and economic connotations. The concept of society turned into a formal one denoting the interrelations of individuals or groups resembling in this feature very much the abstract conception of the market in economics. Goldscheid had already attacked this tendency and had called for the reintegration of economic and political dimensions into the concept of society in order to turn it into a "parole de combat" once more.

One of Goldscheid's contribution to economic sociology can be seen in his attempt to develop a theory of human resources. Thus, in a sense he can be seen as a predecessor of human resource development schools or the human capital theory of our days (Bröckling 2003) but as has been pointed out above, his intentions were quite different from present-day human resource theories. His understanding of the economy was based on efficiency as to the usage made of resources, not in the interest of returns on capital investment. If we apply the terminology of Karl Polanyi, he understood the economy in the substantive sense as serving the "livelihood of man" (Polanyi 1977), but on top of that as instrumental for human development. This contrasts with the current perception of the economy which focuses on keeping the mechanism going and producing positive results in the form of indicators of efficiency and profitability as ends in themselves.

As Michel Callon has pointed out, the economy has become embedded in economics (Callon 1998). Economics as the formal science of cost-benefit-rationality and the market equilibrium has shaped our understanding of the economy by being used to solve problems in practice, to train managers and politicians, to spread information on economic matters by the mass media. Generations of students have studied economics and brought this knowledge with them into the enterprises, the media, or the political field. They have spread a specific image of the economy, having imbibed specific convictions about the way "the market" operates, about the superior rationality of economic thinking, etc. The assumption that economic growth (as the result of the pursuit of profit-maximization) is also the precondition for sufficient jobs and income for the masses and would guarantee free choices, jobs and career opportunities became the prevalent conception.

The link between the growth of capital investment and the incomes of the working people that were the basis of a sort of social contract in the time of the welfare state, however, cannot be assumed anymore. The close connection between capital and labor as the two mutually interrelated production factors of industrial capitalism has to a great extent ceased to be effective, because capital is not anymore bound up so tightly with the production process within national boundaries due to deregulation of capital markets and due to the decreasing importance of labor for the profit potential of enterprises. Capital became a globally free-floating factor dominating and dictating the goals of the economy within the states to which labor must adjust. "The economy" became identical to a self-sufficient circulation of capital which constitutes the subject area for a "sociology of finance" in quite another sense than that Goldscheid had in mind. The dimension of circulation of money and capital (which always in the modern age had existed on top of the production economy and the "material life" as the social historian Fernand

Braudel has pointed out), has become all-powerful today and holds these lower levels in its grip.

Goldscheid showed that the economy consists of actions and hence always implies values and interests. Although the reality of market transactions starts from and results in the unequal distribution of power and resources, its logics were legitimized by linking them to the values of democracy, liberty, equality of chances. Legitimations along these lines have gained considerable ground since the last two decades of the 20th century, and this has resulted not only in economic reorientations and restructuring, but in a profound cultural change, away from the value basis underlying the welfare state and the industrial system. Instead of stressing the social tasks of the state, the humanization of work or the stabilization of conflicts of interests, arguments which emphasize individual chances and risks, flexibility, privatization, reduction of the welfare state, became dominant. The arguments in management-related texts diffused by the business media have been studied by Boltanski/Chiapello (1999); they came to the conclusion that between the 1960's and the 1990s there occurred a transition in legitimatory practices from a predominantly industrial logic to a project-oriented logic.

The discourse on individual chances and responsibilities or on the justification of high capital returns are not only manners of speaking; they make it possible that social pressure is placed on workers, voters, and consumers to accept intensification of work, lengthening of working hours, cuts in earnings and social benefits, detrimental changes in the supply of goods and services, and so on. To call for social security, for a slower pace of organizational changes, for a reconsideration of privatization policies, for more socially responsible decisions on behalf of top management, or similar targets become delegitimized as traditionalism, averseness to change, or outdated socialist argumentation. Compared to Goldscheid's time we have to acknowledge improvements brought about by the ascent of labour unions, legal provisions protecting workers, collective bargaining, and social security systems. Also, management has been responsive to human needs on the workplace and to the importance of social aspects and to develop what amounts to corporate ethics. But these achievements of the era of the welfare state have come under considerable pressure during the last decades. Arguments of factual constraints due to globalization and of the necessity to increase returns on capital investment as a precondition for stalling off recession serve to make reductions of income, social security and welfare seem legitimate.

Goldscheid emphasized that the economy as well as the polity are driven by actions, underlying values and interests and that social science should make these explicit. One does not necessarily have to follow him further into saying that the values and interests should be reoriented towards human "higher" development, but it would suffice to be less receptive with regard to conceptions and arguments which stress the self-steering quality of economic processes or the unavoidability to adapt to factual constraints. Changes are always set into motion at some place and time by decisions and actions of individuals, groups, organizations with certain goals, interests and power potentials. The interests and the power of actors are the real moving forces of the economy and the polity; they come along with values and world views seeking legitimation; social science should at least be able to make them explicit in order to compare and contrast diverse interests and values, their potentiality to transform society and the resulting consequences.

Concluding remarks

The ideas presented above were inseparably connected with their time and the circumstances prevailing then. Although there are similarities between the age of imperialism and our own era of globalization, great differences exist both with regard to the factual conditions and the ways of thinking about them. Finance was then and is now the leading sector; then and now an international perspective existed to financial investments. Both eras can in some sense be characterized by the concept of "finance capitalism"[3]. But the differences between imperialism and globalization must not be overlooked, the most obvious being the role of the state. The leading interest around 1900 was heightening the strength of the nation-state and its military-economic power. Nowadays, however, returns on private capital funds and their flows on a global scale have become central aspects.[4]

The ways of thinking about social science were different, too: a wide array of diverse conceptions existed. Our modern understanding of sociology, however, is commonly traced back selectively to a few "classics" like Max Weber, Emile Durkheim or Georg Simmel and their viewpoints: the idea of value-free professionalism, functional differentiation and the formal definition of social order based on interactions. Goldscheid's understanding of social science differed from these ideas because he combined theory and practice and included economic and political dimensions in his view of sociology. Goldscheid criticized the "rentabilitarianism" of the big enterprises and the imperialism of the state and advocated an ethically and scientifically based worldwide socialism.

The most important difference, however, can be seen in his passionate optimism with regard to human potentials. Social science in his view was to become a "scientia militans" in order to instigate man to will the good and to trust in action. Today we are tempted to quickly dismiss this as over-optimistic, ideological and methodologically questionable. But it seems that in the face of the global finance capitalism of our days and the prevailing sense of being driven by factual constraints and of the workings of self-productive systems, it becomes increasingly necessary to reflect on our ways of thinking about the social and the economy as well as on the role of social science.

Endnotes

1 Goldscheid used expressions like "rentabilistic" or "rentabilitarianism" in order to characterize the orientation towards capital gains (rentability) he perceived as being dominant in his time.

