

Max Planck Institute for the Study of Societies (Cologne) (Ed.)

**Periodical Part**

## economic sociology\_the european electronic newsletter, Volume 16, Number 1-3

economic sociology\_the european electronic newsletter

**Provided in Cooperation with:**

Max Planck Institute for the Study of Societies (MPIfG), Cologne

*Suggested Citation:* Max Planck Institute for the Study of Societies (Cologne) (Ed.) (2015) :  
economic sociology\_the european electronic newsletter, Volume 16, Number 1-3, economic  
sociology\_the european electronic newsletter, ISSN 1871-3351, Max Planck Institute for the  
Study of Societies (MPIfG), Cologne, Vol. 16, Iss. 1-3

This Version is available at:

<https://hdl.handle.net/10419/156040>

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**Volume 16, Number 1 | November 2014**

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# Note from the editor

## Introduction: Online Markets

The November issue of the European Economic Sociology Newsletter is dedicated to current studies of online markets. The omnipresence of the internet for the past two decades has become infrastructural, penetrating most aspects of our daily life, and transforming the way we design, produce, sell and consume goods and services. Most of us spend a growing amount of time in cyberspace, working, socializing and entertaining ourselves, searching for information and spending money. Sociological research has been attuned to the rise of a "network society" from the early days of the internet (Castells, 2011). Much of the sociological literature about emerging socio-technical configurations involving the internet and the economic sphere has focused on production processes and work organization. Researchers have examined the transformation of the occupational landscape (Damarin, 2006), as well as the nature of work performed in cyberspace (Bailey, Leonardi, and Barley, 2012). Particular attention has been paid to emerging socio-legal structures that facilitate online work in open-source projects (O'Mahony, 2003; David and Shapiro, 2008). Other studies have looked at the disaggregation of work organization (Felstead and Jewson, 2005). Economic sociologists have also made important contributions to the study of our changing society, specifically in the financial sector, by exploring the broad impacts of computer-mediated exchange, the rise of virtual communities of traders, and the proliferation of global online trading (Knorr Cetina and Bruegger, 2002; Sassen, 2005 to name only two examples among many others).

Internet platforms that support online markets provide social actors with new capabilities. Buyers can easily conduct extensive information searches regarding product quality and price, compare prices and make informed purchasing decisions by choosing between an almost unlimited numbers of sellers who distribute globally. Furthermore, sellers and buyers can consult online ratings systems to evaluate the trustworthiness of their exchange partners. The mere distinction between a buyer and a seller is somewhat blurred in online markets, as buyers can more easily than ever switch roles and become sellers by using

exchange platforms such as E-Bay, offer various services through social media, or open up an online store which is 'open' 24 hours a day. These capabilities seem to constitute "perfect competition", in which information asymmetries and market entrance costs are all but absent. However, as some of the examples in the articles in this issue demonstrate, such a view of online markets is misleading, and the mediation of online exchange by various internet platforms allows the exercise of authority and mobilization of interests which are embedded in software and hardware and are thus much harder to recognize and resist.

Online markets are better viewed as a structure of exchange relationships which I suggest should be termed an "allelopticon", which connotes the Greek idea of "mutual viewing" (see Darr, 2014). More than ever, the social actors in online markets can observe and collect streaming and often self-reported information about their counterparts. The "alleloptic" vision promotes large-scale competition and seemingly lacks central control. However, the online mediators who provide trading platforms and who often correct various market inefficiencies have obtained a central position in online trade. The mediating trading platforms provide lenses through which mutual vision is possible and determine the categories which become the object of mutual viewing and which are used to rate the different market actors. They also collect data about patterns of exchange in different markets, information which can be researched, manipulated and commoditised.

Importantly, online markets are not detached from offline markets; they not only co-exist, but are often mutually supportive and operate within similar local and global business cultures. Some products, such as software, can be designed, produced, sold and consumed online. Other product or service markets involve the combination of exchange in offline and online markets. In still other cases, the internet is simply used to display products, while the actual process of buying and selling is conducted in more traditional ways. The articles in this issue explore different configurations of online and offline markets and compare exchange processes across the two types of economic exchange. The first article, by Wojtek Przepiorka, compares

the inherent challenge of constituting reputation and trust in traditional markets and in online markets. The focus of the article is emerging rating systems in online trade which replace social norms and other mechanisms designed to lubricate economic exchange in offline markets. The second article, by Andreas Schmitz, deals with the trajectories of the partner and dating markets, and points to ways in which offline and online partner markets are intertwined. The article also highlights new research tools and ways of sourcing and analyzing big data which are facilitated by online sites that mediate the exchange. Galit Ailon's description of her current study of independent day traders in the financial sector highlights another aspect of online markets, namely the growing number of amateurs who often work from home and take an active part in this global online trade. The interview with Ilan Talmud focuses on the social organization of the trade of a virtual currency, the Bitcoin, and demonstrates that even here a social infrastructure exists that supports this online market.

In this issue I launch a new section entitled "New Frontiers in Economic Sociology". This section is meant to present our readers with new areas of study for economic sociology. It has long been argued that economic sociology should have more impact on policy-making. In this new section the topic "Economies of Death" is of particular importance, not because it is entirely new (see Barley, 1983), but because recent writings bring together economic sociology and policy-making and provides broad historical background. In the first article Roi Livne presents this area of study and its intertwining with policy-making in the sensitive domain of the economic management of dying. The second article by Pascale Trompette, present a current example of a study of the French funeral market and brings a strong historical and process-based analysis of this domain of economic life. After a short description by Oleg Komlik of an online forum for economic sociologists,

this issue concludes with the book review section, edited by Mark Lutter.

I wish all of you interesting and educational reading,

Asaf Darr

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# Reputation in Offline and Online Markets: Solutions to Trust Problems in Social and Economic Exchange

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## Introduction

In his seminal 1985 paper, Mark Granovetter criticises classical and neoclassical economists' under- and modern sociologists' over-socialised conceptions of economic action. He argues that individuals do not maximise their utility functions independently of each other, but also that their actions are not the result of a behavioural script being executed since they internalised it through socialisation. Moreover, he criticises the ways these scholars have explained the necessity and existence of trust and cooperation in domains of social and economic life that are impenetrable to market mechanisms. Advocates of new institutional economics have argued that, in these domains, social and economic institutions will evolve that provide real incentives for cooperative behaviour and discourage moral hazard. Others have argued that, even in the presence of such institutional arrangements, actors will have to overcome a residual uncertainty in social interactions, and the fact that they do overcome it is evidence for a generalised morality and trust.

To these under- (institutional arrangements) and over-socialised (generalised morality) explanations of trust and cooperation, Granovetter adds a third view, which advocates the role of the embeddedness of economic action in networks of ongoing social relations in generating trust and discouraging moral hazard. He argues that "social relations, rather than institutional arrangements or generalised morality, are mainly responsible for the production of trust in economic life" (1985: 491), and sees the embeddedness approach vindicated in the variety of existing social structures. Moreover, embedded actors base their choices of transaction partners on better quality information about these partners' reputations than the atom-

ised actors implied by the under- and over-socialised views. Granovetter (1992) distinguishes between relational embeddedness, in which actors rely on information they obtain in their own dealings with a partner, and structural embeddedness, in which actors rely on information transmitted by trusted third parties in a social network (see also Buskens and Raub 2002). He considers the economists' notion of "reputation as generalized commodity" (1985: 490) to be of lesser relevance as it originates from an under-socialised conception of economic action.

The embeddedness idea has since shaped the ways economic sociologists think about economic action in general and the role of reputation in governing market interactions in particular (for example, DiMaggio and Louch 1998; Swedberg 2005). I will use Granovetter's (1992) embeddedness concept to discuss the role of reputation in offline and online markets. I will argue that, despite its empirical relevance and intuitive appeal, the embeddedness concept might not always be the better model for explaining reputation formation and the effect of reputation on cooperation in markets; there is also good evidence that institutional arrangements play an important role, and particular social structures can often be seen as an integral part of an evolved institutional arrangement. Moreover, I will argue that online markets with an electronic reputation system elude the embeddedness concept, because they fully connect virtually atomized actors and presuppose a certain level of generalised morality to function properly.

## Close-knit societies

Maybe the first accounts corresponding to Granovetter's idea of socially embedded economic action stem from early anthropologists' and sociologists' work on social exchange. Malinowski (1922) and Mauss ([1950] 1990) describe how, in archaic societies, social exchange spanned a network of multiplex relations in which economic exchange occurred side by side with ceremonial exchanges, namely formal rituals characterized by solemnity, decorum and disinterested generosity. In these societies, social exchange was

governed by norms of reciprocity, and a failure to reciprocate was punished by loss of reputation and status. It is believed that these ceremonial exchanges emerged because they created bonds of solidarity among tribal societies and maintained the social order that facilitated economic exchanges (Leach 1983).

In a similar vein, Sosis (2005) argues that economic action in many religious groups is embedded in religious practices which, if conceived as signals of group commitment, can be a cheap way of monitoring group members and producing the trust necessary for economic exchange. In general, within close-knit communities, trust and cooperation are maintained as it is easier to keep members informed about other members' past behaviour, and the punishment of cheats can be more effective, for it would also involve the cheats' social relations. If the trustworthy-making qualities of small communities such as religious groups become commonly known, then a religious identity can also serve as a credible signal of trustworthiness to outsiders (see also Diekmann 2007).

While traveling through America in 1904, Max Weber made several observations about the creditworthiness of members of various sects. On a railroad journey, he met a businessman selling iron letters for tombstones. The businessman declared: "'Sir, for my part everybody may believe or not believe as he pleases; but if I saw a farmer or businessman not belonging to any church at all, I wouldn't trust him with fifty cents'" ([1920] 2002: 128). When Weber visited a baptism ceremony later on, the significance of belonging to a religious community was explained to him: "'once [he is] baptized he will get the patronage of the whole region and he will outcompete everybody. ... Admission to the congregation is recognized as an absolute guarantee of the moral qualities of a gentleman, especially of those qualities required in business matters.'" ([1920] 2002: 129–130; see also Voss 1998).

These accounts showcase how the embeddedness of economic action in other ongoing social relations can produce the trust necessary in economic exchange, and individuals' concern for their reputations seems to play a central role therein. However, these accounts leave in the dark whether a dense network of social relations is a precondition for mutually beneficial economic exchange, or whether these networks can also be part of an institutional arrangement that evolved as a solution to the trust problems arising in economic exchange. As Granovetter (1992) points out with regard to institutionalist explanations of cooperation, one

has to be careful not to fall prey to the functionalist fallacy and declare that the reason why an existing institutional arrangement evolved is the problem it now solves. For instance, the strong group commitment and identity of religious communities may be the result of oppression by a dominant out-group rather than a function designed to safeguard the gains that can be made from mutually beneficial economic exchanges. In any case, given that in human pre-history social life was organized in close-knit communities, early forms of economic exchange were probably embedded in other social relations (although see Swedberg 2005: 234). However, with trade taking place across increasing geographic distances, there is evidence that networks are formed, rather than pre-existing ones used, to safeguard uncertain and complex economic exchanges.

### Organised embeddedness

The economic historian Avner Greif describes how long-distance trade in the Mediterranean during the eleventh century could be maintained despite the contractual problems faced by the traders. In eleventh-century Europe, long-distance trade was characterized by uncertainty, mainly due to problems with shipping and market fluctuations. Furthermore, many transactions could not be performed by the traders themselves, meaning that agents had to be assigned tasks involving the transportation and sale of the merchandise. The delegation of these tasks created contractual problems because of the information asymmetry between the merchant and the agent. For example, the agent could cheat the merchant by withholding relevant information about revenues. Greif (1989, 1993) argues that economic institutions evolved to overcome these problems. In particular, trade was organised in a coalition that excluded cheats and tolerated dishonesty towards them. Moreover, the coalition shared information about agents' and merchants' reputations along with other trade-specific information. Since there were few trading opportunities outside of the coalition, agents had a reduced incentive to cheat given the high risk of losing their reputation.

Although the trading coalitions described by Greif emerged within the community of Maghribi traders, who shared the same religious identity, actors' common group affiliations may not be a necessary condition for the formation of trading coalitions in general. Other studies suggest that uncertainty in product quality may induce economic actors to commit to long-term relations with particular trading part-

ners (that is, relational embeddedness). In his studies of a Moroccan bazaar economy in the 1960s, anthropologist Clifford Geertz (1979) called this tendency "clientalization." Relatedly, Kollock (1994) cites two studies describing the formation of structures of commodity exchange in Thailand (Siamwalla 1978; Popkin 1981). These studies show how the lack of timely verifiability of a commodity's quality (for example, rubber) leads traders to form long-term exchange relations to overcome potential trust problems through reputation building. In markets for products the quality of which can be easily verified (for example, rice), relational structures are less likely to emerge. Kollock tests this hypothesis in a laboratory experiment. His results show how an increase in the uncertainty of a traded commodity's quality leads study participants to commit themselves to repeated interactions with the same partners, in which concerns for reputation start to matter (see also Brown et al. 2004).

More complex relations between economic actors (that is, structural embeddedness) can emerge if actors face not only uncertainty with regard to environmental conditions (for example, demand, competition, product quality and so on), but are also involved in the production of complex goods and services, such as in the movie industry. Jones et al. (1997) provide a theoretical framework that aims at explaining how structural embeddedness emerges as a result of the environmental uncertainties faced by firms providing complex products and services. They identify demand uncertainty, task complexity, human asset specificity and frequency of interactions as the main reasons why otherwise autonomous firms organise in informal social networks, so-called governance structures. These structurally embedded actors then jointly exert and are subjected to social mechanisms that coordinate and safeguard exchanges between them through shared norms and values, and reputational incentives and collective sanctions, respectively. Governance structures which are not too dense but also not too sparse, produce trust, and allow for fine-grained information transfer and flexible problem-solving arrangements (Uzzi 1997). Ultimately, strategic reputation building may be a motive for firms to join an informal social network comprised of successful firms (Gulati and Gargiulo 1999).

### Centralised reputation systems

Many market interactions, such as those between commodity buyers and sellers, money lenders and borrowers, or employers and job seekers, are not characterised by task

complexity. The main source of uncertainty in these interactions is the unequal (asymmetric) distribution of relevant information between these actors. Sellers hold private information about the quality of their products; borrowers hold private information about their creditworthiness; and job seekers hold private information about their productivity. In these domains a centralised reputation system might suffice to coordinate interactions between actors and safeguard their exchanges. In markets with a centralised reputation system, actors do not have to be embedded in social networks for their reputational concerns to be an effective driver of cooperative transactions.

Trade in the early middle ages in Europe was characterized by geographical specialization, bookkeeping, and cashless payment. At that time, the Champagne Fairs in France were a meeting point for traders from all over Europe. Milgrom, North, and Weingast (1990) discuss the emergence of a private adjudication system (the Law Merchant) which helped overcome trust and cooperation problems among anonymous traders. This system became a standard to govern commercial transactions in Europe. Administered by private judges drawn from commercial ranks, it provided a platform for traders to settle disputes and to document dishonest behaviour by trading partners. Along with a system of notaries, information about a trader's past behaviour could be tracked and disseminated, and cheats could be excluded by destroying their reputations (Swedberg 2005: 236). Milgrom et al. (1990) identify two premises such a centralised reputation system had to fulfil in order to be effective. First, it had to adequately inform agents about their trading partners' past behaviour, and second, it had to provide incentives to punish cheats. Thus, three types of costs were imposed on traders: The cost of reporting dishonest behaviour, the cost of obtaining information about a trading partner, and the cost of sanctioning.

