Welcome section members to the Spring 2009 “States and Markets” edition of the Accounts newsletter!

In this issue we have four exciting pieces that address the origins of the ongoing financial crisis. Monica Prasad leads the way with a provocative discussion of the roles that the housing bubble burst, financial market deregulation, and demand for high-risk financial products played in causing the current predicaments we are facing in both the U.S. and global economy. Next, reviews of two important new books: Paul Krugman’s, The Return of Depression Economics and the Crisis of 2008 and Margaret Somers’ Genealogies of Citizenship. Krugman’s book serves as an excellent primer to the current economic situation by analyzing how lack of private spending has led to a number of disturbingly similar crises around the globe over the past several decades. Somers’ work—though not a direct assessment of the crisis—offers an important analysis of discourses on statelessness, citizenship, and the promise and perils of the free market. This issue also includes an interview with Daniel Beunza, who provides us with a micro-level understanding of crisis as well as a fascinating discussion of his work on financial models and performativity. As a final treat, Fabio Rojas has contributed an annotated “blogroll” of blogs particularly relevant to economic sociology.

We hope you enjoy this latest installment of Accounts. We welcome suggestions, reactions, and comments. To submit, send an email message to the student editors at accountseditors@umich.edu. Lastly, we would like to extend a special thank you to all our contributors!

Three Theories of the Crisis
An Essay by Monica Prasad

Does the economic crisis reveal a deep flaw in capitalism, as some scholars have suggested? In this essay I identify and assess three emerging theories of the crisis. I argue that the crisis does not reveal a deep flaw in capitalism, but points to the urgent need for global policies of demand management.

We got into this mess for three main reasons: (1) The economic growth of many developing countries, and especially China, led to a dramatic increase in savings worldwide, particularly as underdeveloped financial markets and the absence of developed welfare states in these countries led many citizens to

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save rather than spend. This savings glut — in Adam Davidson’s immortal terms, “the giant pool of money sloshing around” — led to a much larger number of investors looking for things to invest in.

(2) Expectations of stable returns in the U.S. drew that money into this country, a process that accelerated when financial market deregulation allowed an explosion of experimentation and innovation for new ways to make money. One of these innovations was to divide streams of income (such as from home mortgages) into more and less risky parts; package together the parts of different reliability; and sell the different packages at different rates of interest corresponding to their different levels of risk. This process ("securitization") started in the 1970s but intensified in the next decades. One consequence of securitization was that if the bad debts could be sold to someone else, then the original investor had no interest in actually ensuring that the debt was honored, leading to more and more hazardous loans being made. Another important change was looser regulations on the debt that firms were allowed to take on to finance investment, leading to extraordinary rates of leveraging. Credit rating agencies were caught short by all the changes (and perhaps didn’t want to ask too many questions because they were getting paid by the firms they were rating) and continued to base their ratings on assumptions that were no longer true for the new schemes. Consequently many investments that were actually quite risky were rated as not being so, and the investors looking for things to invest in rushed into them.

(3) The home mortgage bubble, itself caused by a separate set of regulations and deregulations, led to a larger number of people buying homes, including some who were the victims of predatory lenders; and stagnant wages led to rising levels of indebtedness in general. As long as property values kept rising, homeowners and debtors could borrow against the value of their homes to pay off mortgages and other debts. But when prices began to decline this was no longer possible, leading to foreclosures and further declines in homes and, finally, a popping of the bubble. When this happened all those securities that had been built on top of home mortgages collapsed, and all the investors from all over the world who had put their money in the financial products based on those debts lost their money. Some financial firms lost so much money that they went bankrupt, or were only prevented from doing so by infusions of taxpayer money. All financial institutions became much more cautious in their lending — partly because of lack of clarity in how much any institution was exposed to speculative derivatives — leading to a slowdown in the growth of credit which has led to a general cycle of reduced spending, unemployment, and disinvestment.

The main elements of this story are not controversial, although I have glossed over important debates about the details. But what larger lesson should we take away? One way to answer that is to try to figure out which of the links in this narrative chain are necessary, which are sufficient, and which can be ordered into a more comprehensive and general explanation.

