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Justification, Conventions, and Institutions in Economic Fields

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Economic life is ambiguous. Problems and their solutions are linked on a flexible and situational basis (Cohen et al. 1972), decisions and their explanations are loosely coupled (Feldman 1989: 79-80) and the status quo of the institutional world is always in danger of criticism and needs to be legitimized by the “theoretical fancy of the cosmological experts” (Berger/Luckmann 1966: 115). The French *sociology of conventions* (also known as the sociology of critical capacity, Boltanski/Thévenot 1999) uses this evaluative ambiguity of the economic world as the theoretical starting point. Instead of being interested in *legitimation*, *justification* is put center stage (Boltanski/Thévenot 2006). This seemingly minor terminological shift conceals major methodological consequences. By turning the former “little sister” into a main sociological category, Boltanski and Thévenot create an interesting framework for the analysis of economic fields where conventions (discourses), and institutions and objects (dispositives) appear to be linked in a specific way. Economic fields may thus be analyzed as ongoing evaluative processes where orders of worth are disputed and compromised via talk and investments in forms.

Drawing on Bourdieu’s concept of social fields (though rather implicitly), DiMaggio and Powell (1983) initiated a research program dedicated to the study of institutional homogeneity in organizational fields. Their strong claim towards homogenization provoked a variety of debates in New Institutional thinking: (1) a plea for bringing the societal (discursive) level back in (Friedland/Alford 1991; Scott 1994; Thornton/Ocasio 2008; Thornton et al. 2012), (2) a plea for the formulation of a microfoundation (Zucker 1991; Powell/Colyvas 2008), and (3) a plea for the introduction of technology and material devices into the theoretical framework (Czarniawska 2008: 773; Powell/Colyvas 2008: 281). The *sociology of conventions* provides a theoretical framework that is able to integrate these three requirements in a promising way.

To begin with, it is remarkable that the French approach introduces the term *convention* in order to draw a distinction to the term *institution* (Bessy 2012; Diaz-Bone 2012). Such a differentiation between the institutional world and legitimation is central to the work of Berger and Luckmann (1966: 79), too, who are important precursors to new institutionalist theories. Yet, this differentiation got lost in the institutional pillar-model (DiMaggio/Powell 1983; Scott 1995), where coercive, normative, and legitimatory (mimetic) institutionalization are conceptualized on the same analytical level (for a critique see Phillips/Malhorta 2008: 709-710; Thornton et al. 2012: 38-39). The institutional logics perspective, a promising new institutional perspective that highlights the heterogeneity in organizational fields, is clear in stating that “culture and cognition are how we as individuals come to understand the meaning of norms and regulations” (ibid.:39). Still, the term ‘institutional logic’ suggests that logics and institutions are inseparably bound together. Berger and Luckmann (1966:82) once argued that “great care is required in any statements one makes about the ‘logic’ of institutions. The logic does not reside in the institutions and their external functionalities, but in the way these are treated in reflection about them.” The consequence of this warning is an analytical distinction between institutions and logics in order to be able to reflect on the ways how institutions and logics appear to be linked in ambiguous situations. For conventionalists “rules [institutions; L.K.] are never complete in their way of controlling actions, [...] and their completion cannot proceed from interpretive meta rules (which would fall into an infinite regression, be logically unsound and anyway unrealistic), but from collective interpretative schemes, like our conventions.” (Favereau et al. 2002: 226) Thus, institutions and conventions are linked in collective evaluative moments where people struggle for orientation and interpretation.

From a conventionalist perspective, the process of institutionalization is understood as a process of form investment (Thévenot 1984). The conventionalist perspective treats institutions and objects analytically the same way: “creating a rule is much of an investment as purchasing a machine.” (Thévenot 1984: 23) The French sociology has a long tradition of integrating things or dispositives into

social theory: for example by Foucault's juxtaposition of discourses and dispositives (Diaz-Bone 2008), by Bourdieu's interest for things as representations of positions in the social field and, last but not least, by Latour and Callon's claims for socio-technical *agencements*. Actor-network-theory and the sociology of conventions develop in mutual awareness (see e.g. Dodier 2011) and it has been argued that both grow in a twin-like relationship (Guggenheim/Potthast 2012). While it is true that the sociology of conventions draws on a related (French) understanding of the material world, it differs from actor-network-theory by its conception of a people-centered sociology focusing on the pragmatic capacities for critique, justification and evaluation. Both theories, thus, may better be understood as "fraternal twins" than as "symmetrical twins" (Diaz-Bone 2011: 34). "Equipping" the world with stable forms is a way of reducing its complexity by means of simplification, abstraction, standardization or generalization (Thévenot 1984: 15) for the sake of a common good (e.g. solidarity, tradition, efficiency, technological progress).

