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# ECONOMIC SOCIOLOGY

## European Electronic Newsletter

Vol. 5, No. 3 (June 2004)

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## NOTE FROM THE EDITOR

Dear reader, the current issue opens with an overview of the French Convention School, and it is followed by an interview with one of its central figures, Laurent Thévenot. Søren Jagd has written the text, as well as conducted the interview with Thévenot. Together the overview and the interview provide the readers with good insights into this school of thought, as well as its relation to other schools. This issue also includes two articles dealing with the borders between and intersections of the economic and other social spheres. The first article is by Olav Velthuis, who has studied art markets in Amsterdam and New York. This article could be seen in relation to a previous article, by Martin Gustavsson (Vol. 5, nr 1 of the Newsletter), which also analyzes art markets. The second article is by Glenn Sjöstrand, who has studied a Swedish industrial district in the Gnosjö area of Småland, in which also IKEA once started. The two articles of this issue both analyze the complexity of social relations of the real world, between the poles of gift exchange and market exchange.

As you have already noticed, the Newsletter has changed hosts. After five years with excellent service by SISWO, the Max Planck institute in Cologne will be the new host. The new website will effectively become the hub of economic sociology, since it will not only be where the Newsletter is published, but it will also contain links and other useful materials for everyone interested in economic sociology. I encourage you to spend some time to familiarize yourself with the new site, and to store it among the “favorites” of your web browser.

The web site will of course expand, and so far we have included links to sites of interest to economic sociologists, and to some journals that regularly publish articles of interest to economic sociologists. Many articles in the field of economic sociology are published in major journals, but there are also more specialized journals. Additional journals will most likely surface in the future, for example in the field of institutional economics. Naturally, the Newsletter is a site for publication of interesting material in the field of economic sociology, especially since its readers focus on economic sociology. The new site also includes a list of journals that are of interest to economic sociologist.

This is my last issue as editor. Together with Mattias Smångs, who has also worked on these three issues of the Newsletter, we would like to thank all contributors to Volume 5. The next editor is Olav Velthuis, and you can contact him at [velthuis@dds.nl](mailto:velthuis@dds.nl). We wish Olav good luck, and we are all looking forward to read the next issue!

Patrik Aspers

## LAURENT THÉVENOT AND THE FRENCH CONVENTION SCHOOL A SHORT INTRODUCTION BY SØREN JAGD

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The French Convention School shows an interesting interplay between economic and sociological perspectives on economic action. Yet, this French school is rather unknown outside France even though a few introductions are available (Wagner 1994; Wagner 1999; Wagner 2001), (Wilkinson 1997). This short note is intended to give a brief overview of the major publications of the Convention School with a special focus on Laurent Thévenot's work. The interview with Laurent Thévenot presented below was carried out as part of the data collection for a forthcoming introduction to the French convention tradition.

The official birthday of French Convention Theory has been linked to a conference on the labour market entitled "Les outils de gestion du travail" held in November 1984 (Orléan 1994). The notion of convention was central from the very start as shown by the title of the papers from this conference, *Le travail. Marchés, règles, conventions* edited by Robert Salais and Laurent Thévenot (Salais and Thevenot 1986). An important preoccupation was the study of how labour was qualified through the application of rules, norms and conventions. In 1986, Thévenot also edited a study on Economic Conventions (Thévenot 1986). It was the publication of a special issue of the top economic journal in France *Revue économique* in 1989 on Economics of Convention that made the group known in wider circles. A special feature was the programmatic introduction written in collaboration by Jean-Pierre Dupuy, François Eymard-Duvernay, Olivier Favereau, André Orléan, Robert Salais, and Laurent Thévenot (Dupuy, Eymard-Duvernay et al. 1989).

While, since then, most of these researchers have worked on slightly different tracks elaborating different aspects of the role of conventions in economic life, a few important books mark the development of the convention tradition. Based on the papers from a conference on Economics of Conventions held in March 1991, André Orléan edited a book that presents the theoretical perspectives of the tradition (Orléan 1994), a revised version has recently been published (Orléan 2004). An early publication in English was Michael Storper and Robert Salais' book *Worlds of Production* (Storper and Salais 1997). A more recent publication is an anthology of papers from a conference on *Organizations and Markets* in July 1998 that was edited by Olivier Favereau and Emmanuel Lazega (Favereau and Lazega 2002).<sup>1</sup> It should also be mentioned that in December 2003 an important conference was held in Paris with the title *Conventions et Institutions: approfondements théoriques et contributions au débat politique*. The aim of the conference was to discuss the state of the art of the tradition with a special focus on the contribution of the economics of convention to the broad institutional tradition in the social sciences.

From this short overview it can be seen that Laurent Thévenot have played an important role in the development of the tradition from the very start. One of the special features of his work is, in my opinion, a particular awareness of the way economics and sociology may be

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<sup>1</sup> This book is reviewed in this issue of the Newsletter by P. Aspers (see below).

fruitfully connected. His academic background was in economics with a Bachelor's from *École polytechnique* and with a Master's from the ENSAE, he was employed as administrator at the National Institute for Statistics and Economic Studies (INSEE).

Looking back, it is striking that the group of people working at the research section of INSEE at that time was very important for the development of the convention tradition and also for Laurent Thévenot's work. At INSEE, Thévenot met several other who came to play a central role in the Economics of convention tradition: Robert Salais (Salais and Storper 1992) was the leader of the research section at INSEE, Laurent Thévenot worked together with François Eymard-Duvernay (Eymard-Duvernay 2002). André Orléan (Orléan 2001) was also working at INSEE although in a different section. At INSEE Thévenot also met the sociologist Alain Desrosières (Desrosières and Thévenot 1988), who introduced him to Bourdieu.

From 1975 he gained a background in sociology through his link to Bourdieu, leading to one of his first publications, on youth as a statistical category (Thévenot 1979). Through Bourdieu he met the sociologist Luc Boltanski in 1981, who was Bourdieu's closest disciple (Dosse 1999). In 1982, Boltanski published his study of the rise of the French management profession (Boltanski 1987). In 1981 they started to work together on the problem of the socio-professional categories of the INSEE. To train volunteers, they developed exercises in 'the form of games: the participants were to classify the census information sheets corresponding to the professions, find coherent sets, then designate a profession representative of a more general interest, and collective discuss the pertinence of these regroupings' (Dosse 1999, p. 38). This project, presented in the paper on *Finding One's Way in Social Space* (Boltanski and Thévenot 1983), enabled Boltanski and Thévenot to discover the reflexive competence of non-specialists.

Around the same time, Thévenot returned to his original discipline, economics, producing his research on *Investments in form* (Thévenot 1984). Taking his departure in the notion of code which is applied 'to the set of conventions which govern "regulated" communications between people' (Thévenot 1984, p. 1), he argues that there has been a huge increase in coding operations. Codes may be of very different types, such as statistical, legal and administrative, linguistic, occupational, and technical codes. Using the large repertoire of form-giving instruments applied in Taylor's *Principles of Scientific Management* as an example, the notion of investment is expanded to cover these types of form-giving activities, including tools, trademarks, instructions, training and habits.

After the inquiry into socio-professional categories, Boltanski became interested in the question of denouncing injustices. Based on empirical studies, such as the selection of readers letters to the newspaper *Le Monde*, Boltanski started to develop a plurality of modes of justification: civic, domestic, inspired, and renown. To these four types, Thévenot added two other modes of justification: market and industrial greatness. These plural forms of justification led to their elaboration of six grammars of justification (Boltanski and Thévenot 1987, 1991). This work has been highly influential in recent French sociology as well as in the French Economic of Convention tradition.

An important hypothesis from this work is 'that the same persons have, on the same day and in the same social space, to use different devices for assessment, including the reference to different types of worth, when they shift from one situation to another' (Boltanski and Thévenot 1999, p. 369). To illustrate this hypothesis, Boltanski and Thévenot, in their 1991 book, looked at how these six worlds of action are applied to the management of one resource, labour, in management literature. In 1984 they established a research group, the

GSM (Groupe de sociologie politique et morale) at EHESS (École des Hautes Études en Sciences Sociales), in Paris, where Boltanski and Thévenot's work on justification was used as a basis for many empirical studies. Since 1984 Boltanski and Thévenot have cooperated on several important projects (Boltanski and Thévenot 1989, 1991, 1999, 2000).

During the 1990s, Thévenot elaborated on the various interrelated aspects of conventions in relation to economic action, some of the most important themes have been the concept of convention (Thévenot 1993) which he further elaborated with the philosopher Pierre Livet (Livet and Thévenot 1994, Livet and Thévenot 1997), norms and markets (Thévenot 1995), and cognition (Conein and Thévenot 1997, Conein and Thévenot 1998). In the late 1990s, together with several other French and American sociologists, Thévenot conducted a comparative study of France and the US applying the model of grammars of justification developed earlier (Lamont and Thévenot 2000).

Recently Thévenot has further elaborated his analysis in the context of the theory of action (Boltanski and Thévenot 1999), moral philosophy (Boltanski and Thévenot 2000), actor-network theory (Thévenot 2001), the analysis of organizations (Thévenot 2001), practice theory (Thévenot 2001), economics (Thévenot 2002). I will provide three examples to illustrate how the perspective of conventions is used to sharpen the analysis of economic action.

In the paper on *Organized Complexity: Conventions of Coordination and the Composition of Economic Arrangements* (Thévenot 2001), Thévenot applies his notion of coordination to economic organizations. A common conception of organizations is a stable and collective order, maintained by different types of constraints: rules, hierarchical prescriptions, rationalizing and bureaucratic methods, social structures, shared representations or common cultures. This 'over-coordinated' vision of organizations is being challenged from several different perspectives in organizational studies. From this experience of bringing about an alternative perspective to this 'over-coordinated' vision of organizations, Thévenot draws two conclusions. First, we need a notion of coordination which is more open to uncertainty, critical tension and creative arrangements than the ideas of stabilized orders. The characterization of modes of coordination should point to their dynamics, not to the resulting orders. Second, we need to account for a variety of modes of coordination.

Taking his departure in the notion of investment in forms, Thévenot links different perspectives, such as pragmatism and actor-network theory, to develop a more refined view on forms of cognition and realism to establish 'a notion of coordination which takes into account commerce with things as well as commerce with people' (Thévenot 2001, p. 408). A further step is to relate cognition to evaluation, as was done in the work with Boltanski on forms of justification. Complexity is seen to result from the variety of modes of coordination. Compromises can bring local and temporal compatibility between these different modes of coordination. Organization is theorized as arrangements which have been specifically designed for such a compromised complexity. All organizations, in this perspective, have to cope with critical tensions between different orders of worth.

Following this perspective, it is argued that the firm should be treated as 'a compromising device between several modes of coordination, involving at least the *market* and the *industrial* modes' (Thévenot 2001, p. 211). In the paper critical tensions between market and industrial modes of coordination are analyzed. Further, the basic elements of the domestic mode of coordination are discussed and the critical tension between the domestic mode and the market

mode of coordination and between the domestic mode and the industrial mode of coordination are discussed.

In the paper on *Conventions of Co-Ordination and the Framing of Uncertainty* (Thévenot 2002), Thévenot applies his notion of coordination to the analysis of interaction in mainstream economic theory. Thévenot argues that three types of core assumptions are more or less explicitly formulated in the different approaches to interaction in the different social sciences: the first type of hypotheses (H1) has to do with the *competence* with which the social actors are endowed, such as optimizing rationality in the economic model; the second type of hypotheses (H2) concerns the set of relevant *objects* which are involved in their interaction, such as commodities in the economic model; and the third set of hypotheses (H3) addresses the mode of co-ordination between the actors, such as the institutions, conventions, or rules upon which the actors agree, such as market competition in the mainstream economic model. The first type of hypothesis is a basic and highly debated aspect of economic theory. The second type of hypothesis most often remains unspecified in mainstream economics since the common identification of the list of commodities is generally considered as ‘natural’. The third set of hypotheses has only recently been brought up in economics, such as in the analysis of forms of co-ordination which differ from pure market exchange by New Institutional Economics, Principal Agency Theory, or Economics of Convention.

Thévenot addresses the tensions that occur in the economic model of action when it faces situations where behaviour no longer follows a single mode of co-ordination such as market coordination. In such critical situations, actors are torn between incommensurable rationales. Based on the research programme that he conducted with Luc Boltanski, Thévenot argues that the market order of worth is viewed as one among a plurality of equally grounded modes of evaluation involved in the coordination of action. This plurality of modes of coordination is seen to be constituted by objects that are relevant for each of those modes. The plurality of the forms of co-ordination (H3) and the plurality of relevant objects (H2) then leads to the need to reformulate the hypotheses about rationality (H1). The uncertainty concerning forms of coordination and relevant objects is seen to demand an analytical framework that implies significant changes in our way of addressing human action.

Expanding on the example of conflicting justifications for giving blood discussed by Oliver Williamson (Williamson 1975), Thévenot shows that coordination may be problematic. In Williamson’s example, the actor can either donate his blood or he can sell in on the market. In order to show the problems posed by different modes of justification, Thévenot places Williamson’s example in the framework of a confrontation between an actor and an interpreter.

### Figures of judgement in a complex situation

	Actor	
Interpreter	C (civic)	M (market)
C	Sympathetic	Greedy
M	Naïve	Realistic

The first order of justification is civic (C) grounded on the notion of the common good constituted by collective solidarity. The second order is a market justification (M) based on the common good constituted by the possibility of a market agreement. The two diagonal cells

correspond to situations that may be said to be ‘natural’ because both the actor and the interpreter agree upon the assumptions of the action. The two other cells correspond to critical situations in which the actor and the interpreter analyze the situation according to different forms of justification. It is argued that Williamson only considers the first column. Adding an interpreter demonstrates the complexity of the situation brought about by the critical confrontation of these different modes of justification of action.