Centralised reputation systems have also been used more recently to overcome trust problems between money lenders and borrowers. So-called credit bureaus started to emerge in the late nineteenth century and functioned as information brokers, who collected and collated information about borrowers' liabilities, credit histories and other characteristics (Japelli and Pagano 2002). Credit bureaus are run privately, often by a group of lenders, and their services are based on reciprocity. To contain the free-rider problem in the reporting of borrower data, only lenders who submit accurate information about their customers are granted access to the entire customer database.

Such a reciprocal information-sharing system creates incentives for lenders to contribute to the common good of a comprehensive customer database. Moreover, borrowers who know that information about their credit histories will be shared among many lenders will have a stronger incentive to maintain a good reputation by timely debt repayment. As Japelli and Pagano (2002) show in an analysis of 46 countries, such information sharing is in fact associated with higher lending and lower default rates.

Credit bureaus are an early example of how the combination of modern information and communication technology (ICT) with simple institutional rules of sharing and providing information about customers' reputations have made the embeddedness of money lenders and borrowers redundant. Credit bureaus have established the premises for a functioning centralized reputation system identified by Milgrom et al. (1990): Modern ICT has considerably reduced the costs of maintaining the system; the reciprocal data-sharing rule gives lenders a strong incentive to report borrower data; and lenders can deny loans to borrowers with a bad credit history. In the past fifteen years, centralised reputation systems have become an important element of online markets.

### Online reputation systems

With the advent of the internet, online markets have emerged and have slowly revolutionised economic and social life. There are online markets for consumer goods (books, DVDs, mobile phones, shoes and so on), economics postdocs, "weed," houses, loans, plumbing work and so on. If we conceive of markets as social institutions that facilitate exchange (Coase 1988), then an entire range of social domains unfolds which previously were unsusceptible to market mechanisms on a large scale. There are online platforms for finding a date, finding a mate, finding a flat mate, sharing a car, sharing a ride, sharing time, swapping houses, exchanging cooked food and so on. Online markets efficiently coordinate supply and demand, and the internet opens up the possibility to advertise one's goods and services at a low cost to everyone online.

Despite their anonymity and social and geographical distance, participants in online markets do not have to be gullible to engage in economic or other social exchanges with each other. Most online market platforms implement an electronic reputation system that collects and disseminates information about participants' interaction histories, at virtually no cost (for early discussions of online reputa-

tion systems see Kollock 1999; Resnick et al. 2000; Dellarocas 2003). A typical online reputation system gives either or both parties to an interaction the possibility to rate the other party after a finished transaction. Actors can submit either positive or negative feedback, or give a rating between zero and five stars for instance; frequently, different aspects of the transaction can be rated in the same way (for example, friendliness, communication, delivery and so). Such quantitative ratings are generally accompanied by short written comments, and actors can also refrain from leaving feedback altogether.

Most studies investigating online reputation systems have focused on how reputation systems create incentives for (first-order) cooperation at the transaction level. With over two dozen empirical studies, probably the most widely studied online reputation system is the one implemented on eBay (for reviews see Bajari and Hortascu 2005; Resnick et al. 2006; Diekmann et al. 2014). Most of these studies find support for the theoretical expectations that traders with a better reputation will obtain higher sales and prices than traders who have not yet established a good reputation or traders with a bad feedback record. The financial value of a good online reputation gives actors a strong incentive to deliver their goods and services as advertised.

Providing truthful feedback after finished transactions is crucial for the functioning of online markets with an electronic reputation system. The more traders provide truthful feedback, the faster cheats will be detected and deterred from entering the market in the first place. However, only relatively few studies investigate actors' rating behaviour, namely their (second-order) cooperation at the feedback level. Similar to credit bureaus, reputation systems in online markets collect, collate, and disseminate the feedback information, and by leaving feedback actors contribute to a common good (Bolton et al. 2004). But unlike credit bureaus, participants in online markets have no real incentive to leave feedback. First, leaving feedback is costly in terms of time and effort. Second, market participants cannot be denied access to information about other traders' reputations. Third, one study estimates that more than 95 per cent of interactions between two eBay traders are one-off encounters (Diekmann et al. 2014). Thus, leaving feedback has no direct benefits for traders as most of them are unlikely to deal with the same partner again in the future.

In light of these facts, it appears puzzling that in studies on online peer-to-peer trading, feedback rates are reported to be above 50 per cent, with some even reaching 80 per



cent and more (for a review see Diekmann et al. 2014). This raises the question of what motivates traders to comment on each other's conduct after finished transactions. Clearly, the answer to this question will not identify a single motive but rather a range of motives driving feedback provision across individual traders. However, since feedback data are usually gathered from the internet, and as such only mirror traders' behaviour, one needs a good theory to infer traders' motives from the behavioural patterns observed in the data.

Based on a theory-driven analysis of hundreds of thousands of rating events, Diekmann et al. (2014) have shown that reciprocity, altruism, and strategic motives play an important role in traders leaving feedback after completed transactions. First, many online traders are inclined to reward good behaviour and to punish bad behaviour at a cost to themselves. Such reciprocal motives are consistent with the fact that a trader's inclination to give feedback increases significantly upon receipt of a rating from their trading partner. Second, many traders seem to anticipate and care about the impact their rating will have on the reputation of their trading partner. For example, traders are more likely to give a positive rating and they are less likely to give a negative rating to a trading partner who is still building a reputation. Third, there is evidence for strategic motives. Some traders postpone giving negative ratings to the very end of the rating period, supposedly because they fear retaliation.

Online reputation systems are maintained by the market platform providers and are at times subjected to deliberate adjustments. Thus, platform providers act as market designers, as institutional engineers, and have access to a huge amount of behavioural process data to inform their changes. However, basing changes in the rules that govern online markets on wrong assumptions about actors' underlying motives may backfire. More experimental research is therefore necessary to better identify and disentangle traders' motives for commenting on each other's conduct. In spring 2008, eBay changed their reputation system from a two-sided feedback system, in which both buyers and sellers could rate each other similarly, to a more asymmetric system, in which the buyer has more options to rate the seller than the seller has to rate the buyer. These changes are meant to induce more truthful ratings in buyers as sellers are bereft of the possibility to retaliate with negative feedback. These changes were guided by a thorough theoretical and empirical analysis that combined field data from

online markets with evidence from laboratory experiments (Bolton et al. 2013).

Electronic reputation systems in today's online markets substitute the network-based social mechanisms of reputation formation encountered throughout human history. Technological solutions made possible by the rapid spread of the internet have considerably reduced human involvement in mechanisms of reputation formation. However, human involvement has not yet become obsolete. Actors still have to consider information about potential interaction partners' reputation when choosing an interaction partner and when deciding which merchandise to buy; more importantly, they still have to feed the feedback system with information about their interaction partners' past behaviour. Electronic reputation systems have been optimised to encourage truthful information provision and facilitate accurate information processing by humans. The future will show whether electronic reputation systems can forgo these last bits of human involvement without forfeiting the proper functioning of online markets.

## Discussion and conclusions

Actors engaging in economic exchange have always been embedded in networks of other social relations through which information about their reputation is transmitted and selective incentives upheld. However, networks of ongoing social relations have not always been a necessary precondition of mutually beneficial economic exchange. In some cases, embeddedness is the result of the organizational form actors choose in order to overcome the uncertainty and complexity of their interactions. In other cases, simple institutions such as centralised reputation systems emerged which, without requiring actors to be connected via an "offline" social network, create incentives for cooperative behaviour. In today's online markets, centralised reputation systems have become a standard set-up for governing online economic exchanges. In online markets with a reputation system, traders can be conceived as structurally homogeneous and their interactions as isolated dyads.

The lack of embeddedness of traders in many online markets prompts some further thoughts. On one hand, it has been argued that relational and structural embeddedness also affect and reinforce the moral principles of the embedded actors (Granovetter 1992: 41–44); transmit norms and values (Gouldner 1960; Jones et al. 1997); and produce trust (Hardin 2004). On the other hand, moral princi-

ples, norms and trust are still necessary not only in isolated online economic exchanges, but also for online markets to function properly. While electronic reputation systems have proved to be a valid substitute for the ability of relational and structural embeddedness to produce trust, their function as “guardians” of moral principles and social norms remains rudimentary (Diekmann et al. 2014), all the more so as many online economic exchanges transcend national borders and cultures (Przepiorka 2013). However, other-regarding preferences and reciprocity turn out to be important drivers of truthful feedback provision, making them indispensable ingredients of a well-functioning online market.

The moral foundations of electronic reputation systems lie in the proximate and ultimate causes of actors’ enforcement of social norms and the punishment of wrongdoers. In laboratory experiments, Fehr et al. (2002) have shown that punitive preferences (so-called “strong reciprocity”) may be a key element in promoting cooperation in voluntary contribution games, and they sparked a cross-disciplinary debate concerning the determinants of human social cooperation (see Guala 2012). One question that has been raised in this debate is how society in general and social structure in particular impacts individuals’ (other-regarding) preferences (Fehr and Gintis 2007).

With regard to the topic of this essay, one may ask whether the lack of embeddedness will eventually lead to an erosion of the moral principles and norms on which online markets, and in particular their reputation systems, are based. Clearly, individual online traders are embedded in many ongoing social relations offline, through which moral principles and norms are transmitted and diffused. However, more and more social interactions are taking place online, and it seems that most technological and administrative innovations of the past three decades have made us more independent of each other. In his earlier papers, Granovetter (1985, 1992) disputes other scholars’ view that throughout history, economic action has become increasingly independent of other social relations – at that time maybe rightly so. From the vantage point of the present essay, however, one might suggest that in light of the growing popularity of online markets, economic sociologists should reconsider the problem of embeddedness.

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## Endnotes

\*I would like to thank Andreas Diekmann, Ben Jann, and Stefan Wehrli, whose contributions to this essay are the side-product of our almost endless discussions and revisions of our joint paper cited below. I am most grateful to Asaf Darr for his perceptive comments and suggestions regarding an earlier version of this essay.

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# The Online Dating Market: Theoretical and Methodological Considerations

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## Introduction

The internet and the social web have cemented their position as an integral part of our everyday lives. While no longer unusual for many purposes, such as acquiring information, communicating, or shopping online, searching for a partner on the web still seems to constitute a particular challenge for the modern Western conception of mating and intimacy, which is grounded in ideas of romantic love, spontaneity, and "destiny." Nevertheless, finding a partner online is a significant phenomenon in quantitative terms today; online dating and matchmaking services are used by a great number of people around the world, as multiple international studies have shown (see Hogan et al. 2011; Ben-Zeev 2004; Schmitz et al. 2011). It comes, then, as no surprise that scientists invest considerable time and effort in analyzing this modern social and technological manifestation of intimacy, love, relationships and marriage, which are of "perennial" interest.

The increasing social relevance of this modern phenomenon can be illustrated by subjective observations, for example, by examining the intensive advertising and media coverage of this topic, or simply by personal experience in one's own social circle. Reliable indicators are more difficult to find, but structural indicators, which may be interpreted against the background of increasing individualization and technologization, point to the emergence of a sizable online market, and to a substantial number of potential users of online dating. In Germany in 2010, 43 percent of all households were single-person households (Federal Statistical Office), and estimates suggest that 76 percent of the adult population are internet users (ARD-ZDF-Online-Studie 2012). As the social phenomenon of online dating is essentially institutionalized by private corporations, no official data on actual usage, diffusion, and market volume are available. Numbers such as revenues of USD 932 million in the United States, and USD 4 billion

worldwide (Blossfeld and Schmitz 2011) provide a rough estimate of economic activity in this market, although they may be somewhat exaggerated for marketing purposes. A private research group collected comprehensive data on the German dating market and indicated a growth in revenue from 21.5 million euros in 2003 to 202.8 million euros in 2011 (Moucha et al. 2012). Rosenfeld and Thomas (2012) use a representative survey to demonstrate that, in the United States, online dating is the dating market that has most increased in size. Schmitz et al. (2011) show on the basis of a German offline survey<sup>1</sup> that about 9 percent of all couples consisting of people born between 1990 and 1994 report that they met their partner online. Both Schmitz et al. (2011) and Rosenfeld and Thomas (2012) demonstrate that traditional dating markets are losing relative importance.

International comparisons are even more difficult to find. Using web survey data, Hogan et al. (2012: 14) found that Germany had the highest percentage (29 percent) of couples that met online, compared with other European countries and Japan. Due to selective participation in online surveys, especially in this context (Zillman et al. 2013), the estimate of 29 percent should be seen more as an indicator of the maximum, and less as a true population parameter, although other analyses also point towards an increase in couple formation via the internet.

On this evidence of its economic and social market relevance, it comes as no surprise that the online dating market itself is highly differentiated. Two important forms of digital dating, and two associated and different business models exist in the online dating market. The first form is called simply "online dating," and involves searching for a potential partner on one's own initiative; users register with a dating site, which may or may not be free of charge. As part of the registration process he or she provides personal information, namely socio-demographic details (for example, sex, age, height, weight) and the desired characteristics of a potential mate (for example, geographic distance, minimal requirements of age and education, and so on). This information is then presented in the user's profile, a visual overview for other users. From that point on, a user can participate actively and passively

on this platform; this involves browsing for subjectively relevant parameters and contacting other users via short messages or a chat system. In the case of a successful contact, messages are exchanged until the interaction ends or intensifies in the form of a change of communication medium, including email, telephone, and face-to-face encounters.

The second model comprises a “matchmaking system” offered by a provider; the registration process is essentially the same as in the first case, but as part of the business model, the information collected from the users is more comprehensive and obligatory. The core of this additional information often consists of questions regarding the applicant’s personality and lifestyle. A matching system then calculates a one-dimensional factor (for example between 0 and 100) based on this information in order to suggest a potentially suitable partner. The guiding principle behind this matching factor is the similarity of the two participants – generally the greater the better – taking stated or assumed dissimilarities into consideration (for example, men are not matched with men unless that is a specified preference). Between these two kinds of business models numerous mixed forms exist. This differentiation in the market can be interpreted in terms of business models responding to different categories of users’ mating dispositions.

### Characteristics of online dating

Before using an internet dating site, users have to provide personal information in a series of categories and enter this information into a standardized registration questionnaire. This information consists, on one hand, of socio-demographical attributes like age, gender, religion, lifestyle, education, and career, and on the other hand of physical characteristics, such as height, weight, and hair and eye color. Additionally, profile categories cover information such as whether a user smokes, has children, or has previously been married. Finally, users are able to compose texts of their own, which might directly address potential partners, or further describe themselves and the characteristics they are looking for – or perhaps wish to avoid – in a partner. Through use of all these profile options, a user can portray and position themselves on the partner market, in this case the dating site itself.

See Appendix, Figure 1: Idealized process of dating site usage

After registration and self-portrayal via profile generation, a user may search for a partner or wait for a contact, usually by means of a personalized email message or a standardized greeting. An ideal-typical interaction process would develop in the following manner (see Figure 1): Further exchange of messages – Chat within the platform – Chat outside of the platform (for example, Skype or Facebook) – Exchange of email address – Exchange of telephone number – Face-to-face meeting – Offline continuation.