Like Friedland and Alford, the sociology of conventions argues for abstract and generally accessible discursive knowledge systems (Diaz-Bone 2009) that guide economic, organizational and political life. Still, the interest in abstract orders of worth does not stem from an attempt to understand society as an "inter-institutional system" (Friedland/Alford 1991), but from an attempt to understand people's search for orientation in ambiguous situations (see Dequech 2003 for a general discussion of the role of ambiguity and uncertainty in economic life). Boltanski and Thévenot (1983, 2006) observe that people refer to abstract canonical orders of worth (conventions) to render claims generally valid. Employing "pragmatic versatility" (Thévenot 2001: 407), they switch references from one convention to another in order to resolve the complexity of situations. Each abstract and most legitimate principle of evaluation supports a unique mode of qualifying people and things. For example, the *civic* order of worth values solidarity, equality, the collective interest, democratic resolutions and services for the public, while the *domestic* order of worth values tradition, patriarchal leadership, heritage, trust and reciprocity. What is most fruitful for economic research (Knoll 2012b) is the rejection of the Arrow-Debreu demand and supply presentation, which implies "a conceptual integration which treats similarly the production function and the consumer function" (Thévenot 2001: 412). Boltanski and Thévenot criticize this conceptual integration, proposing a difference between the *market* and the *industrial* order: "a market rationale

which is naturally deprived of a future, and an industrial action which is naturally stabilized through investments" and long-term industrial planning (Thévenot 2001: 413). Thévenot and his colleagues (Lafaye/Thévenot 1993; Thévenot et al. 2000) further argue for a *green* order of worth that remunerates the sustainment and conservation of the nature as an end in itself. Conventions are relatively vague, of unknown origin and they cannot be enforced legally (Favereau et al. 2002: 224). Furthermore, they are general and principal and they are *only* "put forward piecemeal" (Favereau et al. 2002) when cited. They are convincing because they are abstract and can be referred to through hints and insinuations.

The situational and collective process of coordination is the methodological center-piece of the sociology of conventions. The fact that there is always more than one possible way of relating to a "right" and "just" way of treating things and people, makes every situation an open and underdetermined one. Legitimation is not a given: „We intend to deal here with legitimacy as part of the competence of actors. We indeed make the hypothesis that actors are capable of distinguishing between legitimate arguments and arrangements and illegitimate ones. Legitimate means that when arguments and arrangements are confronted with criticisms they can be the subject of justifications that are valid in all generality, and that they can be used to support universalizable agreements. Illegitimate means that they cannot be justified, and that they cannot support agreements that concern the generality of the common good, even if they can be mobilized by the actors in certain situations to support certain arrangements to the advantage of the parties.“ (Boltanski/Thévenot 2000: 215) Legitimation needs to be accomplished on a moment to moment basis. The principal variety and concurrence of orders of worth makes constant justifications, argumentations and explanations necessary. Thévenot refers to an example given by Williamson (1975: 38) to explain this notion of situated ambiguity management. The question on stake is, if a market for (or the commodification of) blood would decrease altruism in giving blood. A potential donor might wonder if he will be judged as being generous or as being naïve (table 1).

See appendix, table 1: Figures of judgment in a complex situation

In this example, commodification is not replacing the "old" way of donating one's blood for the sake of solidarity (civic), but complementing it with a frame in which things

are valued according to their market price for the sake of profit maximization (market). In one way or the other, people can anticipate possible criticisms and may find ways and arguments to muddle through the contradiction involved in the action of giving one's blood.

When different world views collide, often a compromise is the "best available" or the "second best" solution. The compromise designates a composition between different orders of worth that suspends controversy without having resolved it by recourse to a single order of worth. This makes compromises fragile (Thévenot 2001: 411). They can be stabilized by the intermingling of elements from different worlds (Boltanski/Thévenot 2006: 278). For example, in constructions like a "state owned company" different logics appear to be tied together and their differences appear less pronounced. The economic world is equipped with multitudes of such "compromising devices" (Thévenot 2001: 410-411) or "boundary objects" (Bowker/Star 1999: 297) that satisfy the requirements of different worlds. Compromised objects do not clarify economic situations, but cover and hide the complexity of the world. Economic, political and organizational reforms (form investments) unfold in a compromising way most of the time; the new form is covering an old form, but not erasing it. The Christmas tree is a nice example for a compromising device, which incorporates pagan traditions into a catholic narration rather than to fight them off. Compromising devices thus represent moments of overwriting and rewriting history. As Callon (2007: 341) notes, socio-technical worlds "are struggling to exist, at the expense of other sociotechnical worlds".