2 This was characteristic of the interpretation which evolutionary biology received among exponents of the workers' movement at the time (Mocek 2002).

3 The term can be connected back to the classic work of Rudolf Hilferding: Das Finanzkapital, originally published in 1910. For a discussion of recent developments of finance capitalism, see: Gertraude Mikl-Horke (1999), 688pp.

4 The debate over a new US imperialism must be excluded here.

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Carlo Trigilia answers ten questions about economic sociology

Carlo Trigilia is Italy's foremost economic sociologist. He holds a chair in economic sociology at the University of Florence, and has been Lauro De Bosis professor at Harvard University. He published widely on regional development within Italy. In 2002, he published the widely read as well as translated *Economic Sociology: State, Market, and Society in Modern Capitalism* (Blackwell Publishers)

1. How did you get involved in economic sociology?

I took my degree in sociology in 1974 from the University of Florence. In the 1970s Italian sociology was young and strongly influenced by Marxist approaches. There was a reaction against the first wave of sociological studies and emphasis was put on empirical research. I started working on social classes in Italy. This is how I became involved in a network of young sociologists who were interested in studying economic organization, labor markets and industrial relations. The basic idea was to study how the economy influenced society by affecting social inequalities and social conflicts. Later on, in the late 1970s, I started a research on small-firm development in the Central and Northeastern regions of Italy (the so-called Third Italy). At this time my perspective began to change. Initially, I tried to understand the low level of industrial conflict in small firms, but gradually we discovered the importance of cultural, political and social factors in shaping a more flexible economic organization capable of responding to changes in the market. In other words, while at the beginning economic sociology was a tool for me to analyze the influence of economy on society, later on I became more interested in studying the autonomous role of culture and social relations for the organization of the economy. This shift toward a more complex and interdependent view of the relationship between economy and society was also favored by the study of Max Weber, which had been an important component of my training at the Department of Sociology in Florence. Later on, I continued reading Weber and was involved in the preparation of the Italian edition of his "General Economic History". I wrote the Introduction to this volume, which summarizes Weber's view on modern capitalism.

2. Could you name books and articles that have profoundly influenced your own thinking within economic sociology in the early days?

I have already mentioned the importance of Max Weber's work, but in my training other classics have been influential as well, especially Marx and Polanyi. In the 1980s, I became involved in the foundation of a new journal: "Stato e Mercato". This is an interdisciplinary journal of comparative political economy and economic sociology which initially had in its board American and European political scientists, experts in industrial relations and economic sociologists. Through this initiative, I was influenced by studies of interest representation, public policies and economic performance. For instance, the studies by Suzanne Berger, Charles Maier, Philippe Schmitter, Gerhard Lehmbruch, Colin Crouch, Wolfgang Streeck and others. This was the period in which the virtues of neo-corporatism versus the more traditional pluralism were discussed. Apart from that, I read the volume by Michael Piore and Charles Sabel on the "second industrial divide" when I was studying small firms and industrial districts. Giacomo Becattini's studies on industrial districts were also important, as well as Ronald Dore's works on Japan. Later on, working on transaction costs, Mark Granovetter's essays impressed me. His view of social networks - together with James Coleman's contribution – helped me developing a notion of social capital which differed from the "civicness" on which Robert Putnam constructed his work on Italy. I tried to use this relational perspective in the study of local economic development in Italy and Europe.

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

In the US, economic sociology is more micro and more sociological. The discipline is more institutionalized on the theoretical bases offered by the "new economic sociology" *à la* Granovetter. In Europe, I see more interest in the macro-economic dimension. In addition, there are diverse traditions that influence the field: a more interdisciplinary background. In this respect, I would consider comparative political economy both at the macro and micro level an important component of the European economic sociology. Recent developments on the varieties of capitalism and on features and changes in welfare systems should also be included in the field. However, I have to admit that this wider view of economic sociology is not shared by the leading figures in the discipline. The new economic sociology strongly (shall I say too strongly?) influences the perception of the discipline.

4. What are according to you the most important debates within the field?

I don't see hot debates and strong controversies. Of course, there are discussions on specific topics, such as the role of weak and strong ties in network studies. However, there are more latent issues. One of these – which seems particularly important to me – concerns the contrast between the structural theory based on networks and the new institutionalism. Both contributed to the new economic sociology, and to a successful reaction to "economic imperialism", but they entail significant differences in the conception of social action. The structural approach is more consistent with a rational theory of action, while this is not the case for the new institutionalism. This contrast would deserve to be more discussed because it has important implications for research, and also for the dialogue with economists. I also see a danger in current developments in network research: the tendency to invest in more complex and sophisticated models, but at the expense of sound and important theoretical questions. Younger economic sociologists are investing in new techniques, and this is fine. But this trend should not lead to neglect the most important substantial issues in economic organization and economic behavior. It is on this ground that economic sociology should challenge current explanations provided by economists. Another important issue that remains latent concerns the role of political factors in shaping economic organization and economic choice. The attention paid to networks at the micro level leads to neglect this aspect, but political institutions strongly affect economic organization and performance. That's why economic sociology and comparative political economy should be more integrated, as in the classical tradition, and especially in Weber's work. In my presentation of the discipline, I tried to emphasize this aspect. In his last book, Neil Fligstein has also stressed the importance of this relationship.

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

There is a lot of work to do. Much has been done in the fields of industrial organization and labor markets. More recently, financial markets are being studied with interesting results. This latter trend should grow because it is clearly crucial to the operation of contemporary capitalism. Another important issue is consumption. Economic sociology might have much to say, but this topic has so far been left to cultural sociologists. Personally, I believe that the study of local development is also important, both in advanced and backward contexts. This topic should not be intended in narrow terms, as research on small firms and industrial districts. The most innovative activities are locally embedded while operating in a global market. The process of economic innovation, in the current forms of economic organization, has a strong relational component and is particularly suitable to be analyzed by the tools of economic sociology.

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

It is certainly important because the economists' view is a continuous challenge that can help to improve the work done in economic sociology. Of course, not all economists are interested. But some are, especially those more inclined towards empirical research and institutional approaches. For the dialogue to be productive, discussing concrete research issues seems useful to me. Economic sociology should be able to demonstrate that it can provide more convincing explanations of specific phenomena than economics. This means that the old strategy based on a preliminary criticism of general assumptions on economic action shared by economists is not sufficient anymore.

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

I don't see single universities as particular strongholds. Of course, there are some places more suitable to study good economic sociology and where sound research is done as well. But these seem to me more related to the presence of leading figures in the field. In other words, I don't see real local schools, while the national dimension remains more important. From this point of view, the United States is an obvious stronghold for the new economic sociology, but in Europe I see favorable conditions especially in France, Germany and Italy. This does not mean that there are not interesting figures in other European countries, but in these three countries there is a more mature perception of the discipline, together with a certain distinguished national style.