### Online dating – an ‘ideal type’ partner market

In the following section, an ideal-typical comparison of online dating with dating in other social contexts will be conducted, contexts which can be and actually are perceived as partner markets in the scientific and public discourse. It will be argued that online dating is a social context of encounter in which the use of the term “partner market” is particularly appropriate.

What do terms such as “partner market” or “marriage market” mean? Surprisingly, this self-evident question is rarely asked. The term “partner market” lacks an exact theoretical conceptualization. Usually, no explicit definitions are given in the research literature and the usage of the term “market” is essentially metaphorical. The term “mating market” generally refers to a confined field of social interactions (such as a university or a nightclub) in which mating goals are pursued to a finite degree. However, from a theoretical point of view, such implicit definitions are not satisfactory and, as we will see, not strictly conclusive for empirical work either. This conceptual deficit can encourage ad hoc postulates, such as the equation of the components of an individual’s mate value (for example, education) with “mate value” itself, which may also contribute to generalization of the determinants of success chances, preferences, strategies, and so on.

A sociological conceptualization of markets can be found in the works of the early sociological giants Max Weber and Georg Simmel. As Weber (1992) puts it: “A market may be said to exist wherever there is competition, even if only unilateral, for opportunities of exchange among a plurality of potential parties.”<sup>2</sup> Simmel (1908) gives a similar definition: “At least three actors are necessary for a market to exist: at least one actor on one side of the market confronted with at least two actors on the other side, whose offers the first actor is able to compare with one another.”<sup>3</sup> This perspective highlights that not only specif-

ic partner traits actually exchanged have to be understood as the object of competition but, more importantly, the potential chances of exchange themselves. Furthermore, a “mating market” can be characterized by an antecedent competition for attention chances (Schmitz 2009). “Mate value” can therefore be defined as the relative chance for attention and exchange in a competitive environment with mating goals. This approach also conceptualizes “mate value” via non-realized exchange: the “price” of an actor on the partner market is a function of actively and passively approved and rejected offers.

According to Weber’s well-known definition of power, we can understand exchange chances in markets to be a function of power relations, whose origin might lie inside or outside the particular market itself. This approach highlights the relevance of the sociological category of power structures in mating markets, a category that is neglected in both traditional economic market conceptions and empirical sociology. The definition analytically separates the concept of mate value from a particular variable or characteristic. In doing so, the specific components of an individual’s chance structure are opened conceptually for different mechanisms, whereas equating mate value with only one particular variable (education, attractiveness) might, conversely, conceal more than it reveals. Assuming, for example, that education is the primary determinant of mating success disguises the gender-specific relevance of education, as well as its context-specific relevance. Emphasizing the importance of relations in and for the market leads to an appreciation of the fact that a partner market should be understood as a structure of chances which cannot be reduced to general prevailing traits, as a partner market implies no uniform exchange entity (in contrast to money in a financial market, for example).

With reference to this Weberian definition of a partner market one can also infer the central differentiating dimension of social contexts in which couples are established. The term “partner market” can be applied to the extent to which mate search and competition for exchange opportunities with potential partners actually structure practices in this context (and are thus constitutive of the processes of the particular social context itself). The question arises as to whether the prevailing practices of couple formation in a specific context can be thought of as “*relatively autonomous*” (Bourdieu 1992: 69) from other sections of society. Two core expressions of the relative autonomy of a market are (a) the high level of specificity of the objects of interest being competed for (money in a

financial market, for instance), and (b) the level of irrelevance of the society outside the market for the agency *within* the market. In other words: the more explicit the good in question is, and the less competition for opportunities of exchange is influenced by societal guidelines, the closer a social sphere is to what theory means by a “market.” Taking these aspects into consideration, the object of online dating, when compared with offline dating, exhibits an especially high level of relative autonomy.

Unlike offline partner markets (Stauder 2008), and unlike other online social media, the explicit function of online dating agencies is to enable the formation of couples. The primary meaning behind the use of a dating site is clearly to find a partner, whereas, in other contexts of interaction such as the workplace or school, couple formation is for the most part an unintended side-effect of context-specific practice. Applying a conception of the market based around its goods, online dating – compared with traditional contexts of interaction – appears to be oriented towards a *good which is relatively explicit and universal*, as supply and demand in this context are clearly defined by partners or relationships, respectively.

Further developing Feld’s “focus” theory (Feld 1981), online dating as an interaction context can be considered to be a *hyper-focus*, different from other foci due to the explicit nature of the mate search process, representing the very purpose of the interaction. Unlike traditional foci, which are frequented mainly by socially homogeneous groups (such as nightclubs), the hyper-focus of online dating is characterized by a high level of socio-structural heterogeneity, or a low level of market imbalance (meaning that no particular strata are extremely over- or underrepresented).

Skopek (2011) shows how the marginal distributions of a large German dating site more or less correspond to Germany’s social structure as a whole.<sup>4</sup> In this regard, online dating resembles online matchmaking (that is, the algorithm-driven system of partner suggestions offered by certain companies), where specific social groups may be over-represented, but all users of all social classes are still easily accessible using the search function. Both virtual partner markets are thus characterized by comparably low transaction costs (that is, search costs), and thus by a high operational market efficiency. This also implies a relatively low uncertainty regarding the intentions of the market participants: usually, both interaction partners using an online dating site will be looking for a long- or short-term

relationship, whereas this is not certain in the context of a university or workplace.

The relative reduction of uncertainty regarding the intentions of a potential partner in online dating is, however, relativized by the relatively high level of uncertainty regarding the *authenticity* of a communication partner; as is the case for speed dating or offline dating agencies, the two interacting users on a dating site are unlikely to know each other personally, and are thus mutually *anonymous*. The relatively high efficiency of online dating compared with traditional partner markets is therefore relativized by the situation of computer-mediated communication. Compared with traditional contexts of encounter, users of online dating sites can exercise extraordinary control over their self-presentation, in the form of their profile pages and in further communication. The profile architecture of dating sites enables a repertoire of deception, ranging from minor concealments to the complete falsification of profile data. Online dating can thus be characterized by the relatively low necessity for truthful information in personal profiles (see, for example, Ellison et al. 2006; Hancock et al. 2007). The concomitant risk of profile deception is thus relatively high, a fact that distinguishes online dating from other contexts by way of a particularly high level of initial uncertainty. In computer-mediated communication it is initially unclear whether one's communication partner actually is who they claim to be. Further complicating the matter is the fact that, unlike, for example, the family context of offline couple formation, there is no formal or informal instance of social control and sanction, which would prevent or inhibit deceptive practices.

Consequently, online dating can also be thought of as relatively autonomous with regard to structure: the process of couple formation on online dating sites occurs in dyadic exclusivity; that is, *without the direct involvement of third parties or other users of social networks*. The paradigmatic inverse of this context might be marriages arranged by the families of the two partners, or – more recently – Facebook's 'Spotted' groups, which mobilize users' social networks to establish contacts with potential partners.<sup>5</sup> The detachment from everyday social structures of interaction so characteristic of online dating does not simply affect each single interaction, but all subsequent interactions as well: whereas two people whose interaction did not lead to a relationship might still come into contact with one another in typical offline interaction contexts such as the workplace or school, in online dating (much like online matchmaking and perhaps offline markets such as night-

clubs) the chances of further interaction are low. The "shadow of the future" (Axelrod 1984: 124) is thus particularly insignificant for virtual encounters (see, for example, Diekmann and Wyder 2002: 674f.). This relieves online dating users of the necessity of considering the long-term social relationship with each potential interaction partner. Termination of communication, perhaps simply by not replying to an individual message, is considerably less burdened with normative considerations than in the social contexts of the family, school, or workplace. However, once a particular couple is established in the online partner market, it then leaves the market, so that the partners will not usually continue to be available on the partner market (Stauder 2006) and no longer immediately influence market processes – another indicator of the relative autonomy of online dating from offline social structures.

In the face of this comparatively high level of relative autonomy – in the sense of homogeneous intentions and goods, on one hand, and the irrelevance of personal networks, on the other – online dating can be justifiably ascribed the core characteristics of a market. This autonomy may also be responsible for the relatively low prevalence of online dating: whereas the family, school, social circles, and the workplace represent more typical and long-term contexts of social encounter, online dating is distinguished by its more deliberate but also temporary usage patterns.

The recourse to concepts of market theories is also applicable with regard to the interaction processes in this relatively autonomous partner market. Working from an exchange-theoretical perspective on partner market research (Thibaut and Kelly 1959; Blau 1964), which approaches the establishment of relationships as a process of giving and receiving, the interactions on dating websites can be thought of as representing a medium providing a particularly "impersonal market exchange" (Weber 1978: 641). The digital partner market is, more than other partner markets, distinguished by "considerations for things, not [...] for persons" (ibid.), which means that online dating is less about contacting, or selecting persons, but rather perceived combinations of formal and stylized attributes (Lenton and Stewart 2008; Zillmann et al. 2011), based on comparisons of multiple alternative user profiles.

The technical design of dating sites is such that users' self-presentation is limited to modular options in various attributes, excluding standard offline forms of self-presentation such as facial expressions, the involvement of third parties, or the use of material objects. Along with the social con-

ventions governing self-presentation (users are expected to present themselves as being “interesting,” “respectable,” or “sporty,” and so on),<sup>6</sup> online dating actually standardizes its users, forming a relatively homogeneous, stylized and structured mass of “suppliers,” who present themselves to other users in the form of choice sets, from which a selection has to be made.

Evidently, third parties also play a core role for the partner market processes, including the users’ individual outcomes, as well as the consequences on the market level; within a dyadic interaction, they are present as competing market participants and promising alternatives. Due to the abundance of potentially *available* partners and competitors, and thus the *size of the market*<sup>7</sup> in general, online dating can be thought of as being particularly strongly structured by competition.

Within this *polypolistic* market more than two users are thus always indirectly involved in any specific dyadic interaction as alternative partners and competitors. This extreme level of market competition manifests itself in particular in *competition for attention* among users (Schmitz 2009), especially in the form of the verbal and visual content of the user’s profiles. Whereas more long-term and structurally conditioned interactions – at school or work, for instance – also allow for “love at second sight,” online dating users are forced to approach the surplus of potential partners in a manner which reduces complexity.

Given the low degree of physical and temporal co-presence, symbolic (in the profile design) and verbal (in the chat process) stimuli are the units of complexity reduction, which, together with the anonymity of encounter, enhance the degree of personal information, allowing the comparison of “tastes,” “family backgrounds,” and “hopes and dreams” (Burrell 2004).

The comparatively low levels of co-presence allow users to, at first, ignore physical distance and to communicate in a time-displaced way, which further favors simultaneous interaction with multiple partners. Unlike in traditional offline dating, the parallelity of interactions is less subject to normative expectations (for example, by the circle of acquaintances) and to a postulate of romantic exclusivity.

Users are frequently either inundated with incoming contacts, forcing them to apply selective practices of choice, or in the inverse case of too little attention, resulting in rationalist reflection on the self (Schmitz et al. 2011). Dating

sites’ very design induces such reflection on one’s own romantic preferences and potential (initially, for example, via filling out one’s profile) and a rationalizing approach to the self (for example, one’s “market value”), as well as to potential partners, resulting in a prevalent search for “the best bargain” (Illouz and Finkelmann 2009: 416), in accordance with the “principle of maximization” (Klein und Stauder 2008: 82, own translation) which fosters practices similar to market axiomatics. From a market perspective, online dating can thus be taken to be relatively *efficient*: users looking for a partner and possessing comparatively clear intentions, prone to apply cost-benefit calculations, are brought together without a great deal of interference from market-exogenous rationalities. The fact that users enter the digital partner market not just with the expectation of realizing their own preferences, but with the expectation of rational expectations on the part of other market participants, further encourages this purely instrumental rationality; independent of whether a particular user is genuinely predisposed to act rationally as part of the process of online dating, he or she will be clearly aware of, or will at least assume, utility-maximization strategies on the part of the other users.

The great potential, and indeed necessity, for inauthentic self-presentation becomes one of many rational strategies used in online dating, and intensifies the market competition, because most users will optimize their profiles according to their expectations of the desires of the other market participants, so as not to suffer any competitive disadvantage (Zillmann et al. 2011). The detection of possible deceptions also becomes of considerable importance in online dating: any potential partner automatically comes under suspicion, and must be unmasked quickly in order to avoid misallocation of one’s time and attention. Just as in the fundamental axioms of rational action theories in general and the MAS in particular, a user must reflect upon the expected utility of each contact event: the fact, for instance, that a man’s profile exhibits a subjectively ideal height must be considered in the context of the probability that this particular attribute is actually true. The user is driven, therefore, to set the value of a potential partner’s attributes against the likelihood of their veracity. Computer-mediated communication in online dating, which enables a relatively high level of control over the consistency and plausibility of a user’s self-portrayal, also fosters rational strategies of action in profile data and in the exchange of text messages. Normally, the process of interaction between two users is constantly accessible for both users; undertaking plausibility checks is a valid rational



strategy for users (Gibbs et al. 2011). The technical and social conditions of online dating as described here can, in summary, be thought of as representing a kind of partner market that generates a specific induction of rationality (Illouz and Finkelmann 2009: 415) on the level of the subject, and a particular logic of supply and demand on the market level.

Another theoretical perspective justifies the application of market terminology in the online dating context: because of the widespread fear of deception and dishonesty, and because of the unromantic image of this manner of meeting and interacting with potential partners, the initiation of relationships online is considered to be comparatively “illegitimate” and its specific market character is often interpreted from a particular culturally pessimistic (see, for example, Illouz 2007) or even pathologizing perspective (Hakim 2012). Frequently, couple formation online is taken to represent further evidence of the commercialization of love and the self in our modern consumer society (Dröge and Voirol 2011). Illouz and Finkelmann’s socio-critical perspective leads them to the conclusion that, before the rise of the internet, the very term “market” was “largely inadequate” (2009: 409) for the conceptualization of the processes of couple formation. Thus, it is not only partner market theory, but also socio-critical perspectives that perceive online dating as an especially market-structured context of interaction.

In sum, according to various dimensions, online dating represents a partner market that is strongly structured by competition and instrumental rationality in the mate search process. For the purpose of summarizing and consolidating these arguments, Figure 2 presents a graphical visualization in the form of ideal-typical biplots (Gower et al. 2010).<sup>8</sup>

See Appendix, Figure 2: Theoretical comparison of ideal-typical partner markets (biplots)

In accordance with the ideal-typical approach outlined here, the traditional contexts of encounter are to be found on the left-hand side of the diagram. They share the commonality of being a strongly socially structured partner market, characterized by a direct involvement of third parties and institutionalized contexts of encounter.