It would be possible to build a theory of the crisis that begins from the home mortgage bubble: this is what many of the theories about predatory lenders, over-zealous democratization of homeownership, and stagnant wages and inequality leading to American indebtedness are trying to do. If it was the home mortgages that were the problem, then the solution would be to tighten up on predatory lending, to restrict home-ownership, to rethink the whole idea of a nation founded on home-ownership, and to pro-
mote policies leading to less inequality, which would reduce the need of households to take on debt in the first place. But the home mortgages are not necessary to the outcome. They were the trigger for the collapse of the banks, but without them, the stage was still set for crisis: the dynamic of creditors looking for high rates of return, extremely high levels of leveraging, and financial innovators loosened from regulatory oversight and willing to experiment would inevitably have blown some minor instance of bad debt into a major crisis. In particular, the dynamic of the original investors not needing to care if the debt was honored would eventually have securitized something (social networking sites, alternative energy, tulip bulbs) into a bubble, given enough capital, and leveraging ratios would have magnified this into a major crisis. Subprime mortgages and stagnant wages leading to high indebtedness were an important element of the way the financial crisis unfolded; but they cannot be said to have caused it, because even without them, trouble was afoot. They were sufficient, but not necessary.

It would be possible to build a second theory of the crisis on financial market deregulation—call this the neoliberal theory of the crisis, because it identifies the rise of neoliberal policies in the US, which spurred financial market deregulation, as the ultimate causal factor. If the crisis is defined as the chain of events that ends with the slowdown in the growth of credit and bank failures in the U.S., then this theory is clearly correct. It is clearly the case that financial deregulations leading to banking innovations led to these banks’ failures, and even without the home mortgage bubble and the global pool of money, sooner or later these banks would have collapsed. The giant pool of money is not necessary to this sequence of events; without it, it would have taken longer for the dynamic of financial innovations based on bad debt to blow up, but it would have eventually happened given the general attractiveness of well-rated financial products promising high returns combined with overleveraging. And the giant pool of money is not sufficient to explain the crisis in the U.S., because without the architecture of financial innovations, that money would have flowed into more productive channels. The credit rating agencies are an under-appreciated part of this story, as they enabled the match between overzealous investors and overzealous financial innovators. If these are the main problems, then the solution is greater regulation—which is clearly in the works—and greater governmental oversight of the rating agencies, or even a governmental role in rating financial products.

Thus, if we are looking only at the U.S., the best explanation is that the crisis is a function of financial market deregulations and aided by the failure of the credit rating agencies. So, this second way to think about the crisis suggests the need for scholarship focused on the origins of neoliberalism and the financial deregulations, as well as to examination of those faulty signals from the credit rating agencies that let savings get channeled into fake high returns—in particular, the question of whether the credit rating agencies could have properly assessed these products at all, and if not, then what the role of the state is in assessing them.

But what if we look beyond the U.S.? The neoliberal theory is a supply side theory, in that it sees the primary mechanism being the supply of risky and badly rated financial products in the US, and implicitly argues that if you build such financial products, people will buy them. But it is also possible to develop a demand side theory that examines the rise of the demand for these investments, on the premise that enough demand will lead producers of financial products to increase supply. Such a theory would begin with the rise of the savings glut in developing countries, which increased the amounts of capital demanding high and safe rates of return, and such a theory would point to a deeper factor as
the ultimate cause of the crisis: the dislocations caused by the growing wealth of large segments of the world that were poor. In the last decade one billion people have risen above the international poverty line, a cause for celebration, and also an occasion for thinking about how the international system of linkages between states will handle this. In the last two years we have seen two separate problems, the global food crisis starting in 2007 and caused (partly) by rising demand among countries whose citizens’ standards of living are rising; and the savings glut, caused (partly) by the absence of lending institutions and welfare states in these countries. Although these two crises seem to be unrelated issues, they are interconnected: they are both symptoms of the absence of investment in domestic consumer markets in China, India, and Russia, and the inability of the international regulatory framework to channel savings towards meeting demand there. Instead of developing methods for meeting internal demand, these countries have exported their savings to the US, enabling its speculative bubbles.