8. Last year you gave a keynote address in Crete titled: "Why is economic sociology stronger in theory than in policies": Does economic sociology have policy influence?

The new economic sociology has provided sound explanations for the variety of economic organization. This has been a significant theoretical achievement. However, there is in an important potential for policies in the new economic sociology that has not been fully exploited so far. While the shortcomings in mainstream economics, particularly in the micro-foundation of economic behavior, have been clearly shown, policies to promote economic development continue to be largely influenced by standard economic thought. Current economic policies may vary from *laissez-faire* measures to state centered interventions. Both orientations, however, share the same attitude towards economic behavior. Economic action is about self-interested and socially isolated actors. In any case the role of social relations and social networks is not considered as a possible target for policies.

9. What are the policy implications of the social embeddedness of economic organizations?

We could hypothesize that the local availability of a rich network of social relations favors economic activity and development. It might help to tackle the problems of cooperation that are due to lack of information and trust; it might also help to develop favorable relations among the leaders of collective actors, thus improving the provision of collective goods. If these hypotheses were reasonably confirmed, we would have important elements for new policies that go beyond the old dichotomy between state and market, by promoting cooperation among individual actors (firms and workers) and collective actors (local governments and organized interests) – in other words, policies to produce good social capital. I see important suggestions for this perspective in the work by Peter Evans. In my opinion, proceeding in this direction would require more attention to the study of local development and innovation, and to the role of policies (therefore more relationships with comparative political economy). A shift from the study of organizational variety to organizational performance seems necessary, as well as more investment in comparative research on case-studies of local developments. These may involve dynamic cities, backward areas that experience new growth, or local innovation systems such as new high tech districts.

10. Do you think economic sociologists are at all interested in having influence on policies?

I do not think that this interest is widespread, although it might be more shared by those who are involved in comparative political economy. However, I hope that a greater awareness of the policy implications of economic sociology will increase, especially among younger scholars. In any case, my conception of social sciences is based on the idea that they should actively contribute to the reflexive reconstruction of society, as James Coleman has strongly suggested in his last book.

Read and recommended: recent literature in economic sociology

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The meetings of the American Sociological Association, held each year in August, have been a good occasion for me to get "retail therapy" based on massive doses of English-language economic sociology literature. The book exhibition accompanying the meetings brings together major, global academic publishers, and offers the opportunity to browse, compare and purchase as many sociology books as the weight restrictions of international airlines will allow. I am fully aware that is sort of therapy is one-sided, but think it nevertheless useful. This year's book exhibition did not disappoint me with respect to economic sociology, although, compared with the past years, some changes were quite visible. There were increased concentration and specialization visible this year in Philadelphia, together with the withdrawal of some major academic publishers, either from the subject area of economic sociology, or from the exhibition altogether.

It is even more refreshing then to see that important books still come from publishers not based in the Garden State. One such book is Dominique Foray's *The Economics of Knowledge*, an English translation of the French original (2000), and published by the MIT Press in 2004. Foray is a heterodox economist and a research director at the OECD, aware of the sociology's impact and importance for rethinking the main issues present in contemporary economic theory. He does not dismiss or ignore sociological literature, but takes it seriously and puts it to work in re-conceptualizing a key concept of economic theory. Foray systematically investigates and draws out the conceptual differences between the notions of information and knowledge, showing what the "knowledge economy" means and what its consequences are. At least three aspects are to be underscored here: (1) the author works out a concept of knowledge which combines insights from sociology and economics; (2) he shows the inadequacy of the standard economic notion of information; (3) he dismantles the myth of the "knowledge economy" as a an arrangement based on the information-processing industries. One of the most important consequences of this novel approach is that replacing information with knowledge opens up new ways of conceptualizing uncertainty and economic action.

Another notable book comes from Cambridge University Press: Jocelyn Pixley's *Emotions in Finance. Distrust and Uncertainty in Global Markets* (2004). Long neglected by economic sociologists, emotions have very recently come into the spotlight of sociological investigations. Pixley's book can be seen as being at the forefront of this re-orientation. In this study based on interviews with financial managers and journalists, the author investigates emotions not as something "irrational" and opposed to knowledge, but as a means of processing radical uncertainties about the future and of maintaining the impersonal, abstract trust in financial organizations. Emotions are analyzed as a thoroughly rational means of processing radical uncertainties, which are irreducible to risks. Jocelyn Pixley highlights both their stabilizing role, as well as the irrational downside of hypertrophied emotions: exaggerated trust and its opposite, exaggerated distrust.

To keep within the topic of trust and financial markets, I have chosen a third book, published by Oxford University Press in 2004: *Traders. Risks, Decisions, and Management in Financial Markets*, co-authored by Mark Fenton-O'Creevy, Nigel Nicholson, Emma Soan, and Paul Willman. Ethnographies of trading floors and traders are rather difficult to conduct (access being one of the major issues), and there are not many book-length ethnographic studies of securities traders. The present volume, based on interviews conducted in several investment banks, is conceived from the perspective of management and business studies; nevertheless, it acknowledges the relevant sociological literature on traders and trading floors. One of the authors' ambitions is to integrate the complementary perspectives of behavioral finance, sociology, and management studies as basis for analyzing trader behavior and its relationship to risk. Both the scarcity of ethnographic studies of traders and its multi-disciplinary perspective make this a valuable contribution to the economic sociology literature.

Financial markets are also investigated in Marieke De Goede's *Virtue, Fortune, and Faith. A Genealogy of Finance*, published by the University of Minnesota Press earlier this year. De Goede, who is a political scientist, investigates the historical evolution of the cultural frames in which financial markets work. What I liked about this book is that it pays attention to the historical dimension of these forms and that it highlights the discursive shifts which contributed to the emergence of modern financial markets. In her book, De Goede adopts a theoretical stance inspired by Michel Foucault, tracing the changes in both finance-internal and finance-external discourses from the eighteenth century to our days. Since cultural histories of financial markets are scarce, this book appears as even more notable (but see also Steve Fraser's recent *Every Man a Speculator. A History of Wall Street in American Life*, published by Harper Collins this year).

Job market

Four postdoctoral research officers (1 fixed term for 3 years and 3 fixed term for 1 year)
Institution: London School of Economics, Department of Economic History
Starting date: Appointments will commence on 1st January 2006 or very soon after.
Job description: We are seeking Research Officers to work on a major Leverhulme Trust/Economic and Social Research Council project on the Nature of Evidence under the umbrella title "How Well do 'Facts' Travel?". We invite applications from historians, sociologists, anthropologists and others interested in research of knowledge transfer between and within subject domains in a broadly defined sense. You will contribute to both conceptual and case work with the project team, working alongside five faculty members. You should have a completed or nearly completed PhD in a relevant field. Salary: £26,768 pa inc.
Closing date: for receipt of applications is 28 October 2005.
Application procedure: Please visit
<http://www.lse.ac.uk/collections/economicHistory/>
for information about the project and the department. See <http://www.lse.ac.uk/jobsatLSE> for a full application pack. Alternatively, email recruitment@lse.ac.uk or call 020 7955 6183, quoting reference AC/05/04.