The online dating partner market is located on the right-hand side of the ideal-typical diagram, and displays some similarities to speed dating, online matchmaking, offline dating agencies, and romantic advertisements. These con-

texts of encounter are explicit entities of partner mediation, unlike, for example, the workplace or school. Furthermore, online dating differs from these contexts by way of its exceptional levels of competition and its attribute-driven process of selection. Speed dating differs here, thanks to the manageable number of participants involved, by way of a considerably more person-oriented process of selection and less intense competition. Online dating differs from online matchmaking in the fact that the market’s size and levels of availability, which initially appear similar, are limited by the matchmaking algorithm, resulting in a smaller “field of eligibles” in the digital matchmaking market. Online dating also displays proximity to an ideal-typical night club and to Facebook’s “Spotted” function. Interactions in a night club are also characterized by the disproportionately high presence of potentially “romantic” intentions, such as flirting, and by relatively high levels of competition for attention, anonymity, and attribute-oriented selection (see, for example, Otte 2007). Online dating can, in fact, be thought of as a particularly extreme form of this traditionally relevant mating context. The “Spotted” groups on Facebook share with online dating the fact that they are both explicit and online forms of mate search. The key difference between online dating and “Spotted,” however, is the practically absent competition in the latter case, and its strong embedding in social (network) structures.

This ideal-typical approach is in no way intended to deny the empirical differences between different dating sites or different offline contexts; this idealized representation is intended solely to demonstrate a core aspect of the research perspective of this work, which can be stated in two theses:

*(1) Online dating sites are not exceptional phenomena in the context of couple formation, but can be located within an analytical continuum alongside conventional partner markets.*

*(2) Online dating sites seem to be, in comparison with other contexts of interaction, strongly structured by market logics.*

In light of these considerations, one can conclude that online dating represents a social sphere which comes closest to what sociologists label a “partner market.” In the next section we shall argue that, for economic sociologists, online dating also constitutes an “ideal market” from a methodological viewpoint.

## Observational data from the online dating market

The objectivity of the market, which is often hard to grasp using a traditional questionnaire-based sociology (cf. Schmitz et al. 2009), can be constructed by means of the objective chance structure also enabling the (a) observation of acts of mate choice, and thus the (b) emergence of couples over the course of time, (c) including the available alternatives, which is impossible when using questionnaire data.

However, in online partner markets there is a raft of observational data that do not yet quite belong to the standard repertoire of the empirical social sciences, and hence require some explanation. The operationalization of data of this type is usually undertaken with the help of a server-based script language, such as PHP, which can upload relevant information from a relational database (for example, MySQL) to the user's browser dynamically. Interactions between the users themselves are also considered to be site-relevant content, and are consequently also tabulated within the database. This process has the great advantage that, simply by virtue of the technology at work in a dynamic website's data storage, event data can be accessed in a clearly structured form, allowing the data to be registered and processed in real time.

Thanks to the automated compilation of the data, and their storage within a pre-defined structure, it is relatively straightforward to configure the data into the standard data structure ("flat file") for analysis with statistical software. To this end, the platform's operator can export the data in anonymized form, for example as an SQL file. SQL is a programming language for creating and handling relational databases. The exported files are first re-imported to a local database; the tables' structure remains identical to that found in the original database. SQL commands are then used to collate the tables so that all relevant data for a specific purpose can be displayed in one table. This final table can be exported as a CSV file and uploaded into a statistical software program. The process, from the operator database to the flat file, is depicted in Figure 3.

See Appendix, Figure 3: Idealized process of dating site usage

The database extractions were made available to us by the dating service provider – henceforth "the provider" – at regular intervals, approximately every six months.<sup>9</sup> The data were anonymized as SQL files, a procedure overseen

by the data protection agent of the provider. In order to convert the data into a format readable by standard statistical software, the files first had to be uploaded incompletely to a MySQL database, and then exported in STATA and SPSS as CSV files for further analysis. In consultation with the provider's technical experts, code books for the process data were also created. As part of this project, a database was also created with process data comprising profile and interaction data for the years 2004 through 2010 (final database dump 14.4.2010).

Table 1 (see appendix) gives an ideal-typical overview of the dyadic nature of the recorded data. The observational data recorded in online dating contain "revealed" partner preferences, by logging contacts, and dyadic developments, by logging interactions. Typically, users explore the profile database of the site, viewing other users' profiles and, upon finding another user who appeals to them, will try to get in contact using a messaging function common to most dating sites. This kind of relational data, combined with the user profiles, allows for a detailed temporal reconstruction of the process of contact formation and interaction between potential mates on an observational level. For instance, it is possible to retrace which other user profiles a given user looked at, and which profiles he or she subsequently chose to contact via email. Figure 1 presents an example where a sender (IDS) contacted a respondent (IDR) on a specific date (Time). After a certain time had elapsed, the respondent sent a message as a reaction to the sender's initial contact.

This relational data structure enables researchers to depict the structure and processes of the partner market, including the observation of "revealed preferences" (Skopek et al. 2011), the construction of a user's opportunity structure (see below), the "reciprocal classification" (Schmitz 2012) of two users, but also the analyses of response behavior, for example the pattern of item-non-response of the profile mask or of unit non-response in surveys presented on the platform (Zillmann et al. 2012). The next section will give an example of how to use such data, which is of a new kind, for the assessment of traditional problems in partner market sociology, using "mate value" as a core issue of the market perspective.

See Appendix Table 1: Examples of HTTP status messages

## Modelling the user's mate value

Given the absence of alternatives, partner market research was for a long time forced to operationalize actors' chances via available information on education, income or attractiveness. However, apart from spontaneous constructions derived from ad hoc definitions, some attempts at an empirical construction of mate value can be found in the literature. Pawloski and Dunbar (1999) calculated a mate value for each cohort by dividing the proportion of advertisers seeking individuals of a given age (the demand for individuals of that age) by the proportion of advertisers of that age in a sample (the supply side). The ratio of these two becomes a measure of the relative selection pressure placed on individual age cohorts, in the same sense that selection ratios are used in population ecology. Some authors propose surveying self-perceived mate value of an actor as a measure (Brase and Guy 2004). Gigerenzer and Todd (1999: 291ff.) discuss the allocation of "offers and rejections" as an adaptive heuristic for learning one's own mate value. That would first mean counting possible romantic partners. However, as already mentioned, actors searching for a mate will also consider the mate value of the potential mate. The sheer number of offers from potential mates is simply too vague a measure, as the offering alteri themselves may well vary in their mate value. I call this the "Cocotte problem": Contacts from actors with a low market value are worth less than contacts from actors with a high market value. Consequently, a Weberian mate value of ego shall be conceptualized as a function of the quality and quantity of his or her contact network and thus mate value becomes a function of the actor's (ego's) network. This can be illustrated with a simplified ingoing contact graph:

The amount of incoming contacts increases ego's (dark) mate value. A higher alter mate value stemming from a high number of ingoing contacts results in a higher mate value for ego. The increase of ego's mate value declines relative to alter's outgoing contacts. To put it in layman's terms: it is good for one's mating chances to get a lot of offers; it is even better if the offers are from potential mates who also have good mating chances; and, finally, the more exclusive the attention that ego gets from alter, the better it is for ego's mating chances.

The eigenvector centrality indicator "rank or status prestige" fits with this methodological consideration, as this network measure is a function of the rank or status of actors in a network (Bonacich 1987). For example, a man

who is contacted by many high-ranked women has a higher rank, and thus a higher centrality measure, than a man who is the target exclusively of low-ranked women. A user's rank therefore increases every time he or she is contacted, but it increases more the higher the rank of the choosing partner. This "mate prestige" indicator (MP) can be formulated as follows:

$$MP_{IN}(A) = (1-d) + d \cdot \sum_{i=1}^n \frac{MP_{IN}(T_i)}{C_{IN}(T_i)}$$

With

$MP_{IN}(A)$  the mate prestige value of individual A

$MP_{IN}(T^i)$  the mate prestige of individuals  $T^i$ , which contacted A

$C_{IN}(T^i)$  the total number of contacts, that were established by  $T^i$   
d a damping factor between 0 and 1

Hence, ego's prestige is a function of the ranks of the actors that contact ego. The computation implies an iterative optimization problem that can be solved with an eigenvector-centrality algorithm.<sup>10</sup>

The new structure and the specific context of online dating should not discourage researchers from testing traditional (for example, effect of women's BMI) or new hypotheses (effect of a profile picture in online dating) in an individualistic framework, as the following example shows. Table 3 reports an OLS-regression model of the mate value indicator. The logarithmized centrality index is explained using gender (squared), age (squared), an ordinal indicator of education and three gender-specific interaction terms (age, BMI, education) as well as the presence of a profile picture (yes/no). The regression model shows that, on average, women show a more advantageous chance structure than men. Furthermore, age positively affects the average chance structure. However, it operates in a curvilinear manner, so that after an optimal age the mate value declines. For both sexes higher education and presence of profile picture positively affect the chances of being contacted. In accordance with offline findings, the interaction terms show that the female chance structure becomes worse with older age and higher BMI. Additionally, however, higher education impairs female chance structure.

See Appendix, Table 2: Explanatory model of users' mate value

Using this example, the analytical potential of the observational data is illustrated. In contrast to one common way of understanding information regarding objective or subjective mate value, the observed interactional data allow the chance structure to be objectified as such and the impact of the indicators on objective chances is illustrated. For example, education seems to be less relevant for centrality in the contact network than, say, age or physical appearance (measured here by BMI and profile picture). One can state (in contrast to euphoric expectations regarding the dissolution of social distances by the internet) that dating sites produce differential awareness chances, and thus differential exchange chances for its users.

## Conclusion

Descriptions of the modern phenomenon of "online dating" range from a digital "passion killer par excellence" (Žižek 2010), which promotes "emotional capitalism" (Illouz 2007: 5) to a "promising means of improving societal levels of romantic well-being" (Finkel et al. 2012: 49), which "provides a unique environment for people to experience and learn about relationships and sexuality" Whitty (2008: 1837). In contrast to such generalizing utopic and dystopic reflections on possible impacts for the modern subject, we should primarily see online dating as a means (a) to answer long-standing questions regarding the socio-structural character of mating by utilizing a new kind of data which was unavailable for partner market research and (b) to observe the structural mechanisms operating on an actual partner market. The online dating market can be understood as a social field, which constitutes a part of modern partner market research, as the basic mechanisms of partner markets are not of a qualitatively new nature in the online environment. Economic sociology may profit from this research setting as both the operation of market mechanisms (such as competition) and their socio-structural and cultural embedding can be observed in an almost "ideal-type" way. Given this insight and the structure and amount of data available in research settings of this kind, a plethora of market-related questions can be assessed, starting from mate preference adaptations (Skopek et al. 2011) over the emergence of dyadic constellations (Schmitz 2012) to deception in mating (Zillmann et al. 2011). Furthermore, the classical distinction between "online" and "offline" dating is only an analytical one and may become increasingly blurred due to the practice of actors using social networking sites. Users may encounter a potential mate offline and use a social network as an opportunity for a second contact, for example. Accordingly,

one can assume that a certain number of respondents will interpret sites such as Facebook as a natural feature of their friendship network. Given this potential for partner market research, one also might expect that future findings might have a positive impact on theory development itself.

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## Endnotes

1The data used are from the PAIRFAM survey, which is being coordinated by Bernhard Nauck, Johannes Huinink, Josef Brüderl, and Sabine Walper (see Huinink, Brüderl, Nauck, Walper, Castiglioni, and Feldhaus 2010). The panel receives long-term funding from the German Research Foundation (DFG).

2Weber (1985 [1922]: 382): "Von einem Markt soll gesprochen werden, sobald auch nur auf einer Seite eine Mehrheit von Tauschreflektanten um Tauschchancen konkurrieren".

3Simmel (1983 [1908]: 83f.): "Die Existenz eines Marktes bedarf mindestens dreier Akteure: Mindestens ein Akteur auf der einen Seite des Marktes, der sich mindestens zwei Akteuren auf der anderen Seite des Marktes gegenüber sieht, deren Angebote er im Vergleich miteinander bewerten kann".

4Putting the fundamentally ideal-typical characterization to one side for a moment, it seems that certain specific dating sites (for example for homosexuals or particular ethnic groups) actually represent a double hyper-focus: the congruence of intentions, on one hand, and the high level of socio-structural homogeneity, on the other.

5"Spotted" is a technology within Facebook with the following function: if a user in a certain location (usually a specific town or university) sees a person they are romantically interested in, they can post a message in the group in an attempt to mobilize the social network (both their own, that of the potential partner, and indeed of the group as a whole), with the nominally ideal end result being contact with the person in question.

6Some dating services even work to identify "sub-optimal" profiles and pictures, helping users present themselves in the "right" way.

7It is difficult to estimate the true size of online dating sites, as it is of course in the interest of the services' providers to claim to

have large numbers of customers. The website we analyzed had over 118,000 registered profiles in 2009.

8The graphic is based on a relational table in which each context was assigned an ideal-typical triple-ordinal value.

9A comprehensive overview of the process data is given in Schmitz et al. (2009).

10From a relational point of view, the latent phenomenon of mate value cannot just be represented by the quantity and quality of ego's contact network (that is, the value of the offers), but must also take into account the fact that the ego himself contacts alteri that can react to this offer in a permissive or dismissive way. I call this the "Casanova problem": Contacts from actors whose activities are more widely distributed are worth less than from those who concentrate on one person. Therefore, an important indicator of ego's mate value is the value operationalized by means of accepted and rejected offers. Again, this indicator of appeal is meaningful only when augmented with the value of those that accept or reject ego's offer.