Thévenot argues more generally that the problems encountered in explaining co-ordinated action by only taking into account the first set of hypotheses (H1), dealing with the competence of the actors should lead us to explore the two other set of hypotheses (H2), about the object and (H3), about the forms of co-ordination. The notion of the qualified object is introduced as a way of accounting for the investment in form that links objects to different modes of co-ordination of action. The notion of principles of worth, as analyzed together with Boltanski, is introduced as a way to account for the different forms of co-ordination.

Recently, Thévenot coordinated a programmatic text, written collectively by five of the six co-authors of the 1989 issue of *Revue économique*, for a conference on convention theory held in December 2003 in Paris (Eymard-Duvernay, Favereau et al. 2003). In the programmatic text, it is argued that the Economics of Convention programme incorporates, in a new perspective, three issues that have been dissociated by a century and a half of economic thinking: the characterization of the agent and his/her reasons for acting; the modalities of coordination of actions; and the role of values and common goods. Economic sociology is seen to offer a counterattack to the extension of economic theory to non-commercial relations. Nevertheless, it is argued that the models of social action applied in sociology fail to characterize the specificity of action and coordination involving market objects, but lead to a reduction to models of social links. It is argued that a common issue for both sociology and economics is the problematic coordination of human actors. Each discipline has concentrated on different specifications of this coordination. Economics of convention would instead like to preserve the resulting pluralism. The notion of coordination developed by EC highlights the role of collective forms of evaluation.

Classical authors in both economics and sociology are found to have remained close to the reference models from the natural sciences, highlighting equilibriums, orders and structures of social reproduction. For interactionist sociologists, uncertainty remains part of the idea of an “order of interaction”, even if it is “negotiated” locally in the situation. Ethnomethodologists are particularly doubtful concerning the notion of order. For economists, the problem is concentrated on notions of uncertainty and information.

Economics of Convention proposes to take into account uncertainty weighing on the coordination of behaviours by differentiating forms of uncertainty and thus information, and then relating them to different forms of evaluation. Evaluation is then conceived of as being at the centre of coordination. In all coordination, whether in the market, in an enterprise, or aimed at political agreement, there is no regularity at the start of the action. In this sense, uncertainty exists for everyone. Overcoming that uncertainty requires the conventional construction of products, services and expectations that are the mediums of the commercial interaction and productive activity of firms. Conventions channel uncertainty on the basis of a common frame of evaluation that qualifies objects for coordination. Market conventions of qualification are seen as one among a plurality of such conventions of qualification.

Two types of pluralism are argued for. First, a “horizontal” pluralism of conventions of qualification presenting a high degree of generality. This type of pluralism opens the



possibility for an analysis of markets and economic organizations without reducing them to a calculation about contracts or transactions. This, it is argued, presents a better foundation for studying business enterprises and the particularity of labour and financial markets. Markets are then seen as places where the quality of goods is tested and evaluated through activities of codification, measurement, certification, regulation etc. It is argued that classical economics and sociology tend to consider the founding institutions (the market, the community) as exogenous, universal and stable. The economics of convention makes it possible to recognize the theoretical specificity of each type of institutional market device. To illustrate the point, the special features of two types of markets - labour markets and financial markets - are presented.

The introduction of radical uncertainties and of critical dynamics into the analysis leads to the conception of conventions that are plural and evolving. Actors 'are placed in a conventional environment (formed mainly by texts, legal corpuses, accounting units, evaluation tools) that they rearrange to remedy the lack of coordination and cooperation. And, furthermore, that to introduce this conventional dynamic into the analysis, the actors have to be endowed with a reflexive capacity regarding their own state, as well as a capacity to remodel forms of community life – in other words, a political capacity' (Eymard-Duvernay, Favereau et al. 2003, p. 13).

The second type of pluralism, "vertical" pluralism, is oriented towards more situated coordination and more personal conveniences. In both sociology and economics, various researchers have focused on non-reflexive relations with the world, such as habitus, routines and practices. Economic theory has, for example, proposed two local models, one with weak rationality (routines) and the other with strong rationality (contracts), both of which are considered unsatisfactory. On this basis a distinction is made between constituent conventions (Convention 1) which support the most legitimate modes of coordination, and second-level conventions (Convention 2), which encompass more limited rules intended to coordinate normalized local action plans. The analysis should then focus on the dynamics between these two levels of coordination.

This short introduction has been highly selective and only a small part of all Laurent Thévenot's publications has been presented here. Nevertheless, it should be clear that he has contributed, in several ways, to the recent development of social theory and, what may be of special interest here, he has explicitly elaborated on the importance of a sociological perspective for the study of economic action.

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## THE FRENCH CONVENTION SCHOOL AND THE COORDINATION OF ECONOMIC ACTION.

Laurent Thévenot Interviewed by Søren Jagd<sup>2</sup> at the EHESS Paris.

*Starting in economics very early you seem to have had an interest in a sociological perspective on economic action. Where did this sociological inspiration come from?*

Several of the people who participate in the convention tradition have the same background that I have, the *école polytechnique*, which is based on mathematics and physics. It is the highest level within an *Ecole Normale Supérieure* on this topic. It means that all these people have their first training in economics. In France it is not possible to enter this kind of school with both an interest in humanities and in mathematics. At some step in the former training you have to choose. Why did I say that? Just to say that many of the people who find themselves within this school are actually quite interested in other areas. This was clearly the case of Robert Boyer of the regulation school, Robert Salais, André Orléan, Jean-Pierre Dupuy, and me. The five of us are from the *école polytechnique* and we are all interested in other things than mathematics.

After the *école polytechnique* the best students chose to make an application for a second *grande école* for their Master degree. I chose INSAE, which leads to INSEE (The National Institute for Statistics and Economic Studies). You need to know that in France INSEE is not only an economic bureau. In the same institution you have people producing statistics and people analysing them. At this time the neoclassical tradition was not very strong and there was a whole range of interests. The interest in sociology was shared by quite a few of these people. Alain Desrosières was already in INSEE, with the same background as I had, together with another French sociologist, Daniel Berthouex. Both of them, but mainly Alain Desrosières, was the link to sociology and especially Bourdieu's sociology. It was the most sophisticated sociology at that time. It was also well suited to the problem we were dealing with which was classification.

I was a student of Bourdieu, but not for a very long time. I have even written a perfectly Bourdieusian paper. Bourdieu was used to rewrite the papers. He said what, for him, was the very best compliment: "There is not a sentence to change". So, I learned this language and this theory. Then I discovered Luc Boltanski, who was actually at this moment departing from Bourdieu. He had been working with Bourdieu. He was really the main collaborator. I then began to work with him. This is, of course, a very long story of the construction of a new kind of sociology, which was completely antagonistic to Bourdieu's.

One of the problems we have in translating French terms to English is with the concept *dispositifs*. It is very difficult to translate. Of course, it was already used by Foucault. For us it is a very central category. *Dispositifs* are very interesting in French because it contains *disposé* that has the same root as *disposition*. Disposition is the main category for Bourdieu

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because disposition is the *habitus*. So, in French you are *disposé à faire quelque chose* (disposed to do something). Let us begin with that.

Bourdieu worked from the assumption that the disposition is rooted within the person, incorporated and rooted for all his life. This means that the disposition is the same in all situations, which is not very dynamical. It is a very good assumption to have for a theory of reproduction of course, but otherwise you have a rather poor idea of human beings because they are just developing the same schema all their life in all situations. Actually, we considered the antagonistic assumption, which is that many dispositions are within the *dispositifs*, which means within the arrangement of the situation.

There was also a strong opposition to Bourdieu in terms of politics and morals. For Bourdieu, of course, it was the Marxist schema of the struggle of social groups. We were thinking that politics and morals was a big issue for people, that there were many ways to place values on things. We were working against the way to look at politics just as trial of force and of collective opposition of groups which is the view by Bourdieu and by many other social theorists. Actually, we were rebuilding the link between political and moral philosophy. Sociologists deal with political issues as a question of strength and struggle and with moral issues as a question of ideology, beliefs and values, which is not really part of their analytical framework. Even in Weber, who is the most advanced sociologist in this respect, the level of values is relatively disconnected from the level of rational choice of means.

My first work was on manpower forecasting models which were connected to the French state planning of education. Since I was building this model I had to work on the connection between education and occupation. So my very first work was actually on qualification. Actually the theme of qualification became a sort of a common object of discussion within this unit of INSEE.

Because of this question of qualification I already have been working on occupational classification because it was my main tool. The beginning of this idea of plurality came from the idea that there are deep, deep contrasted ways of what we call in French *rapproché*, a word which does not exist in English. There are different ways to bring together, but the idea of *rapproché* is more interesting because you have not the idea that at the end they are together. You have the idea of the process – of getting closer. That means that classification was not so simple as it was presented because they had somehow to compromise between these different modes.

It was in 1984 that I published in English the version of *Investment in Forms* and I was working together with François Eymard-Duvernay. We developed this notion of qualification both of people and products. I was working together with François Eymard-Duvernay mainly on firms and with Luc Boltanski, with whom I began to work at this time, on the qualification of people and more generally the way they were categorised in the social space. Alain Desrosières was the one who trained me. We were very close together in the same institution. André Orléan was working in a very different area, on money. François Eymard-Duvernay was also in the same institution. It was a very intense milieu where people could work together and have genuine cooperation.

*When I first read your paper on investments in form I read it as a kind of a social constructivism, but when I was re-reading it I couldn't really find it. So maybe I just constructed a social constructivism?*

I think, somehow, we were social constructivists at that time. Now, I am very opposed to it because we are considering the fact that there is a process of qualification. What is a social process? This is just missed in social constructivism. When you say that it is a social invention, a social process, well you feel satisfied. But for us it was not only a social process. It was a technical as well as an organisational process, which means that it was not only a problem of social beliefs and of social representations. It is actually a process that had to be dealt with as we deal with production processes, but it is much more fundamental. That means that from the very beginning the notion of investment in form was a project on coordination, which is not explicitly considered in social constructivism. In social constructivism coordination is very simple. It is a fact that there is a social group and that people agree on representations. Coordination is just assumed. For us it was and still is the big issue. I think it is even more important than convention. Modes of coordination, this is the big issue. So, from very far you can say that it was a part of the social constructivist turn, but quite rapidly it departed from social constructivism and opened towards a new program on problematic uncertain coordination between human beings.

*It seems to me that there are three slightly different approaches to describe the plurality of economic action in the Economics of Convention tradition. Your work with Boltanski on the theory of grandeur, François Eymard-Duvernay's notion of conventions of quality and Robert Salais' conventions of labour. Can you explain how they are related?*

These three are related. The approaches of Olivier Favereau and André Orléan are different. André Orléan is influenced by René Girard and by the idea of imitation which is in Girard. At the same time, I think, he has a sort of basic Durkheimian view of the social as a sort of agreement within a collective. In the case of Olivier Favereau, it is clear too that the background is different. Maybe the three approaches you mentioned are more or less related to this notion of a plurality of worth. I prefer worth to greatness. Worth is not a perfect expression but it focuses on the idea of giving worth which is the main question.

*What would you say are the common assumptions of the group of people in the Economics of Convention tradition?*

I think that a common assumption is the idea that coordination is problematic because of uncertainty. I would say that human beings somehow organize uncertainties. They organize it to make it tractable. For me, this is the answer to Knight's risk and uncertainty difference. Risk is the result of channelling uncertainty and making it measurable. But for me it is a more general issue. What is interesting is the way human beings channel uncertainty in something that will be testable. Well, of course, it doesn't work this way, because there is always new uncertainty. It means that even when you channel, there is, in our sense, a renewal of the test. And second, because there are many ways to channel uncertainty. Maybe the notion of convention, in its generality and flexibility, is just a way to point to this question: How do human beings organise uncertainty so that they have some frame in which

they try to coordinate. So again, uncertainty is not at the end of the story. It does not disappear, but people try to replace it by frames, they tame uncertainty.

This leads us to the idea of shared knowledge which is actually also part of the neoclassical schema, although they ignore it. We have developed this point in many places. We have tried to look at shared knowledge as something problematic. It means that the building of something that will be viewed as common is already problematic, and is already a part of what we study. That leads also to reconsider the notion of information, and to replace the unity of information by a view of a variety of formats of information, from very informal clues to conventionalised formats of information. So uncertainty, the channelling through common frames to deal with it, which is one way to look at the plurality of worlds, whatever they are, and the importance of cognition.

I also think we added to that the question of politics and morals. It was not shared among us, but now I think it is a common preoccupation. It is clear in the recent work by François Eymard-Duvernay<sup>3</sup> and it is also clear in papers by Olivier Favereau who tries to point to the fact that values have been forgotten by economists. So, now we could add this preoccupation as a shared one. For me the main problem is the question of genesis of conventions and the question of what you put within the notion of convention.

Let me give an example. I think that for Robert Salais convention is common expectation which is actually quite close to common representation. For me it is too demanding and too close to the classical Durkheimian view of the collective. The reason why I mentioned that is that you pointed to this question what is common or not in the convention tradition. Strangely, because somehow I am supposed to be the most inclined sociologist of all of the convention people, I always criticize the others for being too sociological in the classical meaning of shared representations and expectations.

*Michel Callon argues that the model of economic man could be useful for people engaging in economic activities. And that the interesting thing about this model is if it is actually used by economic actors. Do you agree with that argument?*

If Callon says that I would say: Why do they use it? I would ask: What kind of properties should this variety of models have? This is not the kind of question he can answer. He would just answer that they do use it. I think that the problem with this answer is that it will lack a reflection on this architecture of regimes and on the path to the public. This is the main problem for me with this overwhelming notion of network. It doesn't give any specification of the link, of the social link, of the social action. And again I think a good specification would require this specification both of the good and of the reality as it is used as a test. Instead of that the network modelling in general terms is, I would say, flat, so it cannot give you a good picture of what is needed to go from proximity to the public and to come back from there.

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<sup>3</sup> Eymard-Duvernay, F. (2002). "Pour un programme d'économie institutionaliste." *Revue Economique* 53(2): 325-336.