Three-year Postdoctoral Prize Research Fellowships (PPRF) in Social Sciences
Institution: University of Oxford, Nuffield College
Starting date: 1st September 2006. The appointment will be for up to 3 years.
Job description: Applications are invited from graduates of any country wishing to undertake research in any area of the social sciences except Economics, for which there is a separate competition. (Those wishing to undertake interdisciplinary research which includes Economics may apply for either or both competitions.) The main interests of the College are in Economics, Politics and Sociology, but these are broadly construed to include, for example, social science approaches to history, social and medical statistics, international relations, social psychology and social policy. PPRFs' main responsibility is to engage in independent scholarly research. They have no teaching or administrative obligations but are expected to participate in the intellectual life of the College. They will be expected to organise a seminar or workshop in their subject area during the three-year term of their appointment and the College can help finance and organise these activities. Postdoctoral salary starts at £18,601 p.a. (Pre-doctoral grant of £10,219 p.a.) Research budget £2,173 p.a. Free single College accommodation or £4,550 p.a. housing allowance. Free lunch and dinner in College. Child support funds available. The Fellowships are intended for scholars from any country, who at the time of taking up the Fellowships will have completed, or be very close to the completion of, a doctoral thesis, or be at a comparable point in a research career. To be eligible, candidates should not, by that date, have spent more than a total of eight years in postgraduate study, teaching or research in the social sciences, and should not have previously held a research fellowship similar to that advertised.
Closing date: Applications must be received by Friday, 4th November 2005.
Application procedure: Further particulars and the application form can be obtained from the College web page: <http://www.nuffield.ox.ac.uk/> or from the Administrative Officer, Nuffield College, Oxford OX1 1NF. Email: justine.crump@nuf.ox.ac.uk

Tenure-track Assistant Professor
Institution: University of Kansas, Department of Sociology
Starting date: August 18, 2006
Job description: We seek a candidate with expertise in globalization, especially as it relates to the world economy and economic change, transnational economic processes, organizations, movements, and global transformations in labor and work; we are primarily interested in candidates with research and teaching interests focused on the Middle East. The successful candidate will contribute to our undergraduate and graduate instructional programs in Sociology and in the International Studies Master's program. This appointment is part of a special faculty enhancement initiative by the University of Kansas to add faculty whose presence will strengthen not only a single department, but also will complement and reinforce existing strengths and targeted areas of growth in the social sciences. Thus we welcome broadly trained applicants whose theoretically informed approaches to comprehend-

ing social issues will contribute to the university-wide goal of critically examining the increasing interconnectedness of peoples throughout the world.

Closing date: Review of applications will begin November 7, 2005 and will continue until the position is filled.

Application procedure: Applicants should send a letter of interest including a teaching and research statement, Curriculum Vitae, three letters of reference, evidence of quality teaching and sample course syllabi, and a sample of their written work to: Eric Hanley, Chair of the Globalization Search Committee, Department of Sociology, Fraser Hall, 1415 Jayhawk Blvd. Rm 716 Lawrence, KS 66045–7556: email hanley@ku.edu.

Tenure-track faculty position at the junior (Assistant or non-tenured Associate) level

Institution: Massachusetts Institute of Technology, Alfred P. Sloan School Of Management, The Sloan School's Institute for Work and Employment Research

Starting date: July 2006.

Job description: Candidates may have research interests in a variety of areas related to work and employment relations. Candidates must be prepared to teach courses on power and negotiation or conflict management. Candidates must have a PhD in a social science discipline such as sociology, economics, organizational behavior, political science, or industrial relations. However, other backgrounds will also be considered.

Closing date: Applications are due by December 15, 2005.

Application procedure: Please send a cover letter, Curriculum Vitae, supporting documentation, and three letters of recommendation to: Thomas A. Kochan, Chair, IWER Search Committee, MIT Sloan School of Management, 50 Memorial Drive, E52–583, Cambridge, MA 02142–1347, USA.

A tenure track assistant professor or a tenured associate professor position in the sociology of science

Institution: University of Missouri-Columbia, Department of Sociology

Starting date: August 2006

Job description: We are especially interested in applicants whose research relates to the life sciences. Graduate studies in sociology at Missouri center on four broad sub stantive areas: culture and identity; political and economic institutions, social movements, and public policy; social inequalities; and social control and deviance. Cutting across these areas is a heritage of interest in theory, knowledge, and critical inquiry.

Closing date: Review of applications will begin October 15, 2005 and continue until the position is filled.

Application procedure: Submit a statement of research and teaching interests, a Curriculum Vitae, and writing samples to: Science Search, Department of Sociology, 312 Middlebush Hall, University of Missouri, Columbia, MO 65211–6100.

Tenure-track positions (assistant professor, associate professor and professor) in Sociology

Institution: Singapore Management University, School of Economics and Social Sciences Position:

Starting date: Fall 2006.

Job description: We welcome applicants in all research expertise and geographical specialties, with preference for those with research expertise in one or more of the following areas: economic sociology, sociology of work & occupation, labor & labor movements, gender inequality, culture & mass media and information society. Applicants are expected to have a doctorate in Sociology, a demonstrated record of, or potential for, significant research, an aptitude for undergraduate teaching, ability & interest to do research in an interdisciplinary environment. Applicants for senior positions (Associate and Full professors) are expected to have an established publication record commensurate with the rank. Research support is excellent and teaching load is light with a maximum of 4 courses per year. Salary and benefits are highly competitive.

Closing date: Applications received by December 1, 2005 will receive full consideration.

Application procedure: All applicants should submit their Curriculum Vitae, a description of research interests, a statement of teaching interests & philosophy, selected reprints of publications & teaching evaluation if available, and arrange for three confidential letters of recommendation to be sent to: Sociology Search Committee, School of Economics & Social Science, Singapore Management University, 90 Stamford Road, Singapore 178903. Soft-copy submission may be sent to socialsciencescv@smu.edu.sg. More details can be found at
<http://www.sess.smu.edu.sg>.

Tenure-track position at the assistant professor level

Institution: Pitzer College

Job description: from candidates whose teaching and research expertise are in two or more areas from a global perspective: economic sociology, sociology of law, sociology of education, and science & technology studies. Preference will be given to candidates who can also teach quantitative research methods. Candidates should have a commitment to undergraduate teaching at a liberal arts college and are expected to engage in research and publication. Preference will be given to those candidates who have completed the PhD and who have teaching experience. Pitzer College, a member of the Claremont Colleges, has a strong institutional commitment to the principles of diversity in all areas and strongly encourages candidates from underrepresented social groups. We favor candidates who can contribute to the College's distinctive educational objectives, which promote interdisciplinary perspectives, intercultural understanding, and concern with social responsibility and the ethical implications of knowledge and action. Pitzer College is an Affirmative Action/Equal Opportunity Employer. For the successful applicant with the relevant interests, affiliations are possible with the intercollegiate departments of Asian American Studies, Black Studies, Chicano/Latino Studies, and/or Women's Studies.