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Appendix

Figure 1: Idealized process of dating site usage

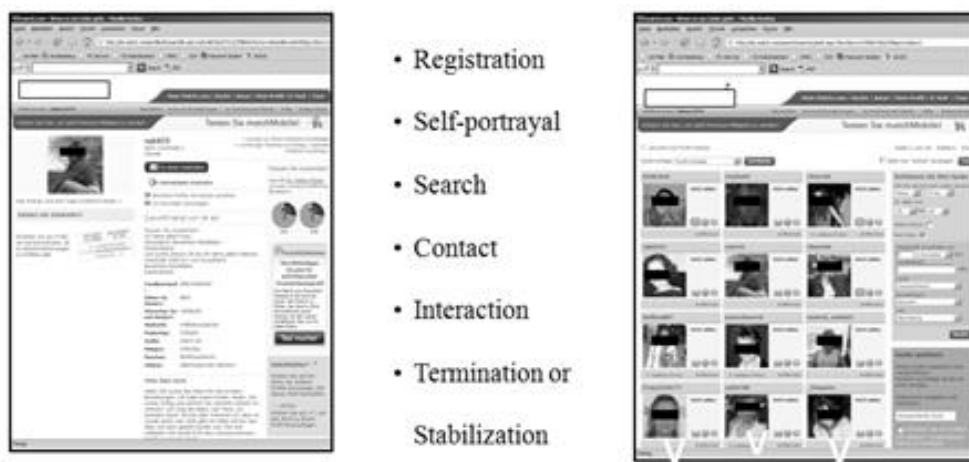
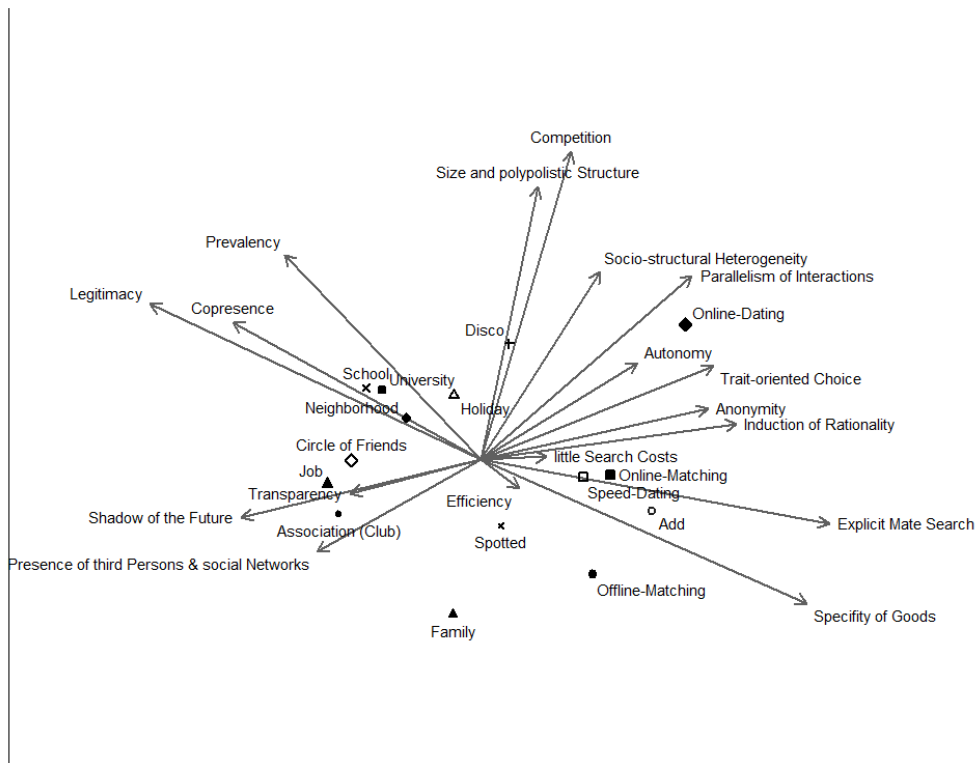


Figure 2: Theoretical comparison of ideal-typical partner markets (biplots)



[“low search costs”]



Figure 3: Idealized process of dating site usage

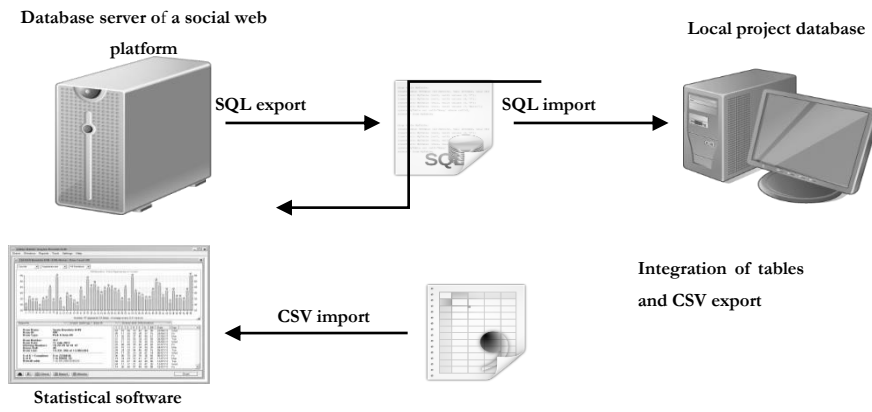
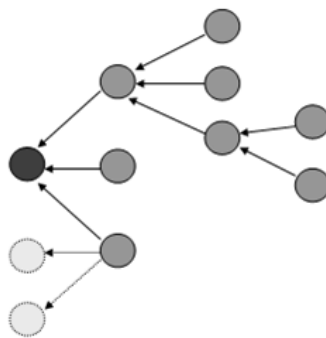


Figure 4: Ego's ingoing contact network



**Table 1: Examples of HTTP status messages**

ID S	ID R	Dyad No.	Contact No.	Mail	Time	Sex S	Sex R	Age S	Age R	Edu S	Edu E
16172	9239	5430	1	0	01.07.2012.13:15.26	M	F	45	42	Abitur	Abitur
9239	16172	5430	2	0	01.07.2012.18:42.19	F	M	42	45	Abitur	Abitur
16172	9239	5430	3	0	02.07.2012.08:33.01	M	F	45	42	Abitur	Abitur
...											
16172	9239	5430	7	1	02.07.2012.22:17.49	M	F	45	42	Abitur	Abitur

**Table 2: Explanatory model of users' mate value**

	B
Female	0.592***
Age	0.021***
Age (quad.)	- 0.001***
BMI	0.000
BMI (quad.)	0.001*
Education (ord.)	0.059***
Age*Female	-0.007***
BMI* Female	-0.008***
Education* Female	-0.014*
Profile Picture	0.166***
Intercept	-1.481***
adj. R <sup>2</sup>	0.06%
N	15455

Legend: \*  $p \leq 0,05$ ; \*\*  $p \leq 0,01$ ; \*\*\*  $p \leq 0,001$

# Online Financial Markets: An Ethnographic Study of Independent Day-Traders in Israel

By Galit Ailon

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Erez is a forty-seven year old, divorced taxi driver who trades various types of derivatives from home in online, global financial markets. He started day-trading four years ago, after completing a thirty-hour course in one of the many financial trading schools that have opened up in Israel in the past decade. His house is small, and the computer he uses for trading is positioned in the living room, next to the TV. He testifies that he has spent endless hours in front of this computer, learning the charts, perfecting his expertise at analyzing them. His dream is “to make money from money” in these online markets, bank his profits and live off the interest. In his four years of day-trading he has lost more than he has gained, but he believes that the losses were educational and that he learned from them many necessary lessons about himself and about the market-crowds whose behavior he tries to foresee. By now, he says, he has almost mastered online trading. When his thirteen year old son is home, he often asks questions about the colorful charts on the screen, and Erez feels that it is an important part of his fatherly duty to teach him what they're all about.

In recent months I have been engaged in an ethnographic study of independent day-traders in Israel. I have met many who, like Erez, took a course or two in the blooming industry of financial education for the general public and who dream of making money from home – or anywhere else – through online trading. They include, for example, a senior manager who left his job and set up a trading corner in his dining room; a retired dentist who often travels with his wife and uses his laptop to trade from anywhere he happens to be; and an ex-building contractor who uses two smartphones to trade from Tel-Aviv cafés. There are many others. Some focus on particular financial markets – stock, currency, commodities – some “try out” different markets as they develop their “tastes” and expertise in day-trading and eventually trade in more than one market at the same time.

The internet has brought financial markets into the homes, routines, and dreams of many Israelis. Along with the current state of local regulation which does not impose too many restrictions on online day-trading, and the common use of “leveraging” which enables trading in much larger amounts of money than one actually deposits, the internet has turned financial day-trading into something well within the reach of a broad socioeconomic stratum in Israeli society. Indeed, there is a wealth of evidence of a growing infatuation: advertisements for financial trading courses and online trading platforms pop up as one surfs through Israeli internet sites or listens to Israeli radio; new Hebrew books with titles such as *The Stock Whisperer* (Barak 2012) appear; and successful financial figures gain the media's attention, star in economic TV shows and newspaper stories, and routinely post Hebrew lectures, market reviews, financial blogs, and trading lessons online.

While various researchers have noted the popularization of finance, most studies on the topic focus on financial investing in the United States and Great Britain (for example, Aitken 2003; Davis 2009; Harrington 2008; Langley 2008). However, the accessibility of online global trading is opening up new opportunities for other forms of popular financial engagement in other places in the world. Culturally, this global, online popularization of finance may take various shapes. To quote Downey and Fisher (2006: 7), global economic technology “creates very particular connections, and users are selective about the technology, commodities, and ideas that they seek out, thus pointing to the importance of examining ethnographically the production, circulation, and receivership of knowledge and ‘things’ in particular communities of interpretive practice.”

Indeed, these “particular connections” may exceed current theoretical constructs and disciplinary bounds. As my short description of the interview with Erez indicates, online financial markets reach far beyond the actual networks of exchange that have been the primary focus of social researchers of finance: they impact homes and family lives; they seem entangled with broad changes in contemporary workplaces, work ethics, and cultural images of “the good life”; and their “spirit of calculation” (Appadurai 2012)

entails new types of self- and social-perspectives that touch upon much broader aspects of societal life (Ailon 2013).

Online trading thus raises many interesting questions for researchers of contemporary financial culture. For example, what types of “communities of interpretive practice” are evolving in relation to and through the online markets? What popular images and narratives of the markets inform and are informed by the online platforms and their mechanisms of exchange and speculation? How do the properties of the online trading platforms shape popular forms of financial calculative logic and sensibilities? What are the online markets' qualities of presence in the traders' physical and local contexts of action (for example, their homes) and how do they affect their routines and concrete lives? How does online trading facilitate the development of popular enchantments with finance and how, in turn, does the growing industry of popular financial education – trading schools, gurus, bestselling books, and so forth – shape the meaning that is attributed to online global markets, the dreams that are tied to them, and the financial identities and narratives of expertise that take form within them?

This study adopts a holistic, multi-sited ethnographic approach that combines online and offline fieldwork. Looking outside the global and expert centers of finance, its goal is to seek answers to the research questions by offering a close analysis of a local context of popular finance, namely the Israeli online day-trading field. Primarily, the study seeks to further our understanding of the cultural dynamics that shape and that are shaped by online markets, the character of the new financial enchantments that these markets seem to incite, and their manifestation as a lived experience in traders' day-to-day lives.

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# Interview

## Ilan Talmud interviewed by Asaf Darr

**Professor Ilan Talmud** (Ph.D. Columbia University, 1992) is the Chair of Graduate Studies at the Department of Sociology and Anthropology, University of Haifa. Previously he served as the Head of the Economic Sociology Program. His general interest is social and economic relations. He publishes in the areas of network models of economic sociology and internet studies. Among his recent publications are the book (with Gustavo Mesch) *Wired Youth: The Social World of Adolescence in the Information Age* (Routledge, 2010), and the entry *Economic Sociology* (in *Sociopedia: The Online Encyclopedia of the International Sociological Association*)

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### 1 For the past year or so you have been studying Bitcoin. What is the main motive for your study? What does the virtual currency represent for you?

The emergence of digital currency is indicative of a rising distrust in the current political economy. It is an attempt to re-socialize finance, to locate it within a community, without state control or the mediation of banks. Also, digital currency represents a tight coupling between materiality, community, and virtuality. This is also related to my long interest in computer-mediated communication and virtual communities. Bitcoin resembles other economic, network-driven, disruptive technologies that are aimed at producing more democratic economic networks, such as peer-to-peer lending and crowd funding. As an economic sociologist, I study Bitcoin as an extreme case; I ask to what extent is it possible to construct an alternative monetary system "from below" and to enact a global and online financial market in the face of institutional hostility.

### 2 What do you see as the main differences between virtual and "real" currencies?

Let me recall that all types of money are social and virtual in one way or another. Fiat money is embedded in a polity, while digital money is embedded in an abstract community. The production of legal tender is carried out in terms of mainstream monetary theory, while digital currency is

"disembodied," outside mainstream economics. Bitcoin's production (or "mining") is decentralized in an online community. This process is highly complex, involves tacit knowledge, and is not accessible to the general public. As a result, users and miners tend to be a selected segment of society: young males, experienced in computer hardware and cryptology and even in forex algo-trading.

Real money can be inflated, but crypto-currencies are self-limiting, and cannot be inflated. The theory to justify the limited supply of the currency comes from the Austrian School of economics. Because fiat currency is embedded in a legal system that protects it, people can view it as a near-tangible asset. By contrast, digital money is only virtual, does not enjoy the protective shell of a widely accepted economic theory, institutional regulation, or political backing. In practice, this gap heightens uncertainty and generates fluctuations, fraud, technical interruptions, and public scepticism. But these gaps are precisely what make the Bitcoin market an intriguing case for economic sociologists.

### 3 Your focus, as I understand it, is on the social organization of Bitcoin trading, and more specifically the online social networks and communities involved in it. Why did you choose this focus?

I used to study the effect of network position and political ties on economic performance, using quantitative network models of social structure. But in my study of venture capital funds, I learned to appreciate that under extreme uncertainty, the social organization of valuation is critical for the construction of shared cognition of worth among investors. In the case of Bitcoin, the construction of cognitive interdependence is paradoxical. Engagement in the most abstract and anonymous type of currency has to be complemented by face to face social relations and by frequent offline community gatherings. Activists have to act on a local level because, due to Bitcoin's complexity, it's easier to educate individuals in person, to teach them the relevant software and to transfer tacit knowledge through co-practice. More importantly, market organizers use various rhetorical devices and morality tales in their technical training. Community leaders form a civic association centred on lobbying, supplying legal and technical advice, encourag-

ing local businesses to accept Bitcoin, and initiating recurrent community meetings; all in order to promote market legitimacy and velocity.

#### **4 What can you say about the unique features of the social organization of the Bitcoin market?**

For over a decade I have been examining the links between online and offline relations. Computer mediated ties are more precarious. In the Bitcoin community, online relations seem to be the backbone of the currency's production and exchange, but they are fostered by frequent face-to-face gatherings. One crucial market device involves constructing an imagined alternative monetary community via online links to the global community. Bitcoin is the main cryptocurrency, but it is not the only one. Using variations on Bitcoin's protocol, a complicated network of startup ventures are trying to develop second-generation currencies for specific monetized assets or "smart contracts". There are virtually hundreds of other similar crypto-currencies and less similar complementary, alternative exchange systems, which extend both the innovation legitimacy and competitive pressure which is exerted on Bitcoin. This generates ambivalence towards them among Bitcoin's community activists.

#### **5 What are the main institutions involved in Bitcoin trading? What state-level and international-level institutions are trying to regulate, control and suppress this type of trading?**

Most regulatory agencies, central and commercial banks, are investigating its potential benefits and risks. Many central banks and intelligence agencies treat Bitcoin as a potential threat and have issued warnings about its risky nature, followed by refusals of private banks to support its trade. The Russian and Chinese authorities, for example, currently forbid its trade altogether. But beside isomorphic trends, there is no noticeable international cooperation. Regulatory positions vary within and across countries. This sometimes involves a contradiction: the American IRS defines Bitcoin as a taxable commodity, while other federal and state agencies treat it as a financial instrument or virtual currency. Some states make the exchange harder, while others (recently California) removed legal obstacles to trade in alternative currencies. The regulatory framework is still evolving. In this process, exchange bureaus, academics, and industry leaders are involved in incoherent

negotiations with state agencies on regulation and facilitation of the trade.

#### **6 What are the main methodological challenges that you face when conducting a study of a virtual market? What did you do to address these challenges?**

I use global and local "netnographic" study, and offline, multi-site, local ethnographic research, in which I focus on the relatively large Israeli Bitcoin community. The Israeli community is composed of approximately 4,000 members and is very prominent in the global Bitcoin arena. My main dilemma is boundary demarcation. I focus on the Israeli locale in order to inquire into the local context of the trade. But this context is tightly coupled with the global sphere; I try to make context-sensitive decisions. Besides other typical dilemmas of participant observation, I attempt to embed my local observations in the global mechanism of market enactment.