*According to François Dosse<sup>4</sup> economics of convention is based on three 'turns' in the social sciences: the cognitive turn, the interpretative turn, and the pragmatic turn. Do you agree with this description?*

I think it is rather clear in Dosse's book because he follows the different other traditions in the present networks of people who correspond to these different turns. For instance, cognition is very far from both economics and sociology. In many occasions cognitive science is the enemy for sociologist and it was just ignored by economists. Because of the creation of CREA and its director Jean-Pierre Dupuy, cognitive science was imported to France.

I also worked there with André Orléan. It meant that we were concerned with this research on cognition. I would add that there is a branch of cognition which is not supported at all by this group at CREA which is social cognition.

The interpretative turn is well known and historically earlier. It was central in connection with models as a way to grasp. I use grasp. I didn't use interpretate because there might be drawbacks with interpretation because of this meaning bias. I think the accentuation of the idea of coordination was a reaction towards a more meaning oriented notion of interpretation. Of course interpretation comes from the text, hermeneutics. As you know Paul Ricoeur developed a very strong connection with the theory of action, which makes a much broader issue of interpretation.

So, we come to the third term which is pragmatics. I could put it this way. We were concerned with cognition in relation to interpretation, and a need for interpretation which means that we were not concerned with cognition as reflection about pure brain stories. We were concerned with cognition in relation to others, which is I think is the core of the interpretation term. And we were concerned with both cognition and interpretation as far as they were situated in a pragmatic perspective, in the perspective of acting, which mean not only understanding but doing things with others. And I think the interest of action is to put to the fore the reality test. In terms of interpretation, the reality test could be the community of understanding, but we didn't want that. We wanted something much more realistic. I would say, I think I said that maybe last time that for me, and not only for my, I would say and I think Luc Boltanski would say something similar. We were reacting progressively against social constructivism, which is, as I said, something we participated somehow in. But very quickly I shifted from social constructivism, in terms of social representation, to coordination, which means a test of being social through action. The reason why we are anxious about that is that in many occasions we are just viewed as social constructivists, which is false.

So now, I think, you see the reason for the three pillars: cognition, interpretation, which is more than cognition because it is oriented towards the others, and pragmatics, which is more than interpretation because it is oriented toward action and some return of reality as a reason of action. But I am sure that Luc Boltanski and several others in the convention tradition will not say that they are part of the cognitive turn.

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<sup>4</sup> Dosse, F. (1999). *Empire of Meaning: the Humanization of the Social Sciences*. Minneapolis, University of Minnesota Press.



*How do you see the most important differences between Economics of Convention and Transaction Cost Economics?*

For transaction cost economics I have answered quite extensively in my papers. Let us say that one can be charitable or one can be very critical. If you are charitable, you will say that Williamson was the first to try to implement some notion of a plurality of modes of coordination. He was the first to reflect upon this pluralism. In that sense, we are in the same move. I don't say that we do that because of Williamson, because it was really bad and quick. But the beginning of pluralism is the notion that you have different cognitive forms. So this is what I can say to be charitable.

Now, if I am critical, and this is a point that we have mentioned many times, we shall say that he is just missing the point because he, in the end, will consider that all these different modes of coordination are chosen on the basis of some form of light extension of the classical model of rational organisation which doesn't work. If you do that you put at the highest, or more basic, level these classical implements of economic market coordination, which is exactly what you wanted to prevent yourself to do through this pluralisation.

*How do you see the most important differences between Economics of Convention and evolutionary institutional theory?*

For the evolutionary and institutional current I think the problem which is central in many theories is that the good is hidden, to say it very shortly. I hate that because I spend so much effort at doing the contrary. They claim that the good is hidden in something that is called success. Success without a notion of good is clearly an evaluative notion. You have this problem already within other evolutionary theories, not specifically the economic current.

Another problem is the notion of routines which again has to be placed in a broader variety of activities. Why just reduce all to routines? Of course it was a mistake to forget this level. This is the reason why I tried to analyse it very precisely in the domestic regime. So, it is a good idea to turn toward this word of behaviour but, I think, the reduction to routines is highly problematic, because it ignores the main problem of organisation, which is to compose with this variety of regimes. You cannot make an organisation with routines only, but you cannot account for the whole functioning of any organisation without this level. I think that the conceptualisation of the routine level is not appropriate and I think that the conceptualisation of the test, which is so important for us, in terms of success, is not very adequate either. But this is just short for a very long story.

*How do you see the most important differences between Economics of Convention and Economic Sociology?*

Let us just discuss the seminal paper by Mark Granovetter. Of course, again, one needs to be very charitable and I will be because it has been so influential on the view on economic processes as part of more general social processes. Of course I completely agree with the

loose notion of embeddedness. In that sense we are all in the same movement. I completely agree also with the critic of the oversocialised notion of the actor in sociology. This is also something that I commented a lot on in different papers, specifically considering the Durkheimian tradition and social constructivism, which has an oversocialised view of the world.

Considering his critic of the undersocialised actor, I would not agree so much. I think that one thing that we have done, which is original and which was criticized by most positions, was to look at market competition as a real, implementable, mode of coordination, under some conditions of course, which was the qualification of the good, the generalisation of some form of value, etc. So, I wouldn't say that the economic actor, in the sense of the one who is acting on the market, is so undersocialised. He has to have a common knowledge of the good, which all the other has. And, of course, he has to accept the main form of evaluation, which is, again, a highly common assumption. So, he is not so atomistic. If you are very precise about this assumption, then you will say that the economic actor is not alone at all.

In that sense, I think that many people from the economic sociology tradition miss the understanding of the specificity of market coordination. But of course, market economy is not economy. That means that they pay attention to many other supports for coordination which are part of the economic process. So, in that sense they are extremely relevant, useful, and we are all part of the same story.

One more thing, as I told you before I am not very fond of network theorising as far as network theories miss the qualification of the links, which is exactly what we try to do. Once we have done this analysis of the variety of engagements, well then, why not speak of networks of different engagements? But then network misses its power of unification, which is the idea that somehow the links are compatible and just allowing the flow of something. I think this is the problem with network theory. Of course it is extremely efficient in terms of modelling, but this is the problem that I see from the position of the analysis of the links themselves. And I would say the same of my friends Michel Callon and Bruno Latour. They are not in a good position to characterise heterogeneity.

## EXCHANGING MEANINGS ON THE MARKET FOR CONTEMPORARY ART<sup>5</sup> By Olav Velthuis

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### Introduction

In this paper I try to understand how social relationships and market exchange are intertwined. Breaking with the network tradition within economic sociology, I will be less interested in the impact of social structure on economic outcomes such as prices, market structure or profit rates, and more in what could be called the cultural constitution of markets. I study markets in terms of circuits of commerce, to use Viviana Zelizer's term, meaning that they are accompanied by "conversation, interchange, intercourse, and mutual shaping" and give rise to "different understandings, practices, information, obligations, rights, symbols, and media of exchange." (Zelizer 2000b, p. 3; Zelizer forthcoming; Collins 2000). Thus I will try to answer questions such as: how do social ties emerge and dissolve in markets? How do market and gift exchanges interact? How do actors themselves make sense of their relationships? And: to what extent is it possible for economic sociologists to understand these social relationships in terms of (enlightened) self-interest?

Empirically, this paper studies intermediaries on the market for contemporary art. In 37 semi-structured, in-depth interviews which I conducted with art dealers in the art capitals of Amsterdam and New York, metaphors of marriage, family and community prevailed when they described their relationships to artists, collectors and colleagues (cf. Velthuis 2003). They are permanently defining and redefining their manifold exchange relationships as well as the concomitant meanings that the economic transactions they engage in generate. Many dealers claim that neither economic nor artistic issues should ever be allowed to dominate these relationships. In order to build such trust relationships, some dealers keep day-to-day contact with the artists they represent, spend hours with them on the phone, and visit them regularly even when these artists are living abroad. Depending on their character, artists may not only ask for practical assistance and business advice, but also moral support and input in their artistic endeavors.

The way dealers go about adding a new artist to their program, resembles courting rituals more than business negotiations. Rather than studying slides that anonymous artists send them, or looking at work that artists bring to their galleries, they primarily rely on introductions, referrals and recommendations, often by artists that they already represented, and sometimes by other members of the art world whose taste they trust. Cautiously, they start talking to this artist, pay a visit to his studio, and include a work by her in a group show. They consult friends about the artist, and follow her work whenever it is exhibited. Only when both the dealer and the artist feel confident about the relationship that they have developed do they proceed to discussing the terms on which the gallery might represent the artist. Often, one of

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<sup>5</sup> Excerpt from, *Talking Prices. Symbolic meanings of prices on the market for contemporary art* (A forthcoming book by Olav Velthuis, which will be published at Princeton University Press).

these terms is exclusive representation; the relationship between an artist and a gallery is supposed to be monogamous.

This does not mean that artists, especially in the beginning of their career, do not complain about the dealer's (lack of) efforts to promote their work, or about the size of the cut he takes from gallery sales. In fact, the history of the modern art market knows many examples of relationships between artists and dealers that have gone astray, to put it mildly. Even in these cases, however, they have underscored the friendship logic that underlies their business relationship in the art world by expressing their dissatisfaction in terms like 'neglect' or 'abandonment.'

The intimate nature of ties between artists and dealers paradoxically manifests itself when these ties are dissolved: if the start of an artist-dealer relationship resembles courtship rituals, its end resembles a divorce. The reasons for such a divorce may be diverse: in slack seasons, galleries may want to terminate their relationship with an artist because his work continuously fails to meet its commercial expectations, whereas in good days, artists may let themselves be seduced by another gallery who is willing to represent the artist against more favorable conditions such as higher prices, advances against sales, or the potential of more sales to museums. Also, an artist may have the feeling that a dealer does not do enough work for him, that the dealer does not possess the contacts that help the artist getting critical acclaim, or that the artist's work no longer fits into the artistic program of the gallery.

Although their discourse with respect to collectors has a less emotional character, dealers refuse to simply characterize them as business clients. Instead, dealers consider some collectors as supporters of the gallery, others as friends, followers, or as people who have confided in them. They emphasize that theirs is not a walk-in trade, which means that sales made to people who they do not know yet are the exception rather than the rule. The prevalence of intimate ties between dealers, collectors, and artists is not restricted to the discursive level, but is also enacted in the exchange of gifts of all sorts, from material goods to immaterial favors, in the avoidance of business contracts, and in the way seemingly *quid pro quo* transactions are framed.

### **Enlightened self-interest**

How should we make sense of this discourse of intimacy and this prevalence of gift exchange within markets? Scholars as diverse as creative writing Professor Lewis Hyde, cultural economist Arjo Klamer, or critical art historian Paul Wood have argued that the *quid pro quo* of a market transaction in art has destructive effects. Their arguments, like those of many anthropologists, are founded on a sharp distinction between market exchange of commodities and gift exchange of cultural goods. They see market exchange as anonymous, transient and impersonal. Market agents buy and sell commodities as "impersonal bundles of use value and exchange value", without attaching themselves to the objects they trade or committing themselves to the persons they deal with (cf. Carrier 1995, p. 18). On the basis of this notion of commodification, Hyde concludes that "it may be possible to destroy a work of art by converting it into a pure commodity" (Hyde 1983, p. xiii). For critics like Klamer, the explicit monetary measurement of value, which market exchange presupposes, corrodes the artistic experience (Klamer 1996).

In order to protect artists and artworks against the detrimental effects of such *quid pro quo* exchange, artworks should be transferred by means of gifts, the argument goes. Indeed, Hyde's starting point is that the making of art and gift exchange are so strongly intertwined, that there can be no art where there is no gift: artistic activity contains the spirit of the gift by definition (Hyde 1983, p. xiii). The attractiveness for these scholars of gift over market transactions, resides in the idea that gifts prevent adversary relationships and antagonistic sentiments from emerging. Gift exchange replaces the presupposed anonymity of market exchange with a moral transaction that brings about enduring personal relationships. Artists and artworks flourish in such a setting since the gift would not lead to commodification, alienation or disentanglement of the artwork from its maker (Wood 1996). In other words, gift exchange respects the inalienability of art without removing artworks from societal traffic altogether. Coming from an Aristotelian perspective, Klammer furthermore argues that reciprocal gift transactions do justice to the essential nature of art because they circumvent measurement and commensuration, and provide "roundabout ways of financing the costs of producing the good" (Klammer 1996, p. 24).

Neoclassical economists likewise tend to think that market exchange is anonymous. The crucial difference is, however, that their normative assessment of this state of affairs is the very opposite. If individual agents are perfectly informed about the conditions of exchange, and markets are populated by sufficiently large numbers of price-taking agents, there is no need for enduring social ties, trust relationships, or sociability. Reasoning from the assumption that individual agents try to maximize profits, goods are sold to buyers with the highest willingness to pay, no matter what social ties they have to the seller (Hirschman 1982 [1986], p. 122-123). In fact, if the accounts of dealers would be truthful, this would imply that the art market is highly inefficient: if artworks are not sold on a regular basis to buyers with the highest willingness to pay, but instead to friends, this means that scarce resources are not allocated optimally. The detrimental effect of social ties on the efficiency of the market will be even larger if they are accompanied by gift exchange. In that case consumption choices are made *for* the consumer rather than *by* him. This type of exchange is inefficient, as Joel Waldfogel wrote in an article with the ominous title *The Deadweight Loss of Christmas*, since the allocative decisions made by the gift giver are not likely to match the preferences of the receiver (Waldfogel 1993).

In spite of this bias against gifts, it is possible to make sense of them from a neoclassical economic perspective. One reason why family metaphors are used, may be related to enlightened self-interest: according to this type of reasoning, which some economists but also an increasing number of sociologists have endorsed, social relationships have instrumental, economic value and enhance rather than impede efficiency (Fukuyama 1995, p. 26; Kollock 1994). Gift exchange, for instance, functions as a cement of social relationships on the market. These relationships, in turn, are crucial in a situation of uncertainty or in case relevant information about the transaction is asymmetrically distributed over transaction partners (see Caves 2000).