Closing date: The deadline for applying is October 1, 2005, or until position is filled.

Application procedure: To apply, send letter of application, Curriculum Vitae, selected evidence of excellence in teaching and research, statement of teaching philosophy, a description of your research, and three letters of recommendation to Alan Jones, Dean of Faculty, 1050 N. Mills Ave., Claremont, CA, 91711.

Research Fellow, Modelling markets and consumer behaviour

Institution: University of Surrey, School of Human Sciences, Department of Sociology, Centre for Research in Social Simulation

Job description: Applications are invited for a postdoctoral researcher to work with Professor Nigel Gilbert on a project developing agent-based simulations of consumer market dynamics. The project is sponsored by Unilever Corporate Research and will be conducted in close co-operation with them. The project's aim is to investigate the usefulness of agent based simulations for modelling consumer behaviour in order to show the potential value and insights it can add to traditional methods. The project will last for three years and focus on two areas: 1) Exploration of the relative value of different consumer behaviour assumptions currently used in the literature. 2) Investigation of the role of social networks in information propagation and its relevance to key marketing issues including the impact on sales and product launches of advertising. To help validate the agent based models, Unilever will provide a range of aggregate market data and a few detailed, individual-based data sets. The position requires experience of the development of agent-based social simulations and knowledge of computational methods. A background in the social sciences, such as in the sociology of consumption, the psychology of consumer preferences and/or the economics of consumer markets, is essential. Salary: up to £23,643 per annum

Closing date: 16th October 2005

Job application: For informal discussions about the post, contact Professor Nigel Gilbert at n.gilbert@soc.surrey.ac.uk. For an application pack, or to apply, please download application documents from <http://www.surrey.ac.uk> under 'Working at UniS'. Alternatively, please contact Stephanie Lesanne, by email at s.lesanne@surrey.ac.uk or by telephone on 01483 682605 quoting reference 5106. To send an application, please post to: Stephanie Lesanne, HR Assistant, School of Human Sciences, University of Surrey, Guildford, Surrey GU2 7XH.

The 'Amsterdam Institute for Metropolitan and International Development Studies' (AMIDST) of the Department Geography and International Development Studies of the University of Amsterdam is looking for a qualified Masters student, specialized in:

(1) economic geography and well versed in quantitative research methods and GIS, to conduct a four year Ph.D-project, entitled 'Explaining the decline of the Amsterdam financial center'. This project aims to weigh the effects of a number of structural changes within the international financial system on the status of Amsterdam as a long-standing financial center vis-à-vis centers such as London, New York, Paris and Frankfurt.

(2) anthropology or economic sociology and with a strong interest in global finance, to conduct a Ph.D-project, entitled 'Bricolage' on the Trading Floor. How Innovative is the Amsterdam Financial Center?'. In this project ethnographic research methods will be used to compare the innovativeness of the 'high end' financial services in Am-

sterdam with that of London. To do so the structure of the hedge fund industry in both cities will be compared as well as the pattern of interactions on representative trading floors in Amsterdam and London.

Both positions are part of a larger research program, entitled: 'Where the global becomes local; Amsterdam and the changing face of finance' that was recently awarded by the Dutch Scientific Council NWO. This project will be executed within the theme group 'Space and Economy' of AMIDST. Some teaching (10%) is part of the job description.

Closing date: January 1, 2006

Application procedure: Send in your motivation, cv and at least one relevant publication or manuscript (preferably in English). Full descriptions of project and program can be acquired from secretariat of the department, email: amidst-fmg@uva.nl. For further information, please contact the program supervisor, dr. Ewald Engelen. Email: e.r.engelen@uva.nl, telephone: +31 20 5254059.

Call for papers

The state and social regulation. How should we conceptualize the coherence of public intervention?
Location: Matisse, University of Paris
Date: September 11–13, 2006
Description: Throughout history and at the different stages of the production process, the scope and the nature of state intervention have evolved. In the majority of industrialized countries, the 20th century saw a rise in social protection, in labour market regulations (employment laws, collective bargaining, employment policy), in public services (in particular education policy) and macroeconomic policies designed to support activity and employment. The economic and political circumstances have led these four elements to combine in different ways for different countries, forming the four pillars of what we call the "social state". This great transformation had hardly been planned. It was a pragmatic and multiform reaction to society's need for protection in the face of destruction induced by a generalised market-oriented thinking.

The 'modernisation' and 'reform' policies of public action and law, undertaken about 20 years ago in a large number of countries, lead us to question the topicality and the durability of the social state.

The aim of this meeting is therefore both thematic and theoretical. Thematic because the spirit, the boundaries and the limits of the social state must be specified, and also the capacity of the social state to 'rebound' in this time of financiarisation, globalisation, and of the construction of a new Europe (what articulation between the social state and social Europe?). Theoretical because we have the conviction that around the theme 'how can we conceptualize the social state', there is indissociably (i) the possibility of having a coherence emergence that is not only a negative positioning relative to the dominant neoclassic theory, but that has positive coherence (ii) the possibility to start a dialogue between different heterodoxy-inspired research areas (post-Keynesians, Marxists, regulationists, conventionalists, institutionalists, etc.) perhaps helping them to overcome some of their divergences.

Submissions: End of October 2005 : submission of projects of communications (5.000 to 10.000 characters, spaces included). Title of the communication, abstract, key words, and complete address(es) of the author(s) have to be sent to the Scientific Committee by e-mail or mail: e-mail: ColloqueEtatSocial@univ-paris1.fr. Postal address: *Colloque Etat social* – Matisse, MSE, 106 Bld de l'Hôpital, F – 75013 Paris. End November 2005: the scientific committee will answer the contributors. Beginning July 2006: submission of communications (final drafts). September 2006: meeting

Symposium on Framing the Market – Representations and Evaluations of the Market in the Netherlands
Location: Utrecht, The Netherlands (location tba.)
Date: Friday, March 10, 2006
Description: After prolonged periods of neoliberal newspeak, economic restructuring, and processes of globalization, the idea of the market continues to hold sway over public discourse. Whether one addresses it as the 'marketization' or 'economization' of discourse, the idea of the market time and again resurfaces in a host of debates. Debates for instance over the market in health care, the future of arts financing, the auctioning of television rights for soccer, the organization of our universities and schools, issues of democracy, the nation state or immigration within the European Union or globalizing world, all center in one way or another on contesting the meaning of the market.