#### **7 What, in your view, is the future of Bitcoin and does the internet offer a real alternative to more traditional types of currency?**

Bitcoin's future depends on its ability to constitute trust in electronic decentralized transactions, as well as on making applications easily accessible, the acceptance of a "folk theory" of economics, and the infiltration of the Bitcoin community into the financial establishment. In principle, Bitcoin can unite all payment systems. But this, in turn, could jeopardize the decentralized nature of the trade. A key point is that Bitcoin is not only a currency, but also a technology. The most desirable attribute of Bitcoin is its smooth transferability. It seems that virtual marketplaces will continue to evolve and thrive with more innovative products and new digital currencies. To the extent it comes to be regulated, Bitcoin's protocol may be an online alternative to some of the mediating roles of banks within payment systems; not only of money, but of other monetized goods, such as licenses and titles. Another possible scenario could be the emergence of an acute, anomic, political crisis at the core of the capitalist system, in which central banks are deemed ineffective, which might result in fiat money losing its social credibility and worth, and virtual currencies gaining legitimacy.

## 8 Are there any initial findings that you can share with us?

The most interesting finding for me is the assemblage of a hybrid, syncretic discourse, composed of incoherent fragments of mainly libertarian, but also socialist and syndicalist notions, inspired by ties to a diverse mixture of political actors. In this discourse, the state is considered to be an enemy, and inequality is downplayed. Instead, actors emphasize inequity, which is understood only as a function of

a highly concentrated economy with tight links to the polity. Bitcoin is supposed to correct all this. The irony is that organizers use ideas from the libertarian perspective of the Austrian School of economics – as they understand it – in order to generate solidarity and community. They view themselves as both idealists and speculators. Market devices result in the framing of bifocal “fictional expectations” of utopian and material futures, which enable investors to perceive their investments as valuable.

# New Frontiers in Economic Sociology

## Death Interrupted: Contemporary Economies of Death and Dying

By Roi Livne\*

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In his novel *Death with Interruptions* José Saramago describes a country thrown into havoc after its people stop dying. This inexplicable occurrence – later cryptically defined as an “endurance test” – leads to the collapse of industries, social institutions, family ties, and religious doctrines. The country’s healthcare system strains to treat a growing population of people living in the purgatory of eternal severe illness; the life-insurance and funeral industries experience the demise of their *raison d’être*; families collapse under the burden of caring for their immortal elderly; and the Church reconsiders its position regarding resurrection. The workings of death in society are exposed when death disappears: death is the most definite demarcator of human life and as such it serves as an Archimedean point for myriad social, political, and economic institutions. Immortality destabilizes existing socio-economic orders and renders their most basic premises defunct (Saramago, 2008).

This saga references a key twentieth century development: with the advent of medical technologies and increasing life expectancy, death has indeed been interrupted (see Riley, 1983). But unlike in Saramago’s imaginary country, the interruption does not derive from a mysterious exogenous shock, but rather from socio-economic patterns that are endogenous to modernity. The interruption also results from the modern medical endeavour – driven by a combination of professional interests, moral motivations, and financial stakes – to avoid death and extend life as long as possible. Beyond analyzing patterns of production, consumption, and exchange, the economic sociology of death’s interruption cuts through the most fundamental existential notions of social and moral life. It illuminates how symbolic meanings of death play out in markets and policymaking, how corporate actors reconcile these meanings with profit making, and how policymakers tackle death’s symbolism when formulating and promoting their agendas.

## Death, Morality, and Intergenerational Economics

One set of questions pertaining to the economics of death arises from the ubiquitous warnings of pension fund insolvency and of the future bankruptcy of welfare and healthcare systems. Actuarial evaluations often identify longevity as an impending fiscal problem; people’s timely demise has become a condition for economic sustainability (for example, Dang et al., 2001). This problem is often tackled from a purely actuarial standpoint, by postponing retirement and increasing contributions to pension and social security. Such reforms in labor contracts and welfare entitlements, however, are significant not only because of their fiscal importance, but also because they enact intergenerational moral relations.

Durkheim characterized the social organization of death as a moral order, made up of ties between the living and the dead, connections between individuals and groups, and a shared collective consciousness of death and the practices surrounding it (Durkheim, 1995: 242–275, 392–406). Actuarial adjustments in pensions and social security reshape such moral orders. By redefining intergenerational economic relations, these adjustments conceive new moral commitments between the young, the old, the soon-to-die, and the still unborn. “Social security [and public healthcare expenses] must be curbed. [...] The growing debt burden threatens to crush the next generations of Americans,” warn fiscal conservatives who seek to eliminate the social safety net purportedly for the sake of future generations (Canada et al., 2013).

The moral relationship between the living and the dead also underlies markets that pertain to death. In her study of the early U.S. life-insurance industry, Zelizer (1979) documents the initial cultural reluctance to put a monetary price on human life. What made life insurance morally legitimate (and thus viable) was the industry’s success in framing it as a moral commitment between policyholders and their descendants. The nature of this commitment has changed since those days. Around the 1990s, many life insurance policyholders began selling their benefits to third parties in return for cash prior to their death. As Sarah Quinn (2008) observes, these transactions (“viaticals”) violated the original moral foundations of the life insurance market: instead of committing one’s benefits to one’s



descendants, beneficiaries cashed their policies and used them for their own benefit. However, this arrangement, Quinn shows, was still socially and morally embedded: at the height of the AIDS epidemic, as tens of thousands of young dying people were facing medical bills and debilitating illnesses that made them unable to work, viaticals provided them with the resources necessary to die with dignity. Although the contract between the dying and the living changed, morality remained at the very foundation of the life insurance market and legitimized some of its most predatory practices.

Other death markets, however, remain contested. For example, the market for “Dead Peasant Insurance,” where corporations hold life insurance policies for their employees and cash in revenue when they pass away, has so far been outside the boundaries of moral legitimacy (Sandel, 2012: 131–6). One could only hypothesize what form an effort to legitimize this market would take and whether it would be successful.

### **Economic Life and the Morbid Mystique**

Any economic sociology of death should take into account death’s symbolic weight. In his monumental work on the cultural history of death, Ariès identified an unprecedented breaking point in Western attitudes toward death: starting in the early twentieth century, death all but disappeared from day-to-day life. Dying was transformed from a normal social event that engaged numerous community members and centered on the dying, into an obscure clinical event, which doctors orchestrate technically in the secluded space of the modern hospital (Ariès, 1983). The modern art of dying involved sublimated mourning practices, heroic medical interventions, and overall mechanization of dying processes, which redefined the emotional experience and symbolic meaning of death (cf. Timmermans, 1999; Seale, 1998). Contemporary economies of death are embedded in these developments.

The elementary components of market life – commodities, prices, and profit-seeking behaviour – often attract moral criticism when they are manifested in proximity to death. As Trompette (2007) puts it, the limits found in death-related markets have much to do with a social taboo against the very idea of such markets. Economic exchange near death tends to involve many non-market features, such as gifts and donations, which distinguish it from other, more profane economic activities. This is, for example, the case in the exchange of human cadavers (Anteby,

2010), as well as in the organ transplant economy (Healy, 2006). In both cases, buying and selling commodities for money is broadly defined as morally corrupt, shoddy, and illegal: kidneys can be bought and sold for money only in the black market (cf. Scheper-Hughes, 2000), and exchange in cadavers for medical research takes place within strict boundaries that distinguish between legitimate and illegitimate exchange (Anteby, 2010).

Valuation practices in death-related markets are also embedded in death’s symbolic value. Mitford’s (1963; revised edition 1998) scathing critique of the U.S. funeral industry shows how the romanticism of death in the U.S. has made it possible for funeral homes to charge any amount of money for even the most basic products and services – coffin transport, flower arrangements, and receptacles. The incommensurability between the symbolic and emotional meaning of death and monetary value resulted in virtually unrestricted monetary spending and a profitable funeral industry that feeds off it.

### **Death and Economic Rationality**

Life’s pricelessness is a defining feature of economic activities surrounding death. Nevertheless, the monetary valuation of life has become a common professional tool in myriad areas over recent decades. Civil courts, for example, rule on monetary compensation for negligent death cases, and environmental regulators decide on the proper balance between economic growth and population exposure to environmental hazards. In both cases, the monetization of life has attracted much resistance: points at which rational methods meet the sacrosanct are usually sites of tense moral negotiations (see Viscusi, 2009; Carruthers, 2009; Fourcade, 2009). From one moral standpoint, the rational valuation of life pushes restitutive law ad absurdum: it condones killing as long as sufficient compensation is paid, or sufficient economic growth is attained. On the other hand, valuing life monetarily may guarantee some acknowledgement of damages suffered and make policymakers and entrepreneurs take this suffering into account (Espeland/Stevens, 1998). Recognizing life’s value is thereby done by assigning it a price.

In the realm of healthcare, the moral question of how to price life has been particularly prominent. End-of-life care, where death is most present, poses serious moral-economic challenges. Modern medicine offers myriad clinical interventions that can prolong life in some way or another almost regardless of the severity of the illness. “Mor-

tality itself," as Timmermans observed, "cannot be avoided, but individual causes of death can be determined, and then manipulated and postponed" (2006: 11). Thus, when a first line of chemotherapy fails, oncologists can offer second, third, and even fourth lines. When patients' kidneys fail, nephrologists can treat them with dialysis for years, and surgeons can offer them transplants. When patients stop breathing, physicians can connect them to a respirator. And when the heart stops, doctors can attempt resuscitation. Dying, in other words, often involves decision-making: for a person to die, active decisions are made not to conduct these procedures (Agamben, 1998; Callahan, 1987; Zussman, 1993). This plethora of interventions is extremely expensive, and given the pricelessness of life, it raises the specter of unsustainable spending (Ubel, 2000).

The field of Health Economics has gained much influence in policymaking in tandem with the increased availability of these medical interventions. In the United Kingdom, the Quality-Adjusted Life Years (QALY) metric has standardized the benefit of medical treatment and rationalized resource allocation (Ashmore et al. 1989); today, with several exceptions, the UK's National Health Service agrees to pay 20,000–30,000 British pounds for one standardized life year. This rational care-rationing mechanism has been criticized from various standpoints, but the imperative to ration care in some way or another remains, and healthcare systems necessarily address it, implicitly if not explicitly. How much to spend on prolonging the lives of severely ill patients has become an economic as well as a moral question, even in the U.S. healthcare economy, where no central mechanism for care rationing is applied (Callahan, 1987; Livne, 2014).

All of these distinctive fields of inquiry illustrate how central economics is to the modern art of dying. Death's interruption has strained societies' fiscal capacity to provide for their members whose mortality is suspended. Markets related to death have expanded and prompted complex negotiations over those markets' very legitimacy. Death therefore poses micro- as well as macro-economic quandaries, and we can see how adjustments made to address these quandaries are enmeshed in morality. These adjustments are important building blocks of contemporary economies of death and dying.

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nomics and moral considerations in decisions to withdraw, forgo, or maintain life-prolonging care in U.S. hospitals.

## Endnotes

\*I thank, without implicating, Ashley Bates, Asaf Darr, and Marion Fourcade for reading and commenting on an early draft.

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## A History of the French Funeral Market

By Pascale Trompette

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How did the market come to be a solution for delegating the responsibilities of a public utility such as funerals, especially in the French institutional context with its traditional preference for public control? How did a large national funeral company (PFG – Pompes Funèbres Générales) emerge as an extremely precursory, powerful industrial concentration at the beginning of the twentieth century, something unheard of in most industrial societies? Such enigmas piqued my interest and gave me a desire to go back through the history of the French funeral market, from the market formation stage, which followed the first national Napoleonic law, until liberalization in 1993, and more recently, following the entrance of insurance companies, the financialization of the market.

In the course of this historical investigation, the funeral market became a laboratory in which economic sociology could be used to explore the social mechanisms of change

in markets. It was a “small” market (a stable group of around 2,500 companies, national frontiers, limited area of work), with a closed professional community in constant relations with the state and public representatives, very innovative in re-inventing its rules via political controversies, which were particularly impassioned due to the significance of the “*culte des morts*” in France. Narratives and testimonies, which took many different forms (newspaper articles, parliamentary debates, pamphlets or even literary descriptions), were numerous, as questions of morality and merchant legitimacy were called into question.

Paradoxically, although the institutional dimension has great resonance in this market, I progressively moved away from an institutional perspective when seeking to make sense of the mainsprings of market change, whether in terms of cultural values and legitimacy (Zelizer 1978; 1985), political institutions (Dobbin 1994), or legal framework and state intervention (Fligstein 2001). Obviously, all these factors have played an important role in the history of this market. But they also concealed an “infra” regime of historicity, belonging to the market itself and its ordinary competition. The constant renegotiation of public control by the inventive practices of undertakers (Trompette 2012), the increasing commodification of funeral goods through growing competition and the struggle to appropriate strategic resources via social networks within local markets have been driving forces of market formation and regulatory changes over time.

My approach is rooted in pragmatist theoretical approaches, such as Chicago School interactionism (Glaser and Strauss 1966; Star 1999) and ANT (Caliskan and Callon 2010; Callon and Muniesa 2003; Hardie and MacKenzie 2007). It provides fertile ground for the sociology of markets, moving the focus from structural elements to the organizational process (for example, organizing funerals), the question of coordination between heterogeneous worlds (for example, hospital and funeral home), the process of managing dead persons (for example, circulation of corpses), and the conventional and the material dimensions of market agencement (for example, equipment as market infrastructure). Based on an understanding of these day-to-day market practices, attention can be given to the dynamic process of framing/overflowing in calculative activities and competitive interactions (Czarniawska and Lofgren 2012).

I will illustrate my point by referring briefly to three examples from my research. The first concerns the ethnography

of price-setting and valuation through history (Trompette 2013). In various historical and institutional contexts, the state and public representatives have attempted to build a moral economy of funerals by setting up price and valuation formulae in the public domain, such as the free burial of the poor (nineteenth century) or the free post-mortem management of care for the deceased, compensating for public health establishment deficiencies (1960s). Throughout the nineteenth century, analysis of the inventive manipulations of price formulas by undertakers shows how their tactics and commercial tricks led to the slow degradation of the calculation formula over time, which threatened the ability to respond to public problems such as the right of free service offered to the destitute, who represented a sizeable proportion of burials. A century later, in the context of the intensive development of funeral homes by the leader PFG, the free services of funeral homes also benefited from a confusion of public-private facilities, helping its subsidiary company to build up a privileged position in the local funeral market, which relied on the close integration of facilities (hospital/ funerary/undertakers) and "confluence" effects in the circulation of the dead (Trompette 2007).

A second strand of my research addresses the moral controversy of the funeral market. Throughout its history, a degree of moral condemnation has hovered over French undertakers, the *pompes funèbres*, suspected of exploiting the misfortunes of bereaved families. A classic institutional approach to moral criticism would point to the funeral as a "contested commodity." Following what Anteby (2010) describes as a "practice-based view of moral markets," I suggest alternatively to consider the features of the "merchant" and the way in which he or she constructs, in a given market, a regime of moral/immoral practices. Throughout the history of the funeral market until the present, narratives produced very virulent pictures of the death market through their pen-portraits of undertakers as "crafty merchants." Undertakers produced their own critics by denouncing their competitors as opportunist operators, taking advantage of defective institutional controls to indulge in various forms of malpractice, poaching, and exploiting customer fragility to increase their profits. I suggest that these professional "anti-myths" played a determining role in the moral controversy of this market.