Let me explain how this argument can be applied to the art market. In the contemporary art world, economic ties between artists and dealers usually take the form of consignments: the artist consigns his artworks to a dealer, who exhibits them either in a solo or a group show, and meanwhile tries to sell them. If a work is sold, the proceeds are divided according to a pre-determined ratio. From an economic perspective, these consignment relationships are in

the interest of dealers because risks are shared with the artist, which is crucial given the uncertain economic value of contemporary art. A second advantage of consignments is that the capital intensity of the dealer's enterprise remains low: since he does not buy works from the artist, he does not need to tie up capital in the inventory.

A major disadvantage of consignment relationships is, however, that the dealer has to make investments that are specific to the artist. First of all he incurs costs when searching for, assessing and selecting the artist; subsequently, to promote the artist's work he needs to invest in marketing costs, including publishing catalogues and organizing exhibitions. In case the artist decides to terminate the relationship, the dealer's investments lose their value and need to be considered as so-called sunk costs: they cannot be recovered, and need to be written off (Bonus and Ronte 1997, p. 113-114; Merryman and Elsen 1979, p. 142-143). On top of these risky investments, the dealer has no guarantees about the quality and quantity of the future supply of works by the artists he represents. Also, it is difficult to ensure that the artist does not sell art to collectors directly from his studio, without giving the dealer a commission. Conversely, an artist faces similar uncertainties and information problems with respect to his dealer. For instance, he does not know if the dealer sells his work for the price they agreed upon, and if the dealer invests sufficient time and money in promoting the artist's career. Also, the artist has to entrust his precious artworks at least temporarily with the dealer.

Legally binding contracts hardly provide a solution to these fragile commitments. Indeed, although standard contracts exist for consignment relationships, they are often conducted without those. One reason is that many relevant terms cannot be stated in a contract. For instance, an artist cannot be contractually enforced to continue producing valuable works of art in the future. Second, if a contract would be written up, it is still difficult for one party to 'monitor' the other and to make sure that all terms of the contract are complied with. Third, litigation is expensive in the case of breach of contract and may damage the reputation of the artist, the dealer or of both (cf. Macaulay 1962 [1992]). Transaction costs, as these contractual, monitoring and litigation costs are referred to, are in other words high in the case of consignments. Finally, although it is likely that an artist can receive financial proceeds in case he successfully sues a dealer, in the opposite case this is questionable given the lower average income of artists (cf. Merryman and Elsen 1979, p. 138).

In such an uncertain environment of so-called asset-specificity of investments, asymmetric information and high transaction costs, trust relationships, loyalty and gentlemen's agreements are a viable alternative to contracts (Moulin 1967 [1987], p. 115; Plattner 1996, p. 194). Thus, from an enlightened economic perspective, it is understandable why dealers and artists represent their relationships by means of socially powerful metaphors such as family and marriage. As Richard Caves summarizes the economic argument: "The infeasibility of explicit contracting leads the parties into the language of moral obligation, with reputation the insurance of reasonable performance in the absence of legally binding obligations" (Caves 2000, p. 41).

### **Framing transactions**

Although it cannot be denied that the social fabric of the market and its texture of gift exchange have economic meanings (cf. Bourdieu 1990; Bourdieu 1992 [1996]), the 'enlightened self-interest' argument has four pitfalls. First of all, it does not answer how this

social fabric comes into being, and how it is maintained; instead, the functionalist undertone is that economic relationships arise at the moment they enhance the efficient functioning of the market. In particular, the causal direction from economic need to social outcome is privileged, while the opposite direction is denied. However, it is easy to imagine that the fragility of the economic exchange not only requires intimate ties but also that the intimacy of these ties dictates the form of exchange between artists and their dealers. As New York art dealer Leo Castelli put it: since there is “a family situation at my gallery [...] contracts are not worth the paper they’re written on” (Merryman and Elsen 1979, p. 137). Secondly, the ‘enlightened self-interest’ argument does not recognize that the social fabric of the art market may have other than economic meanings. Third, gifts not only serve a functional purpose of strengthening the social fabric of art market, they also symbolize intimate relationships. For instance, as I will show in the remainder of this paper, gifts enable actors to differentiate the social ties they have (cf. Zelizer 2000aa, p. 819). As markers of relationships, they enable transaction partners to signal the strength of ties to each other, and enable them to come to a common understanding of these ties (Cheal 1988, p. 91).

At the same time, gift exchange has a performative quality: by giving a gift, a social relationship is not only marked, but also reinforced or even created. Therefore they need to be appropriate to the mutual perception of a social relationship; a bouquet of roses given by a businessman to one of its female clients, is likely to generate different meanings than a leather briefcase (cf. Davis 1992, p. 41). Rich, contextual knowledge is in other words needed to insure that gifts have their intended meaning. Fourth, the predictions that the ‘self-interest’ argument provides are disproved by reality. For instance, it predicts that dealers only acquire works directly from an artist if the economic value of the artworks is firmly established (Caves 2000); in such a case, there is no need for trust, since the uncertainty of consignment relationships is replaced with a *quid pro quo* exchange. In my fieldwork I discovered, however, that some dealers buy a work from an artist every now and then, and that both parties consider these transactions to be highly significant. Conversely, some dealers said that they prefer to work on a consignment basis with all artists, no matter how solid their reputation.

How should we understand these transactions? Meanings of exchange, whether of gifts or commodities, emerge from a vector of situational circumstances, specific social relationships and frames which economic actors actively construct. As a result, two identical transactions may generate entirely different meanings. Take the case of market exchange. Cultural economist Hans Abbing has pointed out that artists, in order to receive payments they are entitled to from their dealer, may have to reframe or redefine these payments as gifts. This means that they have to play the role of the needy artist, who is not able to pay her monthly bills, freezes in her studio, and sees her paint turn viscose from cold; by relying on this model, they allow dealers to play the desirable role of the benevolent patron who has partial control over the artist’s well being (Abbing 1996, p. 139; Abbing 2002). Apart from being a strategy for an artist to get paid, the dependence of the artist on the dealer is reproduced through the framing of the transaction; it suggests that gift exchange may be about power and inequality as much as about benevolence and sharing. While some experience this as degrading, others deliberately frame market exchange in gift terms. In order to do so, they establish a cognitive boundary between their own artistic labor, the artworks that leave their studio and the money they receive in return.

In the case of direct acquisitions from artists, the antagonistic meaning of a *quid pro quo* exchange can be redefined into an act of care and support, due to timing and circumstances. Anthony d'Offay, for instance, a former leading art dealer located in London, used to express his care and admiration for 'his' artists by buying their artworks himself, even though regular gallery sales were made on a consignment basis. Also, direct acquisition can be made in order to support the artist morally and financially. Whereas successful artists are flooded with attention from collectors, curators and critics, and even need to be protected against overkill, many others are deprived of such attention. Direct acquisitions help in compensating that situation. Also, when a show is commercially unsuccessful, or an artist is in financial trouble, a dealer may buy a work, or may waive the commission on a work he did manage to sell. These transactions are anomalous from an economics perspective, because of their risk, limited profitability, and the financial resources they claim.

In exchange for these framed gifts, artists can do the dealer favors such as allowing payments to be postponed in case the dealer himself is short of liquidity. Another practice I encountered was to ask for an artwork in order to compensate the gallery for additional or exceptional expenses which are incurred to promote the artist (cf. Robson 1995, p. 78). Direct measurement of the value goods and services which the dealer and the artist trade is avoided in this arrangements; also, a time lag is introduced between the transfer of a good or service on the one hand and the compensation for it on the other. As a result the relationship between artist and dealer is transformed into one of mutual obligation (cf. Carrier 1995). Some of my respondents said that they were eager to buy works from artists they represent once they appear on the secondary market. Like that, they try to support the price level at auction and to protect the market of an artist. Subsequently, if they managed to resell these secondary market works, they would give the artist a percentage of the resale price on a voluntary basis. These transactions strengthen the relationship between the dealer and the artist: the dealer 'protects' the artist's market, while the percentage of the resale, which the artist receives, has the character of a gift. A Dutch dealer, however, remarked about this practice: "If it makes an artist happy to sell work from his studio every now and then, he should do that. But I have to be content as well, so he will also have to do something for me, so to say. If I get a work every now and then, it is fine. (...) I don't care as much what artists do, as long as I am honored for the fact that I am busy with this gallery every day. (...) It is about doing each other favors. If an artist sells from his studio, and those works re-enter the market, I do not feel responsible to acquire that work."

Multiple meanings, akin to those of direct acquisitions, arise from the practice of paying artists monthly stipends. Their meanings vary widely since these stipends are or have been transferred as seemingly benevolent gifts, but also as payments for direct acquisitions and as advances in case the dealer and the artist work on a consignment basis. In late nineteenth and early twentieth century France, for instance, when the modern art market came into being, detailed acquisition contracts not only stipulated the number of works a gallery would buy from the artist per time period, but also a monthly or annual stipend the artist would receive in exchange. Thus the primary meaning of these stipends was a competitive one: artists like Picasso, whose work was in high demand, would let several dealers compete over the amount of the stipend before awarding one of them an acquisition contract (Robson 1995, p. 78-79; White and White 1965, p. 95). However, this competitive meaning was contested and redefined from the outset, when early modern dealers like Paul Durand-Ruel recreated the



role of the patron through stipends: if Durand-Ruel did not manage to sell an artist's work, he would nevertheless continue buying from the artist and paying him a stipend. Thus he expressed trust in the artist's future career (White and White 1965, p. 126). Likewise, when stipends were imported into the United States, they were mostly used to provide security for the artist and to generate confidence (Robson 1995, p. 93). By means of these stipends, dealers enacted the role of a patron.

New York art dealer Castelli accentuated this benevolent definition of stipends and presented them as proper gifts. For instance Robert Rauschenberg and Jasper Johns, two influential pop-artists who Castelli had 'discovered' and promoted, received a monthly stipend of \$500 for rent and artist materials (Robson 1995, p. 101); minimalist artists Richard Serra and Donald Judd received monthly stipends for three and fourteen years respectively. Castelli received works in exchange for these stipends, but even when the work of the beneficiaries failed to sell, he continued to support them. Castelli himself claimed that his generosity was an expression of "my faith, my absolute certitude that they were, all of them, great artists." Richard Serra reconfirmed: "It was like getting a Rockefeller grant (...) Leo has always been generous, supportive, intimate and friendly, a throwback to another century." In the end, however, the earlier stipends were reciprocated generously when the reputation of most artists that Castelli represented became firmly established, resulting in a sharply rising economic value of the works he managed to sell. Also, as a result of these generous stipends, artists were unlikely to desert his gallery.<sup>6</sup>

Tying artists and dealers together, the social meanings of stipends can be stronger than either party finds desirable. One of my respondents, for instance, objected against using them for the following reason: "[A system of stipends] is very binding, it is very intense. It is also a very hard to discontinue psychologically. (...) Ultimately you want to be as close as you can to the artist, but also to leave some distance." At an anecdotal level, these comments confirm the performative quality of monetary payments: it is not just the case that payment structures symbolize or mark specific social ties, to some extent they also have the effect of creating and shaping them.

### **Be classy**

Similar practices can be retrieved in the relationship between dealers and collectors. For instance, if excess demand exists for an artist's work, it is largely at the dealer's discretion who to sell the works to. This puts dealers in the position of a benefactor in disguise, who can redefine the *quid pro quo* meaning of sales to collectors into favors: the collector is made to feel grateful for the fact that he was allowed to buy a particular work out of an exhibition. In general, dealers phrase sales by saying that they "gave a work to a collector for only \$4,000." Apart from this discursive framing of buying and selling, dealers give material gifts and do actual favors to collectors on a continuous basis. Think of in kind gifts such as catalogues of the artist's work or other precious books, a small artwork for free in case a collectors buys a large work or two works at once, monetary gifts like 'picking up shipping' or paying the sales tax, or intangible services such as privileged involvement in social activities of the art world, invitations to after-opening dinners, and visits to the artist's studio. Although to a lesser

<sup>6</sup> See John Russell, 'Leo Castelli, Influential Art Dealer, Dies at 91', *The New York Times*, 8.23.1999.

extent, such gifts are reciprocated with counter-gifts from collectors. In my empirical research I encountered three different types of counter-gifts. First of all, collectors can frame a direct acquisition as a gift by buying a work from a show that was financially unsuccessful for the artist, the dealer, or for both; supporting the artists, these art collectors “double as philanthropists” as one painter put it in the *New York Times*. They do not only buy out of passion for art, but also out of philanthropic or altruistic reasons.<sup>7</sup> This means that they may not have bought a work if the artist already can make an easy living of his work. The second type of gift is assisting the dealer in promotional activities for the artist. Once a collector owns the work of an artist, she can bring it to the notice of fellow collectors or other stakeholders in the art world. Thus collectors participate in establishing the reputation of an artist and building a firm market for her work. A third type of gift from collectors, albeit only a small group, is to provide financial services to a dealer. For instance, collectors occasionally serve as so-called ‘backers’ of the gallery in case the dealer is short of financial resources. Also, collectors may provide loans to a dealer when he needs to make substantial investments, such as rebuilding the gallery space or acquiring an expensive but potentially profitable work on the secondary market.

Neoclassical economists may emphasize at this point that these reciprocal exchanges of gifts serve the economic interests of both parties. After all, they are an instrument in the management of customer relationships for a dealer, and safeguard the continuity of sales. For collectors, such reciprocal relationships increase their chances of getting access to desirable, scarce and highly valuable artworks (cf. Caves 2000, p. 46). Sometimes, this happens not even on a voluntary but on a quasi-coerced basis: some dealers, requires collectors to buy works of other artists represented by their gallery before they can acquire a particular work that is in high demand. This practice was especially prevalent in the 1980s.