This symposium addresses the impact of 'the market' in current public discourse, policy debates and professional circuits. It concentrates both on how the market is represented in these various debates as well as the moral and political evaluations of the market. What is meant by 'the market' in general? Are there 'Dutch' meanings of the market and how are these currently being contested? What does the market mean for how we understand contemporary life? Which kinds of value are attached to its resurgence? What kinds of arguments are used to praise or condemn its current applications to formerly non-market areas, and what is their theoretical and practical strength?

By speaking of representations and evaluations of the market, the focus is primarily with the perspectives on the market and less on an assessment of its socio-economic impact. By referring to representations and evaluations of the market in plural, this symposium aims to be multi-disciplinary. It considers any type of historical, cultural, social, moral and economic meanings of the market and does so against a variety of disciplinary backgrounds ranging from philosophy, political science, economics, sociology, anthropology, cultural studies to history and others. Both concrete case studies and theoretical contributions are welcomed.

The aim is to create a continued conversation on the theme of the symposium amongst the participants. Therefore, the symposium will consist of three or four sessions, in which three short 20-minute presentations will be followed by a plenary discussion. In order to prepare for a round table format, conference papers will be made available to participants in advance. The intention is to include a number of papers in a conference volume. Conference languages are Dutch and English.

A post-conference dinner will be organized for those interested. The fee is 25 Euro for organization costs, coffee, and lunch. PhD. Students: 15 Euro. Confirmed speakers at the symposium include: Marieke de Goede (University of Amsterdam), Irene van Staveren (RU and ISS), Ewald Engelen (University of Amsterdam).

Submissions of proposals: November 15, 2005. Send a 200–300 word abstract to either contact person below (after that date, depending on the number of submissions, proposals may be accepted on a rolling basis). Notification of acceptance: no later than December 15, 2005. Final submission of papers: February 15, 2006. Correspondence and Abstracts to: PW Zuidhof. Erasmus University Rotterdam. FHKW. P.O. Box 1738. 3000 DR Rotterdam. zuidhof@fhk.eur.nl. Or: Rutger Claassen, Utrecht University. Faculty of Philosophy/ Heidelberglaan 8. 3584 CS Utrecht; rutger.claassen@phil.uu.nl. Please do not use this postal address between 1 September and 24 December 2005 because of temporary absence (e-mail remains available). Submissions via E-mail are preferred.

Mini-track on Co-operative relationships and networks. The mini-track will take place at the Innovation Pressure Conference
Location: Tampere, Finland
Date: 15–17th March 2006
Description: Co-operative relationships and networks is a topic that attracts the interest of researchers, policy makers and practitioners who are recognizing the role of 'relationship work' and 'networking' in innovative activity. Indeed, there is an understanding that innovation takes place in dynamic and creative constellations of ideas, people and objects and their relationships to each other. How these constellations come together and change; how they are interpreted and shaped by the actors in the network; and what are their consequences across time and space are questions of interest in this call for papers.

We are looking for perspectives that transcend disciplinary boundaries to provide novel insights into the process and outcomes of co-operative relationships and networks especially within contexts of technology, business and innovation (e.g. various types of organizations, R&D projects, entrepreneurial action). Overall, we seek papers that focus on theoretical and methodological issues as well as empirical research including comparative studies across technologies, companies, industries, countries and cultures. Examples of more specific questions that would be of interest include:

- How can co-operative relationships and networks be conceptualised in ways that make space for movement, ambiguity and speculation as well as power, agency and emotions? How are visualization and narration involved in this? Can we use art-based theorizing as a source for inspiration, analogy and understanding of creativity and imagination?

- How should we study co-operative relationships and networks empirically? Do we need novel methodological approaches – case studies, ethnography, action research, discursive and narrative approaches, feminist perspectives and critical analyses?

- What is the role and meaning of co-operative relationships and networks in specific contexts of technology, business and innovation? Besides empirical research on large, global and high-tech companies, we particularly welcome studies on social contexts that have been sidelined in prior research: SME's, low-tech companies, women-owned businesses as well as ethnic, immigrant and social entrepreneurs' businesses.

This mini-track accompanies a theme area keynote on innovation and networking by professor David Barry from the Copenhagen Business School and Learning Lab Denmark. Professor Barry is known for his pioneering research in the areas of arts-based and narrative studies in the areas of innovation and change as well as strategy and leadership.

Submissions: Abstract dead line is 15th of October 2005 (max 250 words). Abstracts should be sent to Kimmo Halme (kimmo.halme@advansis.fi) and Päivi Eriksson (eriksson@hkkk.fi) indicating this mini-track preference. For more information for the preparation and submission of the abstracts and general information about the conference, see the conference web site at <http://www.proact2006.fi>.

EGOS Conference. Action in Institutional Theory: Actors Creating, Maintaining and Disrupting Institutions

Location: Bergen, Norway

Date: 6–8 July 2006

Description: Past research in institutional theory has offered considerable insight into the conforming influence of institutions on organizations. More recently, institutional theorists have turned their attention to understanding the role of individual and organizational actors in the creating, maintaining and disrupting of institutions. Much of this attention revolves around understanding processes of institutional entrepreneurship, but it also stems from research on the process of deinstitutionalization. We propose that these two streams of research represent unconnected strands of a larger construct termed "institutional work", which involves the purposive action of individuals and organizations aimed at creating, maintaining and disrupting institutions (Lawrence and Suddaby, Forthcoming). Thus far, research on institutional work has been largely unconnected as such. The purpose of this research track, thus, is to stimulate and connect theory and research in this area. We welcome empirical papers that describe and analyze practices of institutional work, as well as theoretical papers that discuss, extend, elaborate and challenge the notion of institutional work. Specifically, we are interested in papers that explore the processes by which institutions are created, maintained and disrupted. Hence we are interested in papers that explore and challenge:

- Micro processes of actors engaged in creating, maintaining or disrupting institutions
- Institutional entrepreneurship
- Practices of deinstitutionalization
- Routines and practices that reproduce institutions within and across organizations
- Types of agency and power relations in institutional work
- Actors' resistance to pressures to change institutions
- Cognitive, normative and regulative categories of institutional work

Papers might also take stock of what has already been achieved in our understanding of institutional work and build on this existing knowledge. We also welcome papers that bring new perspectives to understanding institutional work such as (but of course not limited to):

- Social movements
- Actor network theory
- The sociology of practice
- Bourdieu's critical sociology
- The pragmatic sociology of Boltanski and Thevenot

Papers might also offer new epistemological and methodological approaches to institutional work such as critical realism, rhetorical analysis, semiotics, phenomenological approaches, action research, or network analysis. Finally, we are interested in papers that apply and extend the construct of institutional work to new and emerging empirical contexts including social entrepreneurship, new technologies, professions and professional work, and new forms of organizing.