A third aspect of my research addresses the political market regulation through the relationship between funeral companies and the state, especially during the main legislative upheavals affecting the organisation of funeral services (1804, 1904, 1993). I show that, even when external

institutional forces have determined the legislative agenda (such as the French Revolution at the beginning of the nineteenth century or the whole debate on secularism [*laïcité*] in 1905), the funeral companies have always been a driving force in organizing the legal framework of the trade. The political skills of the dominant market players have supported their ability to define and renew the basis of political exchanges through which the state has delegated responsibility for funeral services (Trompette 2011). The collective action launched by small operators against the monopoly at the end of the 1980s cleared the way for the liberalization of this market. Moreover, whatever or wherever the scene, the co-regulation of the market was constantly played out through market dynamics and via the state's "ex-post" attempts to manage inappropriate market imbalances, to curb private interests over against public utility and to channel the overflow of competitive practices.

**Pascale Trompette** is a sociologist, CNRS Senior Research Fellow at the PACTE Laboratory at the University of Grenoble Alpes, France. She works in the area of economic sociology and sociology of markets. Her research interests concerns the interaction process by which market politics, organisational arrangements and mundane market practices are constantly recombined in market life. In the field of market studies, she has published in journals like *Journal of Cultural Economy*, *Science Studies*, *Management and Organization History*.

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# The Global Community of Economic Sociology and Political Economy

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The Economic Sociology and Political Economy community is a global online academic community whose goal is to disseminate the fruits and insights of socio-political research on the economy to the public and to academics, and to serve as a platform on which community members can share relevant information, exchange ideas and create collaborations. Recently, it has been regarded as a new form of learned association that reflects the transformations undergone by the academia in the interactive networked era. One might see the ES/PE community as a rally in the web of science where research and knowledge meet intellectual curiosity regarding the constitution and functioning of – what I call – the indissoluble trinity of State-Economy-Society.

From an epistemological perspective, the ES/PE community aims to bridge two historically separate disciplines: (New) Economic Sociology and Political Economy. Whereas their methodological lens, theoretical focus and empirical realms could differ, both essentially deal with the ontological axiom of mutual embeddedness of State-Economy-Society, illuminating its varying angles. Therefore, in my view, the endeavor to bring these two disciplines closer together and interlace them into one body of copious scholarship will not just enrich the investigation of socio-political processes and institutions of the economy, but also, in line with the Public Sociology imperative (Burawoy 2014; see also an excellent Discussion Forum in *Socio-Economic Review* "Economic Sociology as Public Sociology" (2007) by which I was inspired), it will also equip us with a powerful scientific arsenal to lead the intellectual fight against, in Karl Polanyi's terms, market fundamentalism and economic determinism (Block and Somers 2014).

The ES/PE community is active on the main social networks: [Facebook](#), [LinkedIn](#), [Twitter](#), [Google+](#) and [Tumblr](#). The contents are identical on all the websites and they are posted simultaneously. Currently the community counts

more than 22,000 people from 90 countries, about half of them from Europe. Our members include researchers, students, state bureaucrats, journalists, activists, and others interested in broadening horizons through erudite discussions and enlightening readings on various topics related to Economic Sociology and Political Economy.

The essential role of the community is a hub of knowledge and information. Therefore once a day the community brings to the attention of our members two sorts of materials. First, substantive contents: insightful books, thought-provoking papers, interesting posts from the (academic) blogs, valuable documentaries and incisive quotes. The posts cover a wide range of topics in Economic Sociology, Political Economy, Fiscal Sociology, Social Studies of Finance, Labor and Welfare research, and Sociology of Economics. Given this treasure trove of scholarly knowledge, the community websites occasionally serve as a collateral teaching resource in order to keep students intellectually engaged and to arouse their interest in these issues.

Secondly, practical updates are also blogged: important calls for papers for conferences and workshops, graduate and post-doc fellowships, grants and job openings.

I would like to invite European economic sociologists to join the ES/PE community through our websites, to share posts, to comment and to recommend them to anyone who is interested in socio-political study of the economy.

**Oleg Komlik** is a founder and editor of the global community of Economic Sociology and Political Economy. Currently he is a PhD Candidate at Ben-Gurion University and a Lecturer at the College of Management Academic Studies in Israel. In his MA thesis he has investigated the legislative process through which the global Anti-Money laundering norms were institutionalized in Israel. This research was awarded the Best Thesis Prize by the Israeli Sociological Society, and the Outstanding Master's Thesis by the Israeli Political Science Association. His doctoral dissertation analyzes the institutional and political relationship between Israeli banks and the state, especially focusing on the institutional change of the Israeli banking and financial system in the Neoliberal age. As of July 2014, Oleg Komlik is a

*Chairman of the Junior Sociologists Network at the International Sociological Association.*

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# Book Reviews

**Book:** Polillo, Simone, 2013: *Conservatives versus Wildcats: A Sociology of Financial Conflict*. Stanford University Press.

**Reviewer:** Anne E. A. van der Graaf, Max Planck Sciences Po Center on Coping with Instability in Market Societies (MaxPo), Sciences Po, Paris, France , [anne.vandergraaf@sciencespo.fr](mailto:anne.vandergraaf@sciencespo.fr)

In the book *Conservatives versus Wildcats: A Sociology of Financial Conflict*, the roles of nineteenth century US and Italian bankers are analysed in relation to the constitution of the state. The author, Simone Polillo, takes Schumpeter's general theory of competition and applies it to banking. He looks specifically at the formation of the Italian state and the relationship between bankers and politics, as well as at the relationship between US bankers and politicians in the different US states.

This adaptation of Schumpeter's theory holds that there are two types of banker: conservatives and wildcats. Conservative bankers act according to the rules, wanting sound banking practices to be the norm in finance and thus exclude new actors and certain types of creditor. On the other hand, there are "progressive" bankers, so-called "wildcats", who try to get around the standard rules, working at their margins. Banks' credit capabilities and state budgets are strongly related, for example, in terms of banks' credit expansion possibilities and states' taxation of banks. Conservatives work closely with the political elite, excluding certain groups from credit, while the wildcats enable new groups to obtain access to credit. Wildcats and conservatives are therefore always in conflict, with opposing interests. The manner in which credit is provided and standards set is categorized as political by Polillo. For example, criteria of sound creditworthiness are of most concern to conservative bankers and are highly politicized, while wildcats try to break open such criteria.

Polillo advances these categories in asking what happens in various kinds of political system, authoritarian or democratic, centralized or decentralized. A direct link is made between capitalism and democracy: different types of banker work differently in democratized and centralized systems and in undemocratic and decentralized systems. With the help of this theoretical framework, Polillo investigates

banking in two cases. The first is the evolution of banking in the nineteenth century United States, studying the role of bankers as well as their differences in the different federal states. The second is a case study of banking in Italy during the nineteenth century, a time when Italy, as a newly formed state, was becoming more centralized.

Using historical analyses of the nineteenth century United States and Italy Polillo shows that creditworthiness was a way of excluding or including certain people, using specific types of information, like character, to determine who was creditworthy. Bankers had to use their political capital to secure their position in the market to ensure that their view of credit would be accepted as the sound one. This is where the wildcats came in, undermining the political power of conservative bankers and opening up the banking market.

In the nineteenth century, US banks issued banknotes besides their lending operations. In some states banks were tightly controlled and therefore seen as public entities, while in others they were left more to themselves. In the northern US states banks were taxed heavily, in some cases representing more than 50 percent of the state's revenues. In certain cases this can be seen as a substitution for property taxes. According to Polillo, the more democratic northern states were able to impose higher taxes and therefore the banking sector had a stronger public character. In southern states, due to the plantation- and slave-based economy, the banks were hardly used as a fiscal opportunity, although bankers' informal links with local politicians were strong. The bankers in the north became wildcats, while in the south they were conservatives, since their political links enabled them to expand. Countrywide, in the nineteenth century the positions of conservative and wildcats changed continuously. For example, during Andrew Jackson's presidency, banking regulations were liberalized and the position of conservative bankers deteriorated. Subsequently, however, the conservatives regained ground by enforcing sound credit rules within the banking community, rather than depending on the federal government to enforce rules from the top down.

The second case study concerns banking in Italy, where there was a larger role for the central government, the central bank and their various actors than in the American

case. The roles of bankers in the Italian case are analyzed within the framework of a national state that was becoming more centralized. The wildcat versus conservative narrative with regard to Italian bankers starts off with a description of how national politicians saw problems in the manner in which local governments spent money. The expenditure of local governments was opaque for the politicians at the national level, who thought it likely that it fed corruption. Local banks were the providers of money to local governments and thus offered a means of solving the problem. The approach adopted was to abolish the gold standard and to make the central bank the sole issuer of bills, thereby giving it control over local banks. The suggestion is that in the case of Italy conflicts arose between local actors and the centralized state, which were resolved by central political and financial actors. Local bankers financed local politicians, but when the issuing of money was centralized, local banks were unable to do that anymore. In this case it was conservative banking that flourished because of the tighter central control of local banking.

The book concludes with a confirmation of the Schumpeterian thesis concerning the existence conservative and wildcat bankers. In contrast to Schumpeterian theory, however, the two types of banker were not dichotomous but continuous. Polillo tries to establish a theory to generalise the conservative/wildcat continuum and the possibility of bankers mobilizing political favours for the rest of the financial sector. In a centralized and undemocratic system of the kind that existed in Italy in the nineteenth century, conservative bankers flourished. In the decentralized United States, wildcats managed to gain ground in the democratic states in the north, whereas in the undemocratic south, the conservative bankers prevailed.

The book is written for a critical economic audience, as well as for historical sociologists. It provides some useful insights into the relationships of American and Italian bankers with politicians and politics in the nineteenth century. For people working in social studies of finance or economic sociology, the book may sometimes read like a repetition of generally accepted criticisms of economics. It might be too generalised for this audience and a number of lessons that can be learned from social studies of finance, namely concerning materiality and locality in economic action, are neglected, which can also be inferred from the choice of secondary literature as the main data source. In some respects, the book reiterates the sociological idea that every distinction is political, but this time applied to bankers.

Some of the broad concepts used in the book are often unclear. For example, what exactly is meant by democracy, capitalism or politics in terms of conservative or wildcat banking remains open. Even the distinction between wildcat and conservative bankers is not always convincing. Although the conclusion states that there is a continuum between two the extremes, one can imagine both extremes occurring simultaneously within the same organisation. For example a contemporary European bank can be in favour of certain Basel III regulation, establishing high barriers to new entries to the market, but at the same time being active in providing loans to people who otherwise find it difficult to obtain one, for example by issuing car or pay-day loans.

When reading this book from the perspective of social studies of finance, one wonders why the author did not consider more current empirical studies of credit. Examples are Poon (2007) on the history of credit scoring in the USA and Lazarus (2012) on the relations between bankers and their clients. These studies show that the argument that there is a political aspect to banking is not new and that it affects even the most basic aspects of providing credit. Other studies that are focussed on stock markets (for example, Preda 2009 or De Goede 2005) show the exclusivity and therefore political aspect of financial markets as well.

Polillo has written a critical account of banking in the United States and Italy in the nineteenth century, looking at the relations between states and banks and the different credit criteria used by different bankers. However, the question remains of why the theory positing the existence of conservatives and wildcats is the best one for explaining the general relations between politics and banking.

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**Book:** Du Gay, Paul, and Glenn Morgan (eds), 2013: *New Spirits of Capitalism? Crises, Justifications and Dynamics*. Oxford: Oxford University Press.

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*The New Spirit of Capitalism* (hereafter *NSC*), written by Luc Boltanski and Eve Chiapello, was published in 1999 in France and in English in 2005. This book has become a “classic” in France, one of the social science best-sellers of the past two decades, but it is not as well known outside France as other important French works of the same period, for example, by Michel Callon or Bruno Latour.

*New Spirits of Capitalism*, edited by Paul Du Gay and Glenn Morgan, is, to use one of the key concepts of Boltanski and Chiapello, a “test” of *NSC*: can its analyses stand up in the face of a financial crisis that occurred 10 years after its publication and to readings by non-French and non-sociologist scholars?

The introduction, written by the two editors, present the evolution of capitalism since the 1970s, and makes the reader understand that the book will interrogate *NSC* concerning its relevance in the current socioeconomic situation. Du Gay and Morgan describe the rise of neoliberalism, the marketization of everything, the collapse of the welfare state, growing inequalities and so on. Coming back to *NSC*, they present its central concepts, notably “the dynamic relationship between capitalism and critique”, the “projective city”, “connexionist logic”, and the fact that the new key social differentiation is between the mobile and the immobile.

Du Gay’s and Morgan’s book is somewhat surprising and paradoxical: they claim in the introduction that “The purpose of this book is to highlight the significance of the contributions of *NSC*” (p. 35), although half the book is made up of major criticisms. The volume is organised in two sections: the first discusses the model and theory of *NSC*; the second is made up of case studies using its main concepts. If *New Spirits of Capitalism* had been limited to its first part, the reader would close it thinking that *NSC* is not worth reading, as Hugh Willmott says: the “book offers comparatively little that is particularly novel or exceptionally instructive (...) and *NSC*’s theoretical framing is

shallow” (p. 98). Willmott wonders why *NSC* got so much attention, since the phenomenon described by Boltanski and Chiapello was already dealt with in management journals in the 1980s. His chapter demonstrates the difficulty of relocating the book in time and space. On this showing, *NSC* seems so uninteresting that two chapters hardly even discuss it: Nigel Thrift presents his own research on capitalism and commodification, announcing his forthcoming book; whereas Paul Du Gay builds on *NSC* to obtain some insights about Weber and Hirschman whom he thinks are not well treated by Boltanski and Chiapello.

According to Boltanski and Chiapello, the main engine of the transformation of capitalism is criticism and its endogenisation by capitalism, which changes to answer or to co-opt the critics, especially to insure the mobilisation of the “cadres”, that is, middle managers, who need to be excited by the work they have to do and whose defection would hurt capitalism very much. In the 1960s, an “artistic critique” was developed against capitalism: people wanted authenticity, some meaning in their lives. They criticized bureaucratic and static work organisation. May 1968 and its huge student and workers’ movement was the acme of this criticism. For Boltanski and Chiapello, capitalism incorporated this artistic critique and created a new form of work organization, based on personal investment, autonomy and creativity, which has a very dark side of (self-)exploitation and lack of security for workers. Boltanski and Chiapello argue that some social movements, namely “reformist” unions, have accompanied this transformation and this new kind of exploitation, abandoning social criticism.

Several authors in the volume do not buy this story: they argue that it gives too much room to “spirit” and “justifications”, whereas, as critical social science has shown, what is important is the violence of capitalism and the changing balance of power. According to Willmott, for instance, the responsibility for the transformation of work organisation is entirely concentrated in the neoliberal crusade against Keynesianism. Also, he claims that the best way to mobilize people is what he names the “call for money”.

Martin Parker tackles the *NSC* in another way: he’s not convinced by “this big book that claims to be a theory of everything” (p. 128). He repeatedly decries the “Parisianism” of the authors and proposes to rename *NSC* “*The New Spirit of Capitalism in France*”, calling on Boltanski and Chiapello for some modesty and reflexivity. Parker

argues that they use a “diatronic”: a kind of paranoia that is able to explain everything by a single theory, built on magical powers. Ironically, this very harsh article shares some central interests of Boltanski. In his last book, *Enigmes et Complots* (2012), Boltanski explores the history of paranoia, and explains that sociologists are always at risk of being accused of paranoia because they talk about such large objects as the “state”, “social structures” and “capitalism”.