Without wanting to defend a romantic interpretation of gifts (some artists prefer *quid pro quo* transactions exactly because of their relative clarity in mutual responsibilities and obligations), my claim is that such claims are untenable. First of all, my conviction is that motivations for engaging in reciprocal gift exchanges are complex, differ per person, and cannot be reduced to either self-interest or benevolence. If a collector buys a work from an unsuccessful show, he may not have increased chances of buying desirable work in the future on his mind, but may do so, as a young, struggling gallery owner put it, “just to be nice, just to be classy.” To deny that a sense of responsibility, considerateness or ‘noblesse oblige’ rather than just self-interest informs behavior of economic actors amounts to reductionism, or, worse, cynicism. Second, reciprocal gift exchanges on the art market also serve to strengthen, differentiate and mark relationships between two parties. The gift that is chosen is in other words specific to the relationship, while the monetary value of this gift does not necessarily correspond to its strength. A collector can be offended if he does not receive the ‘gift’ of an invitation to an after-opening dinner, but receives an expensive catalogue instead. Whereas the catalogue may be given to a collector the dealer has a weak tie to, intimate social events are restricted to a small group of collectors with which the gallery has been close to for a longer period.

Just like gifts, price discounts serve relational and economic purposes simultaneously. Although money does not seem to have the same differentiating capacity as in kind gifts,

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<sup>7</sup> Kelly Crow, ‘Sharing a Love Affair With Each Other and Artists’, *The New York Times*, 11.17.2003.

dealers manage to use it for these purposes anyway. Undoing their uniform, monetary format, they vary their magnitude and furthermore make distinctions between different types of discounts. The size of the discount is not just the outcome of bargaining power; it also symbolizes the tie that is at stake in the transaction. The meaning of the discount may also differ: it is either given for strategic reasons (to make a sale), for institutional reasons (to museums), or out of courtesy (to established clients of the gallery).

## Conclusion

Neoclassical economics, imperialistic as the discipline is, has started analyzing family and friendship relationships in the last two decades in terms of a capitalist logic of costs and benefits, allocation and efficiency (see Becker 1976). In this paper, I have made the opposite move: I have interpreted the way market relationships are governed in terms of a non-market logic. Contemporary art dealers mark and symbolize social relationships with artists and collectors by framing economic transactions in different ways and by redefining the meanings that their transactions generate. Reciprocal gift exchange, which infuses market relationships, fulfills the same relational purpose. Furthermore, with the help of price discounts, art dealers make distinctions between different ties they have with collectors. If market transactions and the objectifying nature of the price mechanism are contested in the art world, framing efforts, gifts, and price discounts ‘de-objectify’ these same transactions. Such relational practices are so endemic on the art market, that the distinction between a non-market logic that equals sociability, and a market logic which equals anonymous exchange, is ultimately a false one.

My interpretation of familial or friendly ties on the art market and dense gift exchanges differs from an economic analysis that reduces gifts and trust to ‘social glue’ that enhances the efficiency of markets. At the same time, I claim that the art world does not need to recourse to a pure gift economy in order to avoid the alleged harmful effects of *quid pro quo* market exchange. A caring relationship to an artist can be marked by a direct acquisition in case hardly any works sold during a gallery show. Likewise, an intimate, long lasting relationship to a collector may be marked by a courtesy discount, by privileged treatment in case of excess demand for an artist’s work, or by dinners with the artist and other collectors. By contrast, an anonymous customer who enters a gallery and wants to buy a work on the spot - the type of transaction assumed in economic theory – is the exception rather than the rule. Such a buyer can receive a flexibility discount at best, and only if the gallery faces hard economic times.

My findings suggest that the art market is supported by more than just the monetary influx of collectors buying art for hedonistic purposes. Instead, the market relies on a dense fabric of mutual gifts and favors: dealers subsidize artists, artists donate works to dealers, collectors occasionally buy works to support an artist or a gallery, or enact the role of the dealer’s moral and financial supporter. I do not want to suggest that self-interest is absent within this social fabric, or that the art market could be set apart from other markets because of some benevolent disposition of artists, dealers, and collectors.

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# THE MODERN GIFT INSTITUTION IN INDUSTRIAL DISTRICTS<sup>8</sup> By GLENN SJÖSTRAND

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## Introduction<sup>9</sup>

The market has become the dominating social institutions in capitalistic economies (Callon 1998, Fevre 2003). The capitalistic logic has become the general mechanism regulating not only economic but also social exchanges. The laws of the market penetrate large areas of the social life, including those that do not directly deal with economic issues. Norms of the state and local societies have been replaced by – what has been called economism (Polanyi 2001 [1944], Polanyi et. al 1957, Regini 1995). From a superficial viewpoint, it seems like the economic logic has taken over more and more of the diverse social relations of everyday life, but there is also an extensive informal economy. Research on informal economies has especially focused on exchanges of goods and services in mainly developing countries, the republics of the former Soviet Union, ethnic economies, household economies and industrial districts. It has been shown that all of these economies follow a different logic than the logic of formal national and globalized markets. Informal economies are based on personal relationships, trust, a bounded rationality, solidarity, social status and the norm of general reciprocity (Gouldner 1960). An interesting question is to what extent the globalized market economy also has influenced the functions of local economies, such as industrial districts, and how the informal economy is used to balance out negative aspects of a global competition.

Much research on local economies<sup>10</sup>, for example on industrial districts, clusters, science parks, and innovation systems, has drawn on contemporary economic sociology, but also on comparative political economy. The focus of recent studies has been to explain the causes and effects of social relations and informal institutions on economic exchanges. It has been argued that social institutions must precede economic action, and that they are inherent in all economic exchange. Many economically successful economies are supported by, and governed by, strong social institutions of a non-market character (Streeck 1992). These social

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<sup>8</sup> In this paper I present some ideas that will be discussed more in detail in a forthcoming dissertation.

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<sup>10</sup> Local economies are here defined as 1) economic exchanges performed within a limited geographical area, 2) there must be a minimum of local enterprises engaged in similar and complementary production of goods or services, 3) the social and economic relations between the entrepreneurs or managers, based on networking and collaboration for instance in subcontracting relations, within it must be extensive, 5) a common history and understanding of culture with of normative focus on collaboration rather than competition, 6) there has to be opportunities for the participating actors to meet face-to-face, something that facilitates balanced reciprocity and knowledge diffusion (Sverrisson & van Dijk 2001, Lane 2002).

institutions are usually conventions or implicit rules of action and coordination of exchanges that have become part of the routine (Storper & Salais 1997, Favereau & Lazega 2002). To explain the economic outcomes of local economies such as industrial districts, it has become relevant to study the configuration of informal institutions – with norms, conventions and values – and the formal organisations, such as unions, business associations, and educational centres.

Economic exchanges embedded in social institutions are of great relevance in national and regional economies, but also in local economies. In the literature on industrial districts a number of different geographical dispersed locations have been used as empirical examples. We find several of them in Third World countries, but the bulk of examples come from industrialized countries, for example, the districts in the Third Italy, Baden Württemberg and Hesse in Germany, Jutland in Denmark, Silicon Valley and Boston in USA. Recent research – particularly in comparative political economy – has shown the incapability of the market as a mechanism of co-ordination of transactions among actors. For instance, Boyer & Hollingsworth (1997: 2) state; *“...the basic features of most modern economic activity point to the importance of coordinating mechanisms alternative to markets.”* Among those alternative systems or social institutions is the gift-economy, and its importance in coordinating local economies is at the centre of this article. Some preliminary conclusions will be presented from an ongoing study of an industrial district in Sweden with a significant gift-economy, the Gnosjö-region in the south of the country. The purpose of this article is therefore to explain the importance of social institutions such as the gift-economy for economic performance in industrial districts, with special reference to the industrial district of Gnosjö. A way of doing this is to use the theories of new-institutionalism in sociology, the gift-economy and exchanges of non-monetary goods and services. In the following pages, I will give an account of some aspects of the theories of gift-economies and economic and non-economic exchanges, and on the economic performance of industrial districts, but first a note on industrial districts.

### **Industrial Districts**

As early as the 1870's, Alfred Marshall coined the term industrial district to describe “external large scale economies” (Marshall 1961 [1875]). It was to describe the “concentration of specialized industries in particular localities” that he used the term. In Marshall's terminology, the economic dynamics of these districts was caused by (technological) know-how, trained and skilled labour, the capacity of the companies and the fact that the diffusion of knowledge and ideas was “in the air” in such a way that the mysteries of production “became no mysteries”. To Marshall, the factors that affected the workings of an industrial district the most was the cultural and social environment, but he points especially to “mutual knowledge and trust” that diminishes – what is now called – transaction costs, and “the industrial atmosphere”, which facilitates the diffusion of knowledge among workers (Amin 1992). The atmosphere is, according to Marshall, difficult to transfer to another location because knowledge is connected to individuals, manifested by the labour market for trained workers, and the intimate collaboration between companies, that

is, that the overall organization<sup>11</sup> of the economy is tied to a specific location. Marshall's ideas boil down to an explanation of the economy in industrial districts by referring to cultural factors of a non-economic character. The ideal typical characteristics (or definition) of industrial districts can be summarized in five points:

1. Industrial districts are clusters of geographically concentrated and sector specialized small and medium sized industries. Geographical concentration is usually defined as:
 

*"... localized thickening of the network formed by relationships among economic actors, comprising the area shared in common and delimiting it"* (Rabellotti 1997: 24).
2. A strong and homogenous cultural and social background in the society, which ties entrepreneurs/managers and workers together and creates a common and accepted code of behaviour. The family is a strong social institution that integrates the youth and women into the work dominated by men. The family also facilitates the socialization of a work ethic necessary for the production.
3. A number of relations exist between economic and non-economic actors that are based on vertical and horizontal exchanges. These relations are characterised by a balance between competition and cooperation, especially noteworthy in relations between employers and employees (Brusco 1996).
4. Networks of public and private organizations and institutions support the economic actors in the cluster. Industrial associations, for example, labour unions and local educational centres, are particularly important for creating the common resources of the region. The economic actors can use the resources of the different institutions – such as education and training of workers, common marketing for the region, quality controls of products and services, translation of contracts and marketing efforts, consultation in legal matters to keep up with international competition.
5. The labour force plays a crucial role for the district, because the workers are flexible in knowledge and working conditions (i.e. working hours), to cope with the fluctuations of the work-load (Schmitz 1992).

Usually, industrial districts and the configurations of the above mentioned institutions are considered to be preconditions for successful economies. However, it may not follow that industrial districts that display the above-mentioned traits, will become successful (almost regardless of how "successful" is defined). A particular industrial district's configuration might be successful for a limited period of time, and then return to retardation.

Much of the research on industrial districts has either focused on the cultural dimensions of the specific characteristic of economic and social exchanges or on the pure economic outcomes of the agglomeration. What is missing is an explanation of what in the culture that produces the economic outcomes of industrial districts, or, to speak with Marshall, "what is in the air". I argue that one way of understanding the relation between cultural explanations and

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<sup>11</sup> Organization is the fourth factor of production – land, labour and capital being the other three – which Marshall coined and it became one of his major contributions to the development of economic theory.



economic outcomes is to look at the gift-institution and the resources that can be created and allocated through it.

### **The Gift Economy is Embedded in Social Processes**

Entrepreneurs and small business owners (managers) are vital to the dynamics of local economies and industrial districts. For the creation of new companies and the longevity of old companies, resources of different kinds are crucial. All kinds of resources – and sometimes the lack of resources – can become important as driving forces for entrepreneurs (Light & Gold 2000). Resources such as money, symbolic and social capital, network connections – through which material, personnel, know-how, customers, subcontractors, and so on are exchanged – are necessary for the well-being of local economies. Some of these resources can be purchased on the open market at market prices, and others can be obtained through social relationships where no market prices can be established. In the latter form of social exchanges a different logic of reciprocity is at work, than in impersonal market exchanges. This can be described by the theory of the gift-economy.

Exchange and distribution of goods and services affect social relations, but it also affects the exchange of gift-giving and gift-receiving. The value of most economic goods and services are destroyed or decreased when they are consumed, while others are consumed in order to create and maintain social ties by continuing the transactions, and in the consuming process the value is preserved or even increased. In "normal" economic situations we regard the actors who have low costs and big returns as "winners". But in a gift-economy, the actors who give more than they receive are given the highest status. Gifts are valued by their use, and the more they are exchanged the more value they will have. It means that in exchanges of products (material and immaterial) between people, some form of meaning of the products and exchange is transferred in the process. The products are endowed with meaning because they embody social relations required for the production, and because they produce and re-produce social relations through the distribution of gifts (Mauss 1972). But gifts are also inalienable compared to ordinary goods that are alienable. This means that in legal terms one declines all rights to a good when it is traded against other goods or money. Gifts, on the other hand, have the characteristic that a donor's rights to a gift can never completely be abandoned, and it is this quality of the gift that creates an obligation to return it. In other words: *"The defining characteristic of gift exchange is therefore... that it is an exchange of inalienable things between persons who are thereby united in a state of reciprocal bondage."* (Cheal 1988: 10). Through the exchange of gifts, a mutual dependency is created as a result of socially constructed ties between people. The contents of these ties are defined by the actor's expectations of reciprocity.

A person involved in gift-transactions has three obligations; 1. To give. 2. To receive and 3. To return the gift. Marcel Mauss argues that the exchange that takes place in a gift economy, in contrast to other forms of exchange, is voluntary and without demands of reciprocity, but it actually has strong social obligations turning both the giving and receiving as well as the repayment into an obligation. The limitations can be either, 1) the social relations between people are expressed in the gifts material obligations, or 2) the gift has an inherent quality that makes the receiver obliged to compensate the giver, which means that there is almost a requirement of reciprocity. The reciprocity that is created in the gift-economy is in this

version defined as a moral norm, which structures the giving and returning of a gift.<sup>12</sup> When we are discussing reciprocity two variables are important. For one thing, that the value of the gift is acknowledged to be similar to all parties involved in the exchange. And for another, the time between the giving and the returning a new gift.