The credit crisis will cause a great deal of suffering, but will be resolved. The home mortgage bubble will also eventually hit bottom. Regulation in the U.S. will become much, much more strict and cautious. All that is necessary and will happen. But what this crisis should also lead to — and so far is not leading to — is attention to the fact that the economic growth of countries that have historically been poor is going to require new regulatory instruments. The current crisis does not reveal a deep flaw in capitalism, but it does reveal the urgent need for policies that will reorient the growth of the developing world toward meeting internal demand. Economic sociologists wishing to contribute to the development of such policies might consider investigating the following questions: (1) Did the financial deregulations create the “excessive savings,” by offering phony rates of return that were too high to pass up? And what were the other causes of the rise of savings? Or (2) did the savings create the financial deregulations, by making it impossible to regulate during an era of easy money? And what were the other causes of the financial deregulations? Perhaps most importantly, (3) why did the credit rating agencies fail, to what degree did this failure affect willingness to invest in risky products, and can we develop better ways of channeling capital to meet demands that clearly exist all over the world?

Monica Prasad is Assistant Professor of Sociology at Northwestern University. She studies how societies create and regulate markets, from the state regulations of the Progressive era to the fair trade labeling and carbon taxes of today. In her book The Politics of Free Markets (winner of the 2007 Barrington Moore Award) she investigates why the movement to minimize government regulation of markets — "neoliberalism" — was so much stronger in the U.S. and Britain than in France and West Germany. Currently, she is studying attempts to use taxation as a regulatory tool.

NEW JOURNAL: REVUE FRANÇAISE DE SOCIO-ÉCONOMIE

“The Revue française de socio-économie is a new, multi-disciplinary journal. It seeks to publish articles that contribute to a better understanding of actual economic practices. The journal aims to provide a forum for debating the essential characteristics of socio-economics and is determined to be open to all the various empirical approaches adopted in the social sciences.” For more information, visit the Revue’s website, http://rfse.univ-lille1.fr/index.htm (English-language description here).
Q: Components of your research contribute to our understanding of finance by relating science and technology studies (STS) to economic sociology. Can you tell us how you came to consider technology and social relations together in order to understand Wall Street?

A: Social relations was my starting point, back in 1999. The importance of technology became clear on my very first visit to a trading room. The bank was in Lower Manhattan. I went in expecting to see people shouting, stressed and frenzied – in short, some sort of behavioral economics “nativity scene”. And what I saw was the opposite: traders reclining in front of their Bloomberg terminals, casually clicking on their mouse or chatting with colleagues over coffee. At the time, none of this made sense to me – but that’s how ethnographic breakthroughs happen. Eventually I realized that I was witnessing the “quantitative revolution” at work on Wall Street: the rise of models, computers and electronics in the capital markets. And that without technology, one could not understand these modern forms of markets.

Q: What do you feel are the main benefits of merging aspects of STS and economic sociology?

A: The emphasis of STS on knowledge and controversy is the best way out of the impossible dichotomy between rationality and irrationality. Here’s how I came to see this. One year into my PhD, the chairman of a $65 b. mutual fund in New York finally invited me to meet one of his portfolio managers. But instead of leaving us alone, he stayed during the meeting. And that was wonderful, because I got to see the two of them in action. Like two skilled fencers, they talked about investment issues that interested them. But instead of exchanging “information,” they challenged each other’s thinking. How they categorized companies, for example. How they drew analogies. Investors, I concluded, are not grouped into informed and uninformed, rational and exuberant. They are differently positioned along a set of ongoing controversies.

Q: Some of your work includes ethnographies in actual trading rooms. How was this experience for you? What are a few of the things you witnessed that stand out to you as an economic sociologist?

A: I mentioned a couple already. Perhaps the event that marked me most was to be able to follow the derivatives traders to a warehouse when their trading room was destroyed by the terrorist attack of 9/11. All the traders survived, but the original trading space was unusable. Restoring a trading room to its normal functioning required that the broken “socio-technical” network be reassembled. I understood then that a trading room truly was not just a social network. It was a fascinating assembly of cables, artifacts, connections, social relations, identities, formulae, algorithms and lifestyles.

Q: While the realities of it change daily, it is hard for us not to bring up the recent and on-going financial crises. Can you tell us some of your thoughts as you reflect upon the lead-up to our current financial problems or imagine what the future of finance might be?