The two authors of the *NSC* wrote the first two chapters of the new volume but do not really answer the criticisms addressed to them. They choose to present their own current research: Chiapello, in continuity with *NSC*, looks at current forms of criticism of capitalism. She adds to the social and artistic critiques two other kinds that are key to the current process of endogenisation: a Conservative critique and an Ecological critique. Then she describes what she calls the “current reforming nebula”: green capitalism, criticized as “greenwashing”; the local economy on a human scale, that fits with the artistic critique; and the return of the state to managing social and ecological issues.

Boltanski’s chapter is very different: he puts *NSC* in the perspective of his whole career and of his long and tormented relationship with criticism. He recalls that after an initial period with Bourdieu doing critical sociology, he turned to the sociology of critical practice with Laurent Thévenot, in order to avoid “the deep asymmetry between deluded actors and the clear-minded sociologist” (p. 44). But the important question for him at the time he wrote this chapter, close to the writing of *On Critique* (2009; English translation 2011), was to build a “critical sociology on the basis of a sociology of critical practice” (p. 47) and to find new ways of emancipation. As he customarily does, Boltanski responds to criticisms by moving on and addressing larger issues.

The second section gathers chapters that present the practical uses of *NSC* in specific fieldwork. Boltanski and Chiapello’s ambition was to give a useful description of the changes in capitalism for social actors and also for further academic research. This goal appears to have been achieved.

Isabelle Huault and Hélène Rainelli-Weiss look at over-the-counter (OTC) financial markets where non-transparent bilateral (without a “middle man” or institution) transactions take place. They describe the traders’ work using the

notion of the “projective city” and the idea of the world as connexionist: Finance is not a realm of pure and perfect Walrasian exchange, but comprised of interpersonal relationships, providing enormous scope for privilege and wealth concentration. Showing that, they claim for the repoliticization of the world of finance: its connexionist organization contests the current assertion that exchanges are good for all and that inequalities are an unavoidable side effect of the best system. On the contrary, people use their technical knowledge and personal links solely in pursuit of their own interest.

Peer Hull Kristensen provides a very interesting chapter that continues the project of the *NSC*: Boltanski and Chiapello have described the projective city<sup>1</sup> as unfinished, because it has not built security for its participants, especially for middle management. Kristensen, describing the Nordic welfare state, proposes a path for this security in the connexionist world. It is built on reducing inequalities between the mobile and the immobile by three means: good education for everyone; sharing of the risks of personal and professional life between individuals, companies and state; and good quality public services that allow people – and especially women – to engage in a mobile professional life without giving up family life. If this description of Nordic welfare states is not entirely new, it is interesting to see how use of *NSC* helps the author to focus on its key notion, risk-sharing.

Katia Serrano-Velarde, in her chapter on the introduction of benchmarking as a management tool in European higher education, also testifies to the usefulness of Boltanski and Chiapello’s concepts, studying the ideological shift using *NSC*. Boltanski and Chiapello describe changes in capitalism in terms of a shift in the tests applied. By changing a given test, capitalism changes orders of worth, justifications and economic and social organization across the board. Serrano-Velarde describes the way this is happening in higher education, and how capitalist working mechanisms are being introduced into formerly decommodified settings through benchmarking, which is, as she says, a “testing device”.

Suzanne Eckman uses *NSC* in another way: the lack of fieldwork in the book has been much criticized, so she tries to use it to address her observations in two connexionist workplaces (a media and a publisher). She shows that there is always a Janus-faced discourse in the projective city: autonomy and self-realization on one side, and hierarchy and the need to establish a chain of command

on the other. This chapter challenges the idea that workers are always exploited in the projective city, an idea which is not found in *NSC*. For Boltanski and Chiapello inequalities and exploitation are not between workers and managers, but between the mobile and the immobile. When workers are mobile and the managers (or companies) are not, as in Eckman's cases, workers can take advantage of the situation.

The most political chapter of the volume is the one dedicated to ATTAC by Silke Ötsch, Piere Paolo Pasqualoni and Alan Scott. It provides a very good illustration of the changes in capitalism over the past 20 years. In fact, when Boltanski and Chiapello wrote the book, it was still possible to imagine that its need for justification was crucial for capitalists and capitalism. Today, ATTAC has lowered its expectations: it does not expect to change capitalism, but now embraces "the simple belief that little can be done in the face of power" (p. 258). This point is implicit throughout the book: capitalism has changed, criticism is weak nowadays. *NSC* was written with the goal of "rearming" criticism, to help it to find new approaches when it was in bad shape after the transformations of capitalism in the 1980s. This project has failed: the social, environmental and even artistic critics have not gained power since then; on the contrary, capitalism seems to stand alone as the sole actor able to use its strength, without any need for moral justification.

This edited book is interesting among other reasons because it shows how difficult it is to come up with a social theory that can stand up over time and in different contexts: some of the criticisms of the authors have already been made in France – and acknowledged by Boltanski and Chiapello – notably the lack of analysis of the development of financial markets, but some are new, arising from the fact that the authors of the volume have different political and intellectual references.

Nonetheless, despite all these difficulties, many of the authors find something of relevance in *NSC*. This book gave them tools and concepts that give them a better understanding of socio-economic phenomena, ranging from personal interactions to network organizations, such as finance. When *NSC* came out in France, it was praised because it offered a broad explanation that could improve the understanding of the new kind of capitalism that had emerged since the 1970s. This ambitious and massive project is still helpful for current researchers.

## Endnotes

<sup>1</sup>The concept of the "city" was developed in *On Justification* (Boltanski and Thevenot, 1991, 2006). A city is a moral world with a specific way of assessing the value of things and people. This model is dynamic because based on pluralism: Boltanski and Thevenot distinguished six "cities" whose coexistence forces people to discuss and to reach compromises. The "projective city" described in *NSC* is a seventh city.

**Book:** Knoke, David, 2012: *Economic Networks*. Cambridge: Polity Press.

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Intended for graduate students, this book reviews research on economic behavior from a network perspective. Cutting across several research fields (labor markets, networks inside organizations, networks between companies and interlocking directorates) and different levels of analysis (individuals, organizations, cities and countries), it provides an overview of network approaches to understanding economic phenomena.

Knoke starts by narrating BP's Deepwater Horizon scandal in the Gulf of Mexico, in which several BP employees were killed and massive oil slicks contaminated coastal marshes and beaches. This scandal reveals the web of relationships and conflicts of interest between BP, the bureaucrats of the US Minerals Management Service, the Bush administration and members of the Obama administration. With this example, the author tries to show the influence of informal networks on the economy and, from a broader point of view, throughout society.

The book aims to position the social network analysis perspective among the different approaches to economic phenomena. In this perspective the structure of relationships among actors constitute the core explanatory concept. Network analysts view actors as highly interdependent. The relations between actors affect actions, beliefs and attitudes. In short, social network analysis rejects atomized and contextual approaches that focus on individual actions or attributes. Instead, it seeks to capture the

complex interactions that collectively constitute social systems.

Knocke summarizes network approaches to markets. He distinguishes three basic types of market: labor, consumer and production.

Since Granovetter's (1973) study of the strength of weak ties, the study of labor markets has become a familiar topic. This study tries to put an end to the naïve belief that strong relationships (close friends and kin) provide jobs. In fact, it is quite the opposite; the author shows that, due to social structure, weak ties more often lead to jobs. Several studies have developed knowledge about the effects of social capital on labor market. One new direction is international comparisons, showing for example that strong ties are the more common way to get jobs in China in contrast to Western countries. These so-called *guanxi* networks – defined as strong, reciprocated and trustful relationships – are more and more common in China's changing economy (Bian and Ang, 1997).

In 'consumer markets' the focal point is the effects networks have on the consumer. The traditional approach focuses only on the role of opinion leaders in diffusing information. With the development of network approaches, the role of social structure is emphasized: Some analysts explain that central actors are more likely to adopt a new product, whereas Burt (1987) insists on the role of cohesion and role structure (using structural equivalence). Some formal models are also developed to explain the diffusion of innovative products such as threshold models, which measure an individual's exposure to an innovation. In another perspective, for sociologists, the way people choose to purchase goods is socially embedded. For example, DiMaggio and Louch (1998) show that in order to purchase products of uncertain quality, people prefer to use their personal network. In the internet age, marketers develop campaigns to try to emulate "word of mouth" to sell their products.

The primary focus of the network approach to markets was on the producer side. White's (2004) famous socio-economic model of the market conceptualizes the producer side in structural terms. A market is a set of companies purchasing inputs and selling outputs to other firms. As a result, markets are interconnected through money and product flows. For White, there is not one unique market, but several sub-markets, or market segments composed of structurally equivalent firms.

Knocke tries to classify network approaches to the economy by level of analysis. The first level of analysis comprises networks of individuals inside organizations. He devotes an entire section to intra-organizational networks. These approaches find their roots in early organization studies by trying to reveal the informal structure behind formal organization charts. It uses complete networks methods and metrics (reciprocity, centrality, triads, cliques) to understand interdependencies, informal relations such as co-workers or friendship, and informal groups among employees. Network ties facilitate exchange of diverse resources such as information, advice or even physical goods. This approach then emphasizes the role of social capital in firms, which could be broadly defined as the set of resources that a person can access through their relationships. But other visions have been developed. While Coleman (1988) focuses on the collective dimension of social capital, underlining the role of network closure in group cohesion and social control, Burt (2005) looks at the role of bridges and holes in networks from an individualistic point of view. The study of intra-organizational networks is also a way of understanding social processes inside an organization, such as collective learning by focusing on knowledge and information transfers or the emergence of collective trust.

All these networks and informal processes lead to important outcomes. Job performance is one of them. Through relationships, individuals in organizations can have access to different resources such as advice, support or help. This is the hobbyhorse of Ronald Burt (2005) who shows that individuals who manage to be "bridges" between working groups inside organizations obtain better evaluations and career advancement. Relationships also play a role in job satisfaction and stress. Through their relationships, workers can get support and discuss job-related problems. From this perspective, structural holes provide satisfaction concerning instrumental aspects of jobs when dense and cohesive networks promote solidarity and trust. Structural holes also affect inequalities in companies, particularly in terms of gender and ethnicity. Ibarra (1992) shows, for example, that processes of gender homophily lead to the exclusion of women from top management positions.

The second level of analysis is that of organizations. Many different types of relations create inter-organizational networks. Knocke's first focus is startup companies and their business networks. When entrepreneurs create a business, they try to link diverse resources with banks,

investors and communication companies. Network analysts show that the entrepreneur's personal networks have an important effect on the survival and performance of these young firms.

Another approach to inter-organizational networks looks at interlocking directorates. A board of directors interlock is created between two companies when one person sits in the board of both firms. Using two-mode networks techniques, this approach lead to a new approach based on connectivity in modern capitalism. From the firm's point of view, theorists argue that interlocks reflect the way that corporations deal with resource dependencies (for example, a company offering a seat on their board to a bank from which it has borrowed money). Usually, interlock research tries to explain negative outcomes such as collusion, weaker governance and poor performance.

Another important field of research is strategic alliance networks between firms. Organizations struggle to survive and thrive in competitive environments. Creating relationships and cooperating with other companies is a tool used in this environment to learn, to cope with uncertainty, to engage in research and development, to penetrate new markets, or to formulate common industrial standards. In short, alliances between companies are now an important weapon in market competition. Most of this research focuses on dyadic relationships between firms and tries to understand the motives and outcomes of these alliances. Sometimes these alliances succeed and lead to better performance, but they can also fail because of opportunism and liability. Although there are few complete network studies between companies, some researchers have tried to analyze the dynamics of alliances at the industry level to understand their evolution. These approaches investigate global processes such as inter-organizational learning and cooperation (for example Powell et al., 1996).

In the following chapter, the author switches to higher levels of analysis and tries to analyze globalization in terms of the emergence of international networks. With globalization, new forms of interdependency have emerged between countries. Many researchers analyze this phenomenon through international trade flows, political relationships and military alliances. Their results show that transnational networks can be described in terms of a core of central nations, which exchange a lot with each other, and a periphery of nations, which only have relationships with this core of nations. But a dynamic perspective shows

that this model is evolving with the emergence of new central countries and particularly an Asian core (see for example Kick and Davis, 2001).

With globalization, a new spatial division of labor appeared. Production is now organized at the global level. Companies design, manage and produce commodities across several countries. These new forms of interdependency in supply and commodity chains have been studied with network tools by geographers. They try to develop models to optimize these value chains. At the same time, key cities have emerged as basing points in the organization of the global economy and production. A new field of research tries to understand exchanges between these "world cities" by analyzing flows of passengers between airports or networks of company headquarters and branches in different cities. All these analyses show a core of a dozen densely interconnected "world cities."

Globalization can also be looked at in terms of the emergence of a transnational capitalist class. Inspired by the work of Mills (1956) and using networks of interlocking directorates, some authors try to reveal the existence of new elites with low national integration, sharing similar lifestyles and occupying diverse positions in the biggest corporations and international institutions. Others are skeptical, insisting that elites still have an important national basis. We can say that it may be an ongoing process, but it seems difficult today to assert the existence of such a transnational capitalist class.

The most obvious effect of globalization is the economic interdependence that the 2007 subprime crisis revealed. Knoke concludes this chapter on global networks with a review of network approaches to the global financial crisis. The domino effects that led to the subprime crisis could indeed be analyzed as a network of contagion comprising insolvencies and liquidity shocks between banks, investors, companies and states. Network dynamics help to explain how small disturbances led to the financial crisis. As a result, several models using networks have been developed by economists to predict banks' insolvencies.

In the last chapter Knoke gives an overview of possible future research for the study of economic networks. For him three directions can now be followed to create and stabilize an alternative to the mainstream economic approach. First, an effort has to be made to theorize and systematize the network approach. The scope of different

approaches to economic sociology is too varied and social network analysis should be one vector of the theorization and unification of all these streams. The quantitative approach to networks provides metrics and frameworks that can be useful. However, and this is the second direction, there are too many different measures, which makes comparisons and generalizations difficult. Network analysts should develop standards with regard to methods and data. Finally, modern capitalism is characterized by strong connections between politics and business. Business has a growing influence on public policy-making and on the outcome of elections. A third direction would be to study the interdependencies between companies, labor unions, interest groups, lobbies and political parties.

In conclusion, this book provides a valuable overview of studies using social network analysis to analyze economic phenomena. It looks at different topics and different levels of analysis to understand the global interconnectedness that characterizes a globalized economy. However, some points bear criticism. Although Knoke contrasts the atomistic approach of mainstream economics and the systemic point of view of social network analysis, many of the studies he describes fall into a similar trap. Indeed a large part of the book focuses on the study of dyadic relationships or individual outcomes (such as firms' performance) as dependent variables. In fact, very often the focal point is the individual or the organization and very few approaches try to look at these phenomena from the angle of collective action. Basic notions in sociology, such as regulation, social control, learning or exclusion are not really treated. Social network analysis could also be used as a tool to reveal these basic social processes.

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