Marshall Sahlins (1972) discusses reciprocity in terms of what he calls social distance, referring to the distance between people in the social structure. He distinguishes three types of reciprocity: generalized reciprocity, balanced reciprocity and, negative reciprocity. In the *generalized reciprocity*, similarity of the value of the gift is not important in contexts where the moral norm of reciprocity is very strong, for example, in small local societies. In this case, the need of the receiver of the gift is the cause of exchange; help is expected and given when a need occurs. But it is not a one-to-one correlation between the gift and the repayment when it comes to the value of the goods or the services that are exchanged. That is, one does not have to repay or return the gift with something of equal monetary value. Gifts are expressions of social relations in such a way that they can never achieve the status of being measured in equal value. Moreover, the time between giving and returning a gift is uncertain. Generalized reciprocity describes exchanges that take place in a social context where people are more or less in debt with each other. The insecurity of the exchange strengthens the social ties through obligations and subordination of material interests to obligations. To give a gift is, in this context, always a return of help or resources one has received earlier by someone who is socially close. Generalized reciprocity prevails ideally in close social relationships, for example, families and local communities. The stability of the social system is a function of everyone owing everyone something that at anytime must be returned.

*Balanced reciprocity* exists where the social ties are looser and where social ties are separated from material interests. That is why the exchange of goods and services is regulated so that they have equal value, and that the time it takes to return the gift is standardized. The ideal in this type of exchanges is a simultaneous exchange of gifts of the same value. In this type of exchange, social and symbolical ties between individuals and groups are developed through material goods. The similarity in the exchange is expressed in the value of the goods, and people also try to avoid getting into debts. Generally speaking, balanced reciprocity is a way of describing exchanges in which the giving and the returning compensate each other within a specific time frame. The material exchange is still embedded in social relations and is used as a means to produce and reproduce social ties without being subordinated to the material exchange. Balanced reciprocity is typical of societies where the social distance between people is of “middle-range”, for example, the relations between distant relatives and people living in different villages.

Finally, *negative reciprocity* is created where the social distance is large, and the material interest is the only motivation for the transaction. Typical examples of this kind are stealing,

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<sup>12</sup> The ideas of seeing the expectations that a gift shall be returned as a norm includes sociologists and anthropologists such as Emil Durkheim, Marcel Mauss, Bronislaw Malinowski and Lévi Strauss. This idea have lately been criticised by for example Weiner, who from a reinterpretations of anthropological studies, argues that it is due to a strong will of withdrawing the inalienable goods from circulation or exchanges, rather than norms. There is a cultural ideology that claims that it is always obvious who the giver of a gift is, at the same time as one would like to receive gifts one would like not to have to repay or return gifts, and it is this combination which encourages the exchanges, according to Weiner (1992).

theft and bargaining where the negative social relation is a direct result of the material profit that the stronger part in the bargaining process makes. The transactions are characterised by receiving (taking) without giving and are concluded as soon as one has received what one expected to receive.

In a gift-economy actors offer, receive and repay services and goods that exist outside or above the logics of the market economy. This circle of reciprocity follows a logic that on at least five accounts differ from the regular formal market exchanges.

1. It has been argued that gift-exchanges are performed almost solely within the sphere of privacy. Berking (1999) argues that in modern society there is a sharp and clear-cut border between the private and the public, when it comes to gifts, and this confusion between the two immediately leads to political and economical scandals. If someone is offered a gift in the public sphere, she will be suspected of taking bribes. But I'd like to argue that even though a large number of gift-exchanges are performed in the private sphere, a significant number of gift-exchanges take place in groups with larger numbers of actors, for example, local economies. There is a further point to be made about a similar dichotomy. Gift-exchange and the demand for reciprocity are either expressed implicitly or explicitly. To sustain the quality of a gift, the norm-regulated demand for reciprocity has to be implicit, for otherwise, the gift will transform into something else, for example, a bribe or an ordinary good with a price tag.
2. The qualities of gifts are social, not economic. The gift-economy has certainly economic qualities attached to it and both the giver and the receiver are aware of that the gift has a specific economic value. But as soon as an economic value is attached to a gift, its qualities of a gift are dissolved and it becomes an ordinary good. In that sense we have to misreckon the economic value of a gift if it is to remain a gift (Bourdieu 1990, 1997, 1999a, 1999b, 2000). The social meanings of a gift have to be maintained and this can only be achieved by covering up the economic value of it.
3. Through the qualities of the gift, the object given will be identified with the giver also after the exchange has been made (Carrier 1995). Gifts are also inalienable compared to ordinary goods that are alienable. In a juridical sense, the rights to a good must be declined whenever it is sold or bought. A gift, on the other hand, can never be completely declined by the giver, and it is this quality of the gift that creates an obligation for the receiver to return the gift (Cheal 1988).
4. The analysis of the gift-economy has traditionally been made on traditional societies, but the analyses can also be used to say something about contemporary societies characterized by modern capitalism. From a strict (neo-)classic economic point of view the gift is totally redundant. It has been suggested that exchanges in modern societies with high division of labour is taken for granted (Cheal 1988). We have to make sure that we can provide goods and services to all that can express a need. The gift must therefore provide us with something more than what we can get from engaging in market exchanges.

First, in terms of goods and services, a gift adds nothing to what can be bought in markets. If someone really wants and needs an object, and they have enough money, it can be obtained without an offer from someone to give it as a gift. Second, gifts are redundant in the meaning that they do not provide any net-value to the receivers. This

is particularly true in the case of balanced reciprocity. The value of a gift is calculated to compensate for the value of a gift received earlier. The result is that no actor has profited, in economical terms, of the exchange of gifts. Third, it is often argued that gifts are redundant because gifts that are received can, if one really would like to, be procured without any expectations of receiving them as a present. The fourth and last reason for why gifts are redundant is that they are the result of ritual gift offerings in situations where a normal visit of courtesy would have been enough.

5. The last point of comparison between the gift-economy and the ordinary market economy is the size of them. In the market, actors compete and expand their market share, but a gift-economy cannot expand too much without the system becoming instable. One of the central problems for a modern gift-economy is to restrict the number of participants. Another problem is the value of the gift. In traditional or archaic societies, the first problem was not instant because the structures of the group were solid and regulated according to hierarchies deciding who has the right to be a member of the gift-economy and also what kind of rights and responsibilities this membership would entail. In modern societies, these group structures have dissolved. A current problem is therefore to decide who shall be given the right to participate in the gift-economy. In a modern industrial district it accordingly becomes important to understand how the boundaries between the two different systems work, in order to understand their economic successful performances. What social mechanisms are working to keep the systems stable, through regulating the number of actors participating in the gift-economy and the relationship towards the market-economy?

The above-mentioned aspects of the gift-economy make it radically different from other economies. If the gift-exchange is not governed by economic (law-) necessity, the gift-economy seems relatively free from structural determination. That is, human gift-exchange is not strongly determined by social positions, roles or classes. It is structured rather by processes of interaction as a precondition for effective social cooperation in a society. Gifts are used to construct specific types of voluntary social relations. Cheal (1988) argues that gift exchange from one individual to another is to be understood as a way of institutionalizing a social relation. The gift-economy differs from other economies in that it can be seen as constituted by pure economic exchanges, but at the same moment as the actors begin to conceive of the gift-exchanges in terms of pure economic matter, the goods exchanged cease to exist as gifts.

Today the gift-economy performs yet another function for the economy at large. It facilitates economic development in local economies by coordinating exchanges, creating resources and social bonds. It does this in a way such that the resources created are given the character of common goods, so that actors do not have to pay for them in markets. The gift-economy diminishes transaction costs by relying on trust in that actors will act according to the norm of generalized reciprocity. The possibilities of developing entrepreneurship, especially in ethnic economies, increase substantially with exchange principles following the general reciprocity existing in a gift-economy (Seligman 1997).

The economy of local economies is embedded in different social structures, the gift-economy being one of them. The concept of "embeddedness" means that all (economic) activities are embedded in a cultural and social context, which, according to Granovetter (1993), must be a

part of the empirical data that is analysed. Polanyi argues that the economy in the real sense (i.e., in the substantial or non-theoretical sense) is an "instituted process", it is "*– embedded and enmeshed in institutions, economic and non-economic. The inclusion of the non-economic is vital. For religion or government may be as important for the structure and functioning of the economy as the monetary institutions or ... tools and machines...*" (Polanyi, Arensberg & Pearson 1957: 250.)

Polanyi (2001) argues that in the real economy, the economy is organized in three ways: reciprocity, re-distribution and exchange. Reciprocity characterizes an economy that is dominated by a symmetrically organized structure, for instance, the family. The redistribution-economy proposes a strong centralized power that collects economic values for the purpose to distribute them or parts of them to those in need. Finally, the exchange-economy integrates the economy into a system in which prices are determined through the market mechanism of supply and demand. These three principles of interaction and organization are connected to the predominance of social, political and economical principles, respectively, of co-ordination in the society. The three principles can be working more or less at the same time, and a society does not have to go through these stages in a chronological order but, according to Polanyi, it is first when the exchange-principle is dominating in a way that is excluding the other two principles that we can talk about that the modern economy is creating its own causal explanatory principles and that is why we can not talk about the modern exchange-economy as the same as the market-economy. That is what he calls the "economistic fallacy". With the introduction of the market as an economic principle, society will, "*...be governed as an appendage to the market. Instead of the economy is being embedded in the social relations the social relations are embedded in the economic system*"(Polanyi 2001: 70.)

Within a small local group of people, like an industrial district, where the exchange-processes are extended over long periods of time, and the expectations of what to receive as repayment for an exchange is much lower than in more impersonal and economically oriented exchange-economies, the gift-economy is more common. This is an economy in which you do not expect to get something back, and in which voluntary giving of for instance food to someone in need is common. Exchange in local societies involve expectations of a fair or just exchange, but the timing and character of what is given back is not that important. In local societies businesslike exchange-relations are missing, and there are, according to Granovetter, two reasons for this: "*... one is the web of obligations that surrounds each transaction; the other is the greater likelihood of complementarities between local areas than within them, in what is processed*" (Granovetter 1993).

### **Exchanges in the Gift-Economy of Gnosjö**

Hopefully, it is by now clear that the relations that are produced and reproduced within a gift-economy can create resources necessary for entrepreneurs and managers in especially small and medium size firms. These resources are created without the members of the gift-economy having to pay for them in monetary terms, even if they have a price tag. It is with the help of social capital and trust in social relations these resources can be realized. You can trust the persons who repay a gift within reasonable time and with a similar value, and by this the social bonds get stronger. In situations where there is a lack of trust, for example depending

on insecurity about whether it will be repaid or not, practical solutions becomes important. These solutions can include rituals and routines that generate trust as a result of people taking part in a common gift-economy. The routinization of a gift-economy, and also a common knowledge or understanding of the gift-institution, can be the source of a common capital of trust. The stability and capacity of the gift-institution to reproduce social relations affect the level of trust in a given society.

Gifts are not given to anyone at random. They are given to persons that the giver has personal ties with, or to someone who has a position in the society that is similar or the same as the one the giver has. The reason for this is, according to Cheal (1988), that the redundant character of the gift-economy does not create anything; it only develops what already exists. The consequence of this is that gifts circulate within relatively closed social groups who have existing social relations to each other. They prefer to exchange gifts within certain groups (usually family and relatives), which effectively excludes other groups from taking part in the gift-economy.

So what can we find out about gift relations when studying a contemporary local economy in the form of an industrial district? The Gnosjö-region is an area with about 80 000 inhabitants and about 1 500 industrial and manufacturing firms, most of them with less than ten employees. The municipality of Gnosjö itself is smaller than the whole region, and consist of only 10 000 inhabitants and about 220 manufacturing firms. There is a strong historical tradition of giving help to each other by exchanging material, products, machinery, and even staff. They lend each other money, or if needed, extend outstanding claims on credits. Because of a real lack of resources, historically, the people in the region had to help each other for survival. Because good and prosperous land to use for crops was limited, the people had to seek other livelihoods, for example, iron ores were mined and the people learned how to make good use of it and were able to sell simple products.

The vast knowledge of how to industrially process iron increased the demand of different professions to work with the material in different ways. The specialised and flexible production of goods and the division of labour between firms also contributed to the need for cooperation and the use of exchange within the gift-economy. The extent to which these exchanges occur are not random, they happen systematically. For most companies, they occurred between one to five times a week. The number of firms engaged in one and the same gift economy varies, but the number of firms having frequent exchanges (i.e. at least every week) is usually limited to between ten to fifteen firms. On a general level, almost all firms exchange gifts with each other, but sometimes this is done on very specific grounds – such as a great demand in a specific resource that only a few firms are in possession of. In this sense, the community is made up of several smaller parallel gift-economies and a general gift-economy. Both are characterized by generalised reciprocity. Individual entrepreneurs and managers who lack the money needed to buy resources in the market, can, by sharing whatever resources they might have, create collective goods available for anyone who respects the norms of general reciprocity and the gift institution. The most extensive gift economy exists between companies that do not compete in the same markets with similar types of products. Thus, the gift economy mainly involves complementing companies, usually in subcontracting relations.

The gift economy works strongly towards conformity in behaviour; it may display exclusion of deviants, and obstruction of entrance into the gift-economy. That is why membership in associations and other organizations becomes so important to invest in as a form of social capital, which may be used in order to be invited to take part in the gift-economy.

There are implicit and explicit norms that encourage and discourage people to perform in a certain prescribed way that affects the economic performance of the district. Because of the strength and the sheer number of the norms regulating the behaviour of company owners, the gift-economy becomes explicitly excluding of those who do not comply with the norms. In that sense, it also becomes a controlling culture with tendencies to conformity. This is a circumstance that usually diminishes entrepreneurial activities and hinders innovative behaviour, but in case the industrial structure is such that the diversity of products and materials used are low, the firms can still compete and cooperate in using new technologies and come up with new products.

There is also a strong relation of gift exchanges between employers and employees. The labour contracts are partially gift exchanges (Akerlof 1998 [1982]). It is expected of workers to work hard, and to work extra hours on weekends if the firm needs it. Workers may work for another firm if there is a temporary recession, and most importantly, for a rather low salary. The average pay per working hour in the manufacturing branch is about ten percent lower than the Swedish average. Still, the workers enjoy a relative freedom at work, with responsibilities for the production processes.