Conference organizers: Bernard Leca (ESSEC Business School and IAE of Lille, France, Bernard.leca@free.fr/leca@essec.fr); Roy Suddaby (Tippie College of Business, University of Iowa, USA, roy-suddaby@uiowa.edu); Thomas B. Lawrence (Simon Fraser University, Canada, tom_lawrence@sfu.ca)

More information can be found at: <http:// www.egosnet.org/conferences/collo22/sub_19.shtml>, or by contacting Bernard Leca.

How Class Works
Location: SUNY Stony Brook
Date: June 8–10, 2006
Description: The Center for Study of Working Class Life is pleased to announce the How Class Works – 2006 Conference, to be held at the State University of New York at Stony Brook, June 8–10, 2006. Proposals for papers, presentations, and sessions are welcome until December 15, 2005 according to the guidelines below. For more information, visit our Web site at
<http://www.workingclass.sunysb.edu>.

The conference seeks to explore ways in which an explicit recognition of class helps to understand the social world in which we live, and ways in which analysis of society can deepen our understanding of class as a social relationship. Presentations should take as their point of reference the lived experience of class; proposed theoretical contributions should be rooted in and illuminate social realities. All presentations should be accessible to an interdisciplinary audience.

While the focus of the conference is in the social sciences, presentations from other disciplines are welcome as they bear upon conference themes. Presentations are also welcome from people outside academic life when they sum up social experience in a way that contributes to the themes of the conference. Formal papers will be welcome but are not required. The conference welcomes proposals for presentations that advance our understanding of any of the following themes.

■ The mosaic of class, race, and gender. To explore how class shapes racial, gender, and ethnic experience and how different racial, gender, and ethnic experiences within various classes shape the meaning of class.

■ Class, power, and social structure. To explore the social content of working, middle, and capitalist classes in terms of various aspects of power; to explore ways in which class and structures of power interact, at the workplace and in the broader society.

■ Class and community. To explore ways in which class operates outside the workplace in the communities where people of various classes live.

■ Class in a global economy. To explore how class identity and class dynamics are influenced by globalization, including experience of cross-border organizing, capitalist class dynamics, international labor standards.

■ Middle class? Working class? What's the difference and why does it matter? To explore the claim that the U.S. is a middle class society and contrast it with the notion that the working class is the majority; to explore the relationships between the middle class and the working class, and between the middle class and the capitalist class.

■ Class, public policy, and electoral politics. To explore how class affects public policy, with special attention to health care, the criminal justice system, labor law, poverty, tax and other economic policy, housing, and education; to explore the place of electoral politics in the arrangement of class forces on policy matters.

■ Pedagogy of class. To explore techniques and materials useful for teaching about class, at K-12 levels, in college and university courses, and in labor studies and adult education courses.

Submission: Proposals for presentations must include the following information: a) title; b) which of the seven conference themes will be addressed; c) a maximum 250 word summary of the main points, methodology, and slice of experience that will be summed up; d) relevant personal information indicating institutional affiliation (if any) and what training or experience the presenter brings to the proposal; e) presenter's name, address, telephone, fax, and e-mail address. A person may present in at most two conference sessions. To allow time for discussion, sessions will be limited to three twenty-minute or four fifteen-minute principal presentations. Sessions will not include official discussants. Proposals for sessions are welcome. A single session proposal must include proposal information for all presentations expected to be part of it, as detailed above, with some indication of willingness to participate from each proposed session member. Submit proposals as hard copy by mail to the How Class Works – 2006 Conference, Center for Study of Working Class Life, Department of Economics, SUNY, Stony Brook, NY 11794–4384 or as an e-mail attachment to
<michael.zweig@stonybrook.edu>.

Proposals must be postmarked by December 15, 2005. Notifications will be mailed on January 16, 2006. The conference will be at SUNY Stony Brook June 8–10, 2006. Conference registration and housing reservations will be possible after February 15, 2006. Details and updates will be posted at <http://www.workingclass.sunysb.edu>.

Globalisation and the Semiperiphery Workshop
Location: Castletroy Park Hotel, Limerick (sponsored by the Department of Politics and Public Administration at University of Limerick)
Date: 4 March, 2006
Description: The semi-periphery is often overlooked in the search within IPE to visualize a bigger picture of international relations of exploitation, but development and underdevelopment are interdependent structures in the age of globalisation. Papers are invited for a workshop that intends to address this issue.

The foundations for this workshop lie within Wallerstein's World Systems group, which was established in the Fernand Braudel Centre in the late 1970s. Scholars criticised Andre Gunder Frank and the earlier dependencia school for its inability to account for rapid development of the semi-periphery. Wallerstein agreed with Frank that economic and political colonisers are at the pinnacle, or core, of world systems of exploitation. But dependencia theory overlooked economically operative, but non-expansive countries, whose production is crucial for the maintenance of global capitalism. Semi-peripheral nations are servantile sites for industry and production, 'used' by core nations for labour and tax cost breaks, so perhaps by definition, they support the global system but do not ultimately dictate their own development. States' leaders have made accelerate development initiatives to achieve international norms of production, finance and trade in cooperation with transnational forces. The impact is that relations of production have become increasingly volatile within the semi-periphery.

Will the battle between transnational capital class and groups subordinated by capitalism paralyse these nations' development, or can the semi-periphery achieve core status? This workshop questions 'where are/who are the semi-periphery today?', and 'will the aggravated conditions of globalisation within which these nations survive, ultimately prevent their development'?

Three geographical areas are targeted: East Asia, Eastern Europe, and Latin America. Papers should relate either specifically or generally, to the following themes:

- transnational social forces and their role in semi-peripheral development/restructuring
- implications of globalization for governance in the semi-periphery
- semi-peripheral economic re-configurations under the ambit of globalization
- the theoretical trajectory of theorisations about the semi-periphery

Submissions: Please send paper proposals to Phoebe Moore phoebe.moore@manchester.ac.uk and Owen Worth owen.worth@ul.ie. We will be able to cover accommodation as well as cheap flights for speakers such as Liverpool-Shannon, which cost about 20 euros.

Conference announcements

European Association for Evolutionary Political Economy (EAEPE) 2005 conference. A New Deal for the New Economy? Global and Local Developments, and New Institutional Arrangements
Location: City-State House of Parliament and Chamber of Commerce, Bremen, Germany
Date: November, 10–12th, 2005
Conference description: The "new economy" involves not only novel information, but it is also characterized by increased spatial and functional fragmentations of the value-added chains. On the one hand, these may give rise to information failures and problems of strong uncertainty which require the development of new institutional and specifically non-market arrangements that can cope with different forms of coordination and cooperation problems. On the other hand these fragmentations may indeed be accompanied by the development of new forms of coordination like local clusters and different forms of network cooperation in order to operationalise iterative interactions and collective learning processes.