In the second part of this article, the possibility of conducting field studies by employing a conventionalist approach will be illustrated by recourse to a case study conducted in the field of municipal power generation. This economic field can be described as an ongoing blending of conventions, where conflicts are fought out, compromises are established and again questioned. Uncertainty is rendered manageable through compromising devices, like the "procurement portfolio" in power trading and through ongoing talk about "right" and "just" ways of generating energy. Table 2 presents the respective results of the study, in which the justifications of emissions trading in two German municipal utilities are investigated (Knoll 2012a). (See appendix, table 2: Conflicts and compromises in the field of municipal energy generation). The table depicts the various formations of conflict and compromise that were reconstructed from the rich empirical material. We see

typical judgments from one evaluative frame over another, situated in a political scenario of the reformation of the energy sector in the context of market liberalization, emissions trading, and climate change debates. Civic, industry, green and market discourses appear to be contrasted and combined. The italicization of the term "*appreciation*" indicates a compromise between different orders of worth. In the light of the civic order, for example, the industrial "demand" appears to be a juxtaposition – or an "ontological mutation" (Callon 2007: 337) – of the "citizen need" and is therefore highly valued across both evaluative frames.

The analysis of the municipal power sector allows the conception of the economy as something that consists out of much more than market coordination. Municipal utilities came to life in the aftermath of industrialization, when people moved into the cities and the need for a centralized electricity and water supply as well as for public transport and waste disposal was overwhelming. In this period, the German term "Daseinsvorsorge" (roughly translated "existence or subsistence provision") has been shaped and explicitly distinguished from forms of competitive coordination (Forsthoff 1938, 1958). Municipal utilities in Germany, till today, are bound to the general principle of "Bedarfwirtschaftlichkeit" (economy of demand) (Edeling et al. 2004: 27) that is contested by processes of market liberalization (economy of supply) (Edeling 2008). With market liberalization, electricity generation has been reorganized by establishing competition between suppliers. Electricity is now sold one year ahead and power trading departments decide on a daily basis, if it is cheaper to "make or buy" the sold electricity. Power trading departments use a calculative device, the so called "procurement portfolio", in order to manage their risks and positions (see e.g. Burger et al. 2007). Other than economic theory would expect, the procurement portfolio (purchasing portfolio) serves as an institutionalized compromise (Knoll 2012a, 2012b), allowing for the interlacing of industrial risk avoiding strategies and revenue-oriented risk taking strategies, while both remain justifiable as economic "optimization". The inherent contradiction between both evaluative frames is made invisible via the employment of a calculative scheme that allows long-term planning *and* short-term revenue maximization. The established compromise of long-term supply security (industry and civic) can survive market liberalization, *because* power trading unfolds in a compromised way.

The main empirical bases of the above presented outcomes are group discussions on the “right” and “just” ways of treating and trading emissions rights (Knoll 2012a). The following sequence illustrates how a variety of orders of worth is applied to make sense from emissions trading, where the price for carbon should have an influence on the modes and ways of heat generation. How a company translates the price information into a trading decision or most ideally into a decision of reducing CO₂ emissions is a rather complex process full of preconditions and dependent on collective evaluations. The power plant operator begins the sequence with a vehement statement:

Plant operator: “When heat from the district heating network is required, the CO₂ price is irrelevant!”

Power trader: “One could play around a little bit by shifting between the combined heat and power plant and the other stations.”

Plant operator: “This is digital again. If I am able to generate heat in the combined heat and power plant, I do it there and not with primary heat. Finito!”

Sociologist: “And the CO₂ price is completely irrelevant for this decision?”

Plant operator: “Absolutely! The CO₂ price is completely irrelevant, because we generate heat as and when required. When heat is required, we have to deliver the heat. That’s it! No one cares about the price. The important thing is that we deliver the heat.”

Power trader: “But, you do have the possibility of driving various heat plants according to price signals.”