### **Concluding Remarks**

The qualities described above of the gift institution in a local economy, such as Gnosjö, create flexibility and it coordinates many of the dense social and economic exchanges taking place in the economy. It also fosters, through a strong social control, a behaviour that promotes entrepreneurial dynamics of a certain kind, but it also makes it difficult to become too deviant, to become a maverick. The influx of new ideas, customs, organizing principles and practices are limited, due to the gift economy's strong tradition and its own reproduction. Economic sociology has contributed to the understanding the relationship between the social and the economic by explaining how the informal aspects of human behaviour is affecting the way the formal economy works. By studying the gift institution in local economies we can understand some of the processes that still affect the way in which resources can be obtained and the possibilities of small and medium size firms to compete on a global scale, despite the lack of formal resources and money.

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## BOOK REVIEWS

**Richard Swedberg, *Principles of Economic Sociology*  
Princeton and Oxford: Princeton University Press, 2003.**

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Richard Swedberg has written two unrivalled surveys of economic sociology (see Swedberg, 1987, 1997), as well as co-edited major 'readers' covering the area (Granovetter & Swedberg, 2001; Smelser and Swedberg, 1994). In other ways, too, he has been at the forefront of attempts to define the field of economic sociology, and to establish it as a vibrant part of the discipline. In *Principles of Economic Sociology*, he goes further. First, he introduces some new material to the field, principally around the theme of 'culture'. In so doing, he includes work whose direct relevance to economic sociology has been underplayed, particularly outside Europe: for example, the work of Bourdieu. Second, and more controversially, Swedberg advances some arguments of his own about the theoretical underpinnings of economic sociology - these, presumably, are what he means by its 'principles'. In this review, I will provide a brief overview of Swedberg's coverage of the extant literature in economic sociology, before offering some comments on his own theoretical intervention.

As with his first major survey, published in 1987, Swedberg begins with the 'classics'. There are short sections on de Tocqueville, Marx, Durkheim and Simmel, and a longer discussion of Weber. Those familiar with Swedberg's work will be unsurprised to see Weber being accorded a 'unique place' within economic sociology (p. 11). Weber has clearly shaped Swedberg's thinking, and the precise account of his ideas which is provided here should steer readers towards his superb *Max Weber and the Idea of Economic Sociology* (1998) if they have not consulted it before. But in the discussion of Marx, Swedberg's sure touch lets him down. For example, he does not clarify what he means when he refers to 'the errors common to most of nineteenth-century thought' (p. 9). One wonders how long it will be before we can get away with making such statements about the twentieth century. More seriously, Swedberg's treatment of Marx's conception of a 'strictly scientific approach to society' is superficial, and because he evaluates the potential relevance of 'Marxism' for economic sociology in terms of the Weberian notion of *material* interest, Marx is bound to emerge in poor shape. Interpreted more carefully, Marx's work on reification and on the nature of money, for example, has a potentially more substantial contribution to make to economic sociology than Swedberg allows. When it comes to Simmel, Swedberg does at least suggest that *The Philosophy of Money* should be 'read on its own terms' (p. 22). But even in a two-paragraph summary, it is mildly depressing to find the intricacy of Simmel's argumentation buried once more beneath that familiar phrase, 'idiosyncratic'. Swedberg focuses on Simmel's treatment of the relationship between money and trust. I would want to add that the concept of money itself - and its relationship to the theory of value as set out in the first chapter - are the most significant, but misunderstood, features of Simmel's remarkable book.

In a section called 'After the Classics', Swedberg discusses the work of Schumpeter, Polanyi and Parsons. He describes Schumpeter as inspired by Weber to develop a broad approach to economics which is referred to as 'social economics', and rightly identifies his potential contribution to the sociology of entrepreneurship. (Those seeking a more sustained version of this analysis should, of course, consult Swedberg, 1991.) With regard to Polanyi, Swedberg accurately states that his use of concept of 'embeddedness' differs from the current usage. As for Polanyi's relevance to economic sociology today, Swedberg focuses on his notion of 'forms of integration' - reciprocity, redistribution and exchange - as ways of stabilising the economy. The discussion of Parsons is succinct, to say the least. Swedberg acknowledges that Parsons's and Smelser's *Economy and Society* (1956) 'failed to ignite an interest for economic sociology among sociologists', adding that Smelser's 'attempt during the next decade to get economic sociology going was similarly unsuccessful' (p. 30). I would be intrigued to hear Swedberg's views as to why, and particularly - in light of his emphasis on the concept of 'interest' in this book - on Smelser's long-held view that sociologists have as much to learn from as they have to teach economists. In this vein, some of the interviews contained in Swedberg's *Economics and Sociology* (1990) are well worth reading, although he never refers to them here.

When he moves on to economic sociology as practised today, Swedberg produces some outstandingly reliable accounts of a wide-ranging body of research, just as we have come to expect from his writing. In a general chapter which surveys contemporary economic sociology, Swedberg lays out what he sees as five major contributions to the field: the use of structural sociology and networks, work on organization theory, the use of cultural sociology, the development of historical and comparative work in economic sociology, and finally, the work of Coleman and 'interest-based' sociology. Swedberg's analysis of these contributions is even-handed, although the scholars covered tend to be based in the US. As if to confirm this impression, the chapter closes with a separate section on economic sociology as practised recently in Europe. Here, he focuses mainly on the work of Bourdieu, and argues that 'France is currently the centre in Europe for innovative economic sociology' - citing the work of Boltanski, Callon, Lebaron, Lazega and Steiner, along with economists such as Heilbron, the school of regulation and the economics of convention (pp. 49-51). Readers of this newsletter should need no introduction to these writers, but anyone seeking a more detailed introduction to economic sociology as defined and practised in Europe could do worse than begin by consulting special issues of the *European Journal of Social Theory* and *European Societies* (both published in 2001). These contain papers that were given at a workshop organized by Swedberg in Stockholm during the summer of 2000. One senses, perhaps, some slight frustration on Swedberg's part that the field of economic sociology in Europe is not as coherent, organized or 'up front' as it appears to be in the US. As he writes, many European sociologists have incorporated writings on 'economy' within a 'more general concern with society' (p. 46). I shall have a little more to say about this in conjunction with Swedberg's arguments about 'interest' below.

The rest of the book consists of chapters on economic organization, firms, economic and sociological approaches to markets, markets in history, politics and the economy, law and the economy, culture and economic development, culture, trust and consumption, and gender and the economy. Each chapter concludes with a brief and helpful summary of the material covered. Of these chapters, I found the two on markets to be very detailed, while Swedberg's recommendations regarding the economic sociology of law - which he also discusses in his

1997 survey - are intriguing. The discussion of culture and economic development is dominated by Weber's work on religion and economic ethics, while the chapter on culture, trust and consumption draws extensively on Bourdieu. Such foci are matters of taste, I suppose. But the inclusion of a short section entitled 'emotions and the economy' in the chapter on gender (see pp. 278-81) cannot be allowed to pass without critical comment. Given that Swedberg cites Hirschman's classic text, *The Passions and the Interests* (1977), in this section, I would have expected to see the conceptual questions it raises included in a more detailed and analytical discussion of the concept of 'interest' - rather than, as here, confusingly (and arbitrarily) run together with the phenomenon of 'emotional labour'. Moreover, I would be intrigued to hear why the discussion of emotional labour was included in this particular chapter.

While reading a study of such vast scope, one is bound to have quibbles. And of course, these are most likely to be close to home. So for what it is worth, I would have liked to see more extensive coverage of the sociology of money and finance - Swedberg provides just three references to it on p. 51, and a very short and not altogether accurate discussion on p. 152. In addition, relatively little is made of the thriving body of work in economic sociology that has been influenced by 'actor network theory' and the arguments of Callon. He cites some of this work on pp. 49, 154 and 299, but does not engage in a full discussion of it. In my own view, these are among the most challenging - but problematic - contributions to economic sociology today, and it would have been interesting to read a more sustained and critical treatment of them by Swedberg. Doubtless, other European readers of Swedberg's book could raise similar points - but this should not detract from the fact that he has undertaken an impossible task with considerable success, not to say panache.

I do, however, have one major conceptual difficulty with the book. In order to read along comfortably with Swedberg, one needs to accept the premise which underlies almost every page. From the outset, he insists that economic sociologists should be developing their own concept(s) of 'interest' - and thereby placing themselves in a position to engage in a 'natural dialogue with the economists' (p. 5). The difficulty I have with this approach is stylistic, strategic, and theoretical. Stylistically, the theme tends to dictate how major contributions within economic sociology are covered throughout the book. Almost every chapter contains a discussion which dovetails into a consideration of the extent to which 'interests' have been or should be taken into account within a specific area. If one agrees with Swedberg, this treatment can prove to be insightful, pointing to future avenues for research which may in many instances be productive. But if, like me, one does not always agree, the theme can be unsettling, not least because it tends to slant what is otherwise a dependable survey. Strategically, I am not at all sure what a 'natural' dialogue with economists actually feels like. Moreover, I am not convinced that an agenda of questions for such a dialogue which is derived primarily from the concept of 'interest' - this is what Swedberg appears to recommend - could ever be entirely satisfying for many, if not most, sociologists. As I have already mentioned, Swedberg rightly observes that many European sociologists - he mentions Luhmann and Bourdieu, but could have mentioned others, including plenty of non-Europeans - address 'economic' questions within a broader set of problems that concern the nature of 'society'. He appears to regret this. But it represents a more balanced approach to 'economic' questions in sociology than could be achieved by shadowing the discipline of economics. I am not at all certain that this is what Swedberg really wants us to do - but if he does, I would argue that we should be starting somewhere else. By saying this, I would not want to diminish

the importance of economic sociology as a field of sociology, but merely to underline the point that it *is* a field of sociology. I wonder whether the potential contribution of economic sociology to the discipline might be delimited - and, if I might say so, its critical edge blunted - if our central questions are derived from the notion of 'interest', however broadly or imaginatively this is conceived.

This brings me to perhaps the most problematic aspect of Swedberg's argument. As I have already suggested in respect of his discussion of Hirschman, the book might have benefited from an additional theoretical chapter in which the concept of 'interest' is properly analysed and discussed. We readers might then, at least, be in a better position to evaluate it. Instead, the concept is introduced through the work of Weber, and then elaborated rather erratically in relation to a wide range of theoretical and empirical research. In the concluding chapter, Swedberg finally returns to the theme of interest explicitly, as one of four issues which he regards as key questions for economic sociology today. (The other issues concern 'structural holes' in the field, the role of objectivity and reflexivity, and the potential contribution of economic sociology to public policy.) Swedberg argues that the notion of interest should be placed on an equal footing with social relations as twin pillars of economic sociology. His definition of 'interest' runs as follows: '*interests are what drive the actions of individuals at some fundamental level*' (pp. 293-5, original italics). This seems quite vacuous to me. To be fair, Swedberg's discussion is even-handed. He cites and discusses several powerful criticisms of the concept of interest, including those of Hirschman that it is tautological; Isay that it is empty; and of Dobbin (following Merton) that it is reductionist. But apparently unphased, Swedberg moves on to suggest that such problems can be avoided if the concept of interest is kept in its place, i.e. used as a middle-range 'proto-concept' rather than 'elevated into some kind of general theory' (p. 297). Unfortunately, by watering the concept down in various ways - interest can be both 'subjective' and 'objective', 'internal' and 'external', and so on - Swedberg probably renders it even more empty than it would be if more tightly defined. As to reinforce this point, he provides a list of definitions of interest which he regards as 'suggestive and important' (p. 294). They include those of Bentley (interest as the group), Dewey (self-realising impulse), Habermas (work and interaction), Locke (civil interests and interests in outward things), Pareto (instinct, reason, impulse), Pound (demand, desire, exception), Sartre (interest conditions *praxis*) and Small/Ratzenhofer (unsatisfied capacity). If 'interest' can mean almost anything that we want it to mean, which is what this list seems to me to imply, the concept arguably *does* become elevated - not into a general theory, one must admit, but rather a catch-all. It is somewhat doubtful whether the 'principles' of economic sociology could ever be derived from such a rabble.

That caveat aside, the book is a first rate general introduction to and overview of economic sociology. Swedberg provides a superbly clear and uncluttered exegesis. Appropriately, his writing is 'economical', while also being thoroughly engaging. The book can be recommended as a leading-edge reference text - although not, one hopes, as the final word on what the 'principles' of economic sociology might be.

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**Olivier Favereau and Emmanuel Lazega (eds), *Conventions and Structures in Economic Organization: Markets, Networks and Hierarchies*  
Cheltenham: Edward Elgar, 2002.**

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The book *Conventions and Structures in Economic Organization: Markets, Networks and Hierarchies*, consisting of 11 chapters edited by Olivier Favereau and Emmanuel Lazega, is a useful and well organized book that promotes the ideas of the French School of Convention Economics. It is published in a series edited by Geoffrey Hodgson, and it comes out of a summer school that took place in 1998. The book aims at building bridges between institutional economics and structural sociology, or seen more broadly, between economics and sociology.

The authors start the book with a very good introduction to the approach. They argue that a combination of conventions and structures is needed in order to understand markets and organizations. By conventions they mean, “values, rules and representations that influence economic behaviour”, which are necessary to solve problems of economic coordination, negotiations and the like. Structures refer to, “patterns of interest and relationships reflecting resource interdependencies among members of any social system” (p. 1).

Their suggested approach to study markets and organization combines sociological network theory with institutional economics, conceptualized in terms of conventions. Their ambition is to avoid the holistic bias of sociology, and the low attention economists pay at, for example, values and rules. The practical side of their approach means that each tradition is presented, and modified, to diminish the gap between them.