These observed phenomena and theoretical concepts are relevant for a wide array of fields in economics and more broadly the social sciences. One area where information and arising problems of coordination and cooperation play an important role is the study of innovation and technical change. Technical change is based on the accumulation of information or knowledge through learning, which may lead to non-market determined outcomes. Information failures or the uncertainty that is inherent to choosing a priori a successful innovation from a stream of new information, in a fragmented and turbulent environment, thus bring about technological lock-in and path dependencies. Moreover, the rate at which new technologies diffuse may have implications for differential economic performances over space and time, the rate of employment, and the distribution of income.

The "new economy" is also associated with an increasing globalisation of production and societies, new forms of global politics and of a new global coordination. The spatial and functional fragmentation of the value-added chains may bear an important source for the creation of wealth. However, it may also worsen existing inequalities or bring about new ones and thereby increase the risk for conflicts, power-based interventionism and even war. Conflict – also armed conflict – may arise between old and new stakeholders, between members and non-members of a network or society.

These scenarios emphasize the importance of new local and global institutional arrangements that emerge or are designed to mediate the socio-economic transformations associated with the "new economy". And indeed, a new "new economy" might emerge from new forms of coordination and organisation of firms and new more comprehensive institutional arrangements.

The conference aims at discussing questions like: Does the "new economy" display qualitatively new spontaneous coordination and organisational forms, such as networks and local clusters? Are there new levels of "true uncertainty" and turbulence involved, with a cumulative character of information, ubiquitous collective good dimensions of information and innovation, and coordination failure, latent mutual blockages of actions and technological lock-ins? Also, is there an increase in power-based and hierarchy-related corporate action, and of hub&spoke network forms, controlled by the most powerful agents? Do these global networks contribute to an ever more uneven global development? Do they support, or even require, powerful, violent and war-like forms of interventions? Does a more human-like "new economy", on this background, need a "new deal" of institutional arrangements that support higher levels of certainty, reliability and trust, less turbulence, more collective action capacity, more stable expectations, less uncontrolled power concentration, and less violation in international relations?

The core part of the conference will be organized around some invited talks and sessions. The invited keynote speakers will be Paul Davidson (Editor, Journal of Post Keynesian Economics, and Visiting Scholar, New School University, NYC), who will speak on strong uncertainty and the possibility of creating coordinated action capacity, and Nobel Laureate and former World Bank Economist Joe Stiglitz (Columbia University, NYC), on the presence and future of international relations and the war economy.

Furthermore, a broad group of institutional and evolutionary associations, research networks, institutes, departments, and individuals have been invited to contribute to

the core and open parts of the conference. Many have already agreed to attend, submit papers and even to care for organizing guest sessions and panels, either alone or jointly sponsored with EAEPE. This will go beyond the joint EAEPE-ECAAR sessions that EAEPE had at its previous conference (and will have again this year). For more information see
<http://eaepe.org/eaepe.php?q=node/view/92>

Constituting Globalisation: Actors, Arenas and Outcomes (SASE 2006). 18th Annual Meeting on Socio-Economics
Location: University of Trier, Germany
Date: Trier, Germany, June 30–July 2, 2006
Description: Contrary to views that globalisation constitutes an unstoppable force, immune to intervention, this conference foregrounds a focus on the role of actors in both the creation and further shaping of the globalisation process. Actors, such as MNCs, states, international institutions, non-governmental and interest organisations, as well as social movements are seen to influence the dynamics and direction of this process in many arenas and at multiple levels. Presenters will address crucial interventions by collective actors in developed and developing societies. Speakers will evaluate the often complex and contradictory economic, social and political effects on various constituencies, such as vulnerable countries, regions, industries or social groups, as well as monitor the increase in wealth and/or influence of more powerful actors.
Call for papers and further information: to follow.

Organizing Paths – Paths of Organizing.
EIASM Workshop
Location: Free University of Berlin
Date: 3-4 November 2006
Description: With this workshop we aim to bring together researchers from all over the world who apply the concept of 'path' in studying social processes and phenomena in a broad range of disciplines, settings and topics. By exchanging the latest ideas and findings in this two-day forum, it will be possible to demonstrate common ground and collective advances as well as self-critical reflection and unresolved problems.

Starting out as a rather specialist challenge to orthodox neoclassical economics, the concept of path dependence has become by now one of the most inspiring and versatile explanations for the self-reinforcing continuation of social, technological and economic phenomena that resist change even when outcomes are considered suboptimal. Meanwhile, the concept of path dependence has been challenged itself, not only by economists who reject it, but more importantly by social scientists who criticize the marginalization of agency in path dependence. The new concept of path creation captures the idea that actors can also seek to influence paths through mindful deviation and the generation of momentum. Overall, path constitution could be rather emergent or mindfully produced in the different phases of path generation, continuation and termination.

From the perspective of management, but also from policy making in general, research on paths stimulates renewed interest and original explanations with regard to one of the fundamental questions of modernity: Can we be entrepreneurs of our own fate (voluntarism) or are we subject to inevitable forces (determinism)? Framing this question in terms of paths requires more than metaphorical discourse. In order to truly advance our understanding, sound theory and empirical investigations are called for.

We invite the submission of extended abstracts for conceptual and/or empirical papers without any restriction as to the theories or methodologies applied. We imagine that besides participants who have been engaged in 'path' discourses before, others may have only recently started to apply the concept seriously, coming from research on institutional theory, structuration theory, actor network theory, theories of organizational change, marketing, innovation, product development, entrepreneurship, group dynamics and so on.

One focus of this workshop is indicated by the title 'Organizing Paths – Paths of Organizing'. It draws attention to the organizational aspect of paths. On the one hand, paths are organized. Whenever we suspect that an institution, a technology, a market, an industry, a cluster, an organization or a group of people possesses the features of a path, we can ask how this path is organized, i.e. how different mechanisms play together and what kind of influences have an effect on the path. On the other hand, particular forms of organizing, such as bureaucracy or industrial districts, may be seen as paths, too, and this may explain how organizations work internally and interact within their organizational fields. We speak of organizing to suggest that paths are more or less reflexive processes maintained by social practices over time, thereby also acknowledging contingency and the potential for path creation.

Workshop organizers: Peter Karnøe, Copenhagen Business School; Guido Möllering, Max Planck Institute for the Study of Societies, Cologne; Jörg Sydow, Free University of Berlin. This EIASM Workshop is organized in collaboration with the Doctoral Program "Research on Organizational Paths" at the Free University of Berlin
<http://www.pfadkolleg.de>.

Submissions: Abstracts should be 1,000 words long, specifying their theoretical foundations, original contributions and concrete areas of application. Full papers will be required in time for the workshop. Within management, we expect submissions from organization theory, organizational behaviour, strategic management, marketing, innovation and entrepreneurship. Beyond management, we explicitly welcome contributions from economists, sociologists, historians and political scientists. In sum, any serious research on 'paths' could be relevant to this workshop. Deadlines: Submission of abstracts – 15 July 2006; Notification of authors – 31 July 2006; Uploading full papers – 30 September 2006.

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