Plant operator: “Yes, but when it comes to this decision I chose the combined heat and power plant over the primary heat because of the better efficiency factor.”

(Translation from Knoll 2012a: 149)

What can be observed is a situational blending of references by the citation of a variety of orders of worth. Objects themselves, like “the price” (which appears as a volatile curve on computer screens) or “the demand” (which is calculated in procurement planning sheets) do not offer an immediate economic solution. They rather support argumentations. The sequence illustrates how a demand-orientation (industry), backed up by the need to deliver

energy “as and when required”, which reflects perceiving energy as a public good (civic), suggests a very specific way of running an energy plant: one that is oriented towards the needs of demand (industry). What is at stake is a demand-oriented plant operation (industry and civic) versus a price-oriented plant operation (market). The formulation “this is digital again” refers to the financialization of the power market, which is interpreted as to unfold a kind of detachment from the technical needs of the production process. In the end, the demand-orientation is additionally backed up by an argument for “environmental friendliness” in terms of the efficiency factor mentioned, referring to the climate change mitigation debate (industry and green).

But there is more at stake here than just a blending of orders of worth. We can see a momentary subordination between the different positions that is reflected in the negotiation process. The statement of the power plant operator “the CO₂ price is irrelevant” is brought forward in a vehement way. This statement is taken up by the power trader who intervenes tentatively that “one could play around a little” by shifting heat generation between the power plants according to price signals. He is intervening in a rather circumspective and sheepish way. He is not answering with the same vehemence as his colleague. This renders it possible, on the one hand, to bring his point forward (“Prices do matter!”) without navigating into an open conflict right away – on the other hand, it leaves his argument in an invalidated position. He brings up his point again during the conversation, but it is again rejected, this time by a triangulation of arguments: citizens need, customers demand and environmental friendliness. Compromises make arguments more convincing on a momentary basis: The demand orientation (industry) and the public good-orientation (civic) serve as a strong compromise against the market-logic, which in turn later on is additionally backed up by arguments of environmental friendliness (green). In this sequence, the compromising of discursive orders of worth enables the rejection of the price-logic.

The conventionalist perspective offers promising theoretical concepts for analyzing economic fields. Notions of critique, justification and compromise allow the analysis not only of orders of worth, but furthermore of the *ordering of orders of worth* in economic fields. Group discussions offer an interesting methodology to study *collective* struggles for orientation and the ways and modes how discursive evaluative frames appear to be interrelated and contrasted

(Knoll 2012a). The sociology of critical capacity offers its own theoretical understanding of how to think of discourses and dispositives – always from the perspective of people who strive for orientation and the “right” thing to do. On the one hand, institutionalized form investments (dispositives) render the world approachable; on the other hand, they remain underdetermined and are comprehensible and justifiable, only, if framed in the light of general conventions (discourses).

Lisa Knoll is working at the Institute for Sociology at the University of Hamburg where she conducts research on carbon trading and carbon accounting in collaboration with the Excellence Cluster “Integrated Climate System Analysis and Prediction” (CliSAP). She has recently published *Über die Rechtfertigung wirtschaftlichen Handelns. CO₂-Handel in der kommunalen Energiewirtschaft* (2012).

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Appendix

Table 1: Figures of judgment in a complex situation

Interpreter	Actor	
	civic	market
civic	sympathetic	greedy
market	naïve	realistic

(Thévenot 2002:184)

Table 2: Conflicts and compromises in the field of municipal energy generation

action	civic	industry	green	market
judgment				
civic	rational	<i>appreciation</i> of long-term supply security (Daseinsvorsorge)	<i>appreciation</i> of decentralized energy generation, energy has to be affordable (social tariffs)	opportunistic, threatening security of supply (Daseinsvorsorge)
industry	<i>appreciation</i> of reliable demand-orientation	rational	utopian (e.g. need for large scale nuclear/fossil power plants), but <i>appreciation</i> of feasible technical solutions	risky, shortsighted, detached from technical needs, <i>appreciation</i> of risk management via procurement portfolio
green	<i>appreciation</i> of alternative energy generation	lacking a vision and a will to change	rational	shortsighted, irresponsible
market	inefficient, outmoded, socialistic, (e.g. social tariffs)	conservative, inflexible, lacking competitiveness, <i>appreciation</i> of asset management via procurement portfolio	naïve, but <i>appreciation</i> of global CO ₂ markets	rational