They start by discussing what is called “structural sociology”, which has, they argue, five characteristics. The first is the combination of the interest of the actors and the social system as a whole. It is also possible to look jointly at symbolic and economic activities, which represents advancement of structuralism. The key-notion is social niche, which I will get back to. To bring up niches points at the relational dimension of social structure. The third characteristic is the way structural sociology talks about multi-level social mechanism, through which individual actions and social outcomes are linked. The fourth characteristic in this more modern form of structural sociology is network analysis. The final characteristic is the dependency on normative processes. Thus values in relation to exchange become important. Much of these ideas resemble, for example, what one sees in the works of Harrison White (e.g., 1992)

The next step is to add the social dimension to the more individualistic research program in economics, but how is this done more in detail? Let us begin by looking at the utility function. In some versions of utilitarian thinking actors are egoistic, or in other words, they do not care about the utility of others. Favereau and Lazega, in contrast, assume that people may also orient their actions to collective goals. In the end they foresee a replacement of homo economicus by actors conceptualized by social identity theory. A related assumption is that actions should be seen within the framework of bounded rationality. A third point is that

prices and other coordinations that take place in the economy must be seen in relation to rules. Moreover, actors' perspective, must be preserved, and here they open up to qualitative research. The fifth and final point that suggests a way of giving economic analysis a more social approach, refers to the interdependence between structures and values, and this also opens up to a more dynamic approach.

The authors present an empirically validated subjective dimension, in contrast with the attributed "subjectivism" of rational choice theory, as an integrated part of the explanation. This gears the approach close to Weberian and other forms of interpretative sociology. Thus, conventions are not merely rules; they are "grounded on interpretations" (p. 23). This means that they cannot be seen as variables that determine social outcomes, and depending on the situation they may be resources or constraints. The program Favereau and Lazega proposes, in sum, is a combination of two strands, the modern structural sociology and what they call social economics.

It is not possible to discuss each of the chapters in the book, but I have picked a few to give a flavor of the book. I begin with Francois Eymard-Duvernay, who writes about how actors use conventions to negotiate and interpret situations. There are several different conventions, and it is shown how these conventions effectively are part of the social structure that provides some form of certainty in a largely uncertain world. Included in the book are also chapters discussing the relation between economics of conventions and the works by new institutional economics, represented by Douglass North, as well transaction cost economics, represented by Olivier Williamson.

It is one chapter I found less convincing, that of Henk Flap's on rational choice and networks. It starts from the assumptions of neoclassical economics, and fails to account for the larger picture of social capital, which includes virtues and rules. He makes the interpretation of social capital as instruments for goal attainment. This he sees as an explanation of the emergence of social capital. Empirically, this may probably have some validity in parts of the economic sphere, but even there things are much more complicated than that egoistic actors just hook up with people as seen as resources for their own benefit. But this is a minor point compared with the positive impact the other chapters had on me.

Emmanuel Lazega and Lise Mounier, besides presenting an extensive and very good overview of the relevant literature in their chapter on firms, argue that resource interdependency as a central notion can help to explain how actors behave in the economic sphere. In their chapter they take the discussion of the introduction of the book further. They argue that actors have to join hands and co-work; hence they cannot be seen as atomistic actors. This means that actors try to create niches, and that they aim to reconstruct social relations, and this is one reason for Lazega and Mounier to soften up the distinction between markets and hierarchies, and instead talk about collegial coordination's. Niche is a central notion in their chapter and is defined as, "a subset of members within an organization with whom the actor has succeeded in creating especially durable exchange relations, whether directly or indirectly, as a consequence of his or her previous...investments" (p. 162-163). This notion is clearly different from the idea used in discussions of market niches. Niches can function as hubs for resource distribution and management and they are always related to other niches. Each niche has an identity, reflecting its permanence in time, which also signals belonging as well as common interests. Identities are separated by status, which refers to function and accumulated resources. Using this approach in analyzing the intraorganizational level, i.e. firms, it is shown how the firm may be seen as a system of exchange, composed of



actors who try to improve their positions. It is also possible to analyze the interorganizational level, i.e. markets. This means that actors may use their power to fashion markets in ways that suit them.

Another chapter I found highly interesting is, “Where do Markets Come From? From (Quality) Conventions!”, written by Olivier Favereau, Olivier Biencourt, and Francois Eymard-Duvernay. The title has the same title as White’s seminal article (1981), but gives another answer. They argue, in essence, that the Whitean market models can be reinterpreted as instances of quality conventions. This chapter begins with a detailed exposition of White’s market model, which is combined with an Economics of Convention reading of his model. That is, the viable markets White discusses, are reinterpreted in terms of various conventions, more concretely in terms of quality, and the different ways quality is determined in markets. Though some will doubt if they are entirely correct, the interpretation is extremely interesting as well as imaginative, and the marriage of network and conventional economics is very welcome. The broader implication of their argument, shared by White, is that Walrasian theory is unfit for analyzing producer markets. The discussion of markets and quality continues by Olivier Biencourt, who uses the Whitean approach to make empirical analyzes of theatrical institutions and road haulage.

The book concludes with a chapter written by White, in his unique style. He comments on the relation between his own work, most notably *Markets From Networks* (2002), and Economics of Convention. The discussions, in many cases related to White’s work, which have surfaced in the chapters preceding White’s, are once again brought up, and White nicely ties the book together.

Even though one may criticize an individual chapter, it is clear that each chapter contributes to the whole picture. The approach suggested in the introduction is related to many competing approaches in the chapters of the book, which makes it easier to understand the ideas that Olivier Favereau and Emmanuel Lazega outlines. In conclusion, it is in my view a very good book, which is well worth reading by economic sociologists who wish to know about recent developments in the field.

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**Reza Azarian, *The General Sociology of Harrison White*  
Stockholm University: Stockholm Studies on Social Mechanisms, 2003.**

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Reza Azarian can be thanked for publishing an extremely useful and non-technical introduction to the general sociology of Harrison White. Given that White carries on producing theory, methodology and empirical work, this book provides a necessarily incomplete view of its own topic. In my view, this incompleteness is not much of a problem. It simply means that Azarian's book is likely to be the first in a long series of overviews helping students and colleagues in approaching this extraordinarily creative and complex *oeuvre*. It is a journey through White's foundational work and key concepts. It also contextualizes this work with interviews that the author conducted with many sociologists who were trained by White and who currently personify the achievements of American structuralism.

In the first chapter, Azarian describes the ways in which White has tried to lay the foundations of a sociology that starts with social relationships and their concatenation into chains that interweave into networks – instead of starting with individuals or collectives that are taken for granted as unquestioned entities. When analysed, these networks show that fundamentally interdependent actors sometimes interact with enough regularity for local structures and some sort of stability to emerge in a chaotic and confusing world. Because modern social relationships are considered “social achievements”, White also attaches “stories” and language to them, notions that Azarian's reading helps to clarify. He shows how, in White's sociology, “network” is a basic concept expressing connectedness, embeddedness, interdependencies, and a new way of contextualizing behavior. Structural equivalence and comparability appear as principles of interchangeability, aggregation and differentiation that help actors create regularities, roles, structures, and fragile local orders. The second chapter provides a theoretical analysis of concepts such as multiple embeddedness, control, identity, modes of control, agency, and the ways in which White articulates these concepts in a new structural theory. The third chapter provides a clear presentation of fundamental Whittian concepts of social structure, structural equivalence, or comparability, with a typology of the kinds of social order (or “discipline”) that come attached to thinking in those terms.

Because it follows closely White's general sociology, Azarian's work focuses in particular on *Identity and Control* more than on any of the other books that White has written. However, of particular interest to the readers of this *Newsletter*, his fourth chapter presents a summary of White's theory of production markets (as special kinds of organizations reflecting one of the three Whittian “disciplines” called “interface”). This original economic sociology – the new model of markets for manufactured goods, founded on the variance of business firm choices in a quality/price space – is clearly presented and situated in the overall framework. Azarian does not forget, for example, to remind the reader of the connection between White's typology of viable markets and the existence of quality conventions (in the sense of French *économistes des conventions*) on which consumers and producers must agree if competition is

to produce some kind of order. Other specialized, but no less original, work by White in the sociology of kinship, mobility, arts, etc. are less well accounted for than production markets.

At the end of this journey through White's theories and terminology, the book points to areas of White's theory that are left unexplored – for example concerning some forms of social structure that Harrison White presents as fundamental in modern life (what he calls “council” and “arena”). Of particular interest to sociologists who are not necessarily trained in sophisticated network analysis, this book accounts for what Azarian calls the “strategic turn” that White took with *Identity and Control*, away from social network analysis that had become too formalistic, and closer to symbolic interactionism and the subjective dimension of ties. This association with the symbolic interactionist tradition is stimulating and certainly deserves more elucidation and elaboration. For example, its connection to White's current work on language is left aside.

If one can formulate a regret, it would be that Azarian's book does not thoroughly explore the implications of this “strategic turn” for American structuralism and recent dialogues with approaches to social life that structuralists will sooner or later need to discuss (such as survey analysis, mobility tables, the role of the State and politics in the economy, etc). Such encounters have been brief, but one could argue that they still have great potential. Harrison White's bold and creative sociological thought is not as foreign to traditional sociology as he and Azarian sometimes suggest. These bridges still deserve more description. White's creativity, methodology and theories have developed into a formidably critical and constructive force in sociology. The rest of sociology, however, does not necessarily pale into insignificance when compared to this recent monument.

The book ends with appendices including an account of the emergence of American structuralism, Harrison White's biography (Carnegie Mellon, Chicago, Harvard, Arizona and Columbia years) and bibliography up to 2003, as well as the list of his no-less-famous graduate students. The book deserves wide diffusion because it clarifies many issues that are difficult to understand in White's own books and papers. Without being too hagiographic, it will explain to students why every one of White's new books is an event in academic sociology.

## PHD'S IN PROGRESS

### **Economy as a world-system: Analysing Niklas Luhmann's and Karl Marx' observations of the modern economy**

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This theoretical Ph.D. research argues that the contemporary development and often described processes of a dynamic economic transnationalisation, tending towards a global economy as a unitary and interlocking world-system, can fundamentally be seen as an expansive logic that is inherent in money. Money and its modern derivatives are therefore seen as both catalysts of worldwide differentiation and as media of worldwide social synthesis.

Starting with a critique of the 'neglect of money' in mainstream economics, the argument develops the insights of various recent heterodox theoretical approaches in economics and sociology, and argues that the theories of Karl Marx and Niklas Luhmann need to be examined closely. These authors, despite their differences, agree nevertheless that for the understanding of economics, money can neither be treated as merely a helpful instrument of exchange nor as a neutral veil. Instead, it plays a central role in the constitution and operative independence of the economic system, including its decoupling from society. The research does not approach Marx's theory from the perspective of various Marxist orthodoxies. These, like their neo-classical alternative, accept money as a neutral thing. Instead, the research approaches Marx's writings through the lens of recent, mainly German attempts (Neue-Marx-Lektüre), at reconstructing Marx's economics as a 'monetary value-theory'. The credit of transforming and inverting Parsonian system-theoretical conceptions of money has to go to Luhmann. His work goes far beyond the mostly harmless conception of money as a medium that allows for socio-economic integration. Luhmann's conception of money shows it, instead, as a 'symbolic generalised medium of communication' that is emphasised by its dynamic and system-constituent characteristics.

Based on this theoretical understanding, the research shows how the subjective-objective character of money in modern societies provides a linkage between intentional action and emergent structural properties. The research then turns to assessing the new social quality of international financial markets and shows their operation in non-functionalist terms. These

markets are thus revealed as both non-intended ‘control-unites’ (Steuerungszentren) of world-wide economic communications and as Marx had it, ‘deranged forms’ that express and mediate social constraints.

## **Meanings of Capital: Actors, Strategies, and Struggles around FDI in the Czech Republic**

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In 1998, the form of state intervention in the Czech Republic was reorganized and various significant social forces with specific interests were integrated in order to implement the developmental project based on attracting (foreign) investment. Thus, the historic bloc based on the hegemonic project of attracting investment has emerged and the new regime of socio-economic governance has crystallized. I introduce a research strategy to identify properties of this historic bloc and to discover how and why it emerged. In order to explain the formation, implementation, and operation of this hegemonic project, I draw on Jessop’s form-analytic, strategic-relational approach, which provides analytical tools to investigate the formation of a regulatory regime as a process of social construction without neglecting its institutional materiality. I develop an innovative methodological way of using this approach in my research design, which integrates critical discourse analysis, ethnography, and institutional political-economic analysis.

My research project tackles two analytical concerns, which I have identified as the important factors for explaining the emergence and operation of the project to attract investment in the Czech Republic. First, it is necessary to investigate the contribution of discourse to the emergence of the historic bloc and to the construction of the capitalist economy and state. Thus, I want to go beyond common analyses of discourse, which are usually limited to the description of the dominant image of economy or globalization, and attempt to investigate the performative power of discourse(s) in policy making and implementing. Second, the multiscale aspect of this regime of governance is the important theoretical property of this regime. This factor can explain the support for, and vested interests of key social actors in the hegemonic project. Moreover, it provides material bases for the neoliberal discourse.

## **The reproduction of business groups, cohesive and flexible socio-economic entities.**

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Several thousands French business groups are analyzed using large-scale national surveys. We refer to the weak tie / strong tie theoretical distinction to show that business groups are strongly cohesive and at the same time highly flexible socio-economic entities. This allows them to reduce the dialectical problem of under- or over-embeddedness. *Group cohesion* is analytically seen through several empirical aspects like: existence of group-level internal labor markets and how the interfirm occupational mobility flows are patterned by the financial structures in which firms are embedded; existence of 'internal firms' whose outputs are devoted to business group member organizations; group organization as a set of specialized cohesive niches monitored by a set of dedicated hierarchical ascendants. *Group flexibility* is then defined through the study of a regular membership renewal (intra or inter sectoral) that exists both at the individual level (firms) and at the collective level (niches) and through the 'dual' nature of group financial structure. In both cases (cohesion and flexibility), a strong emphasis is put on the consequences of these processes for the French workforce: business groups (large and small) in effect include today more than 60% of the whole French private sector workers.

**Current PhD projects in economic sociology in Europe.**

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

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[velthuis@dds.nl](mailto:velthuis@dds.nl)