A: Simply put: the lab stopped working. Along with Donald MacKenzie, I think of the capital markets as a massive platform for debate and controversy. A giant laboratory, so to speak, about the economy. And, crucially, debate in this lab is distributed all over the world with the use of models and figures (that is, prices).
In the credit bubble, the price mechanism ceased functioning. House prices just kept going up. Bad models were rewarded with spurious profits. The samples in the petri dish, so to speak, were contaminated. Now we need to understand more about what caused the bubble in the first place. Was it incentives? Was it the industry structure? Was it the models themselves? I don’t yet have an answer to that, but my work with Raghu Garud on valuation during the Internet years offers some tentative ideas.

Q: You have written about financial models and identified a set of organizational procedures called “reflexive modeling”. Could you tell us a little about this idea?

A: The starting point is the recognition that we live in a model-driven economy. Black-Scholes, Value-at-Risk, marketing, engineering, you name it. Models are very powerful, but they also require assumptions about the world. And if those assumptions are mistaken, the consequences can be dire. How, then, does one take advantage of models without becoming their victim?

The key, David Stark and I found, is to engage in an ongoing controversy about those assumptions. Traders do that by building heterogeneity and disagreement in the trading room. But they also do that by enrolling their competitors in the controversy. That’s right — their competitors. Incredible as it sounds, traders have learnt how to find out the assumptions that their competitors make. They do that by “backing them out” from the prices of securities. This move provides them with an additional check, hour-by-hour, day by day, about their thinking. That’s what we call reflexive modeling. The next move will be to take this insight to the next level and write a book that puts together our lessons from the trading room, 9/11, the models, etc.

Q: We discuss blogs in this issue. One of those we feature is Socializing Finance, to which you are a main contributor. What does “socializing finance” mean to you and how do you view your blog as a way of conveying information on this issue?

A: I started Socializing Finance one year ago. It began as a form of remote coffee conversation with Yuval Millo about sociology and finance. He is in London and I’m in New York, so we said – let’s blog. Blogging, I discovered, is intoxicating. It’s fast. Puts you in touch with new people. And gives immediate gratification.

But, more importantly, blogging is a new way to diffuse academic ideas. Take our blog: people read the stuff in California, Paris, Sidney… and not just academics but also finance practitioners — hedge fund managers, interface designers at banks, etc. I know they do because they write back to us, or comment on the blog directly. Thanks to the blog, for instance, the Financial Times now has links to my last paper.

Q: What is next for you?

A: It is an amazing time to be an economic sociologist. My next two projects extend my finance work to the broader sociological debate about politics and society.

With Yuval Millo, I am exploring the much talked-about concept of “liquidity.” This has taken us the veritable pipes of the financial markets… the floor of the New York Stock Exchange, as well as to the commanding heights of the economy — the Securities and Exchange Commission. We’ve explored the regulatory controversies that led to the disappearance of traditional floor brokers and their replacement by algorithms. What, we ask, does that shift mean for our understanding of financial markets? What does it mean to have a market run by algorithms?

Second, in a project with Fabrizio Ferraro I am
studying the development of new tools for socially responsible investment. Our interest stems from the observation that value (prices) and values (the environment, social concerns, etc.) have become more intertwined than ever. Citizens don’t seem to want to invest in “evil” companies. But how do they incorporate their own values in their financial decisions? To find out, we are following the rise of shareholder resolutions at an activist investor. And we’re also looking at the incorporation of social metrics into the financial terminals used by Wall Street traders. What we are finding is that that this is a new form of politics — voting with your wallet, if you will.

These efforts are coming together in “Politics of Markets,” a session and workshop at the ASA that I’m organizing with Yuval, Fabrizio and Marion Fourcade. I hope to see there many readers of Accounts!

Daniel Beunza is Assistant Professor of Management at the Colombia Business School. His research centers on the social study of finance. His work in this area has led to numerous book chapters and journal articles.

BOOK REVIEWS


While the economics profession may have lost some of its prestige in 2008, for Paul Krugman — professor of economics and international affairs at Princeton — 2008 was not a particularly bad year. In October, he was awarded the Nobel Prize for his work on trade patterns; by early November, people finally began taking seriously what he had to say about the United States’ risk of financial crisis — arguments Krugman had been making since at least the 1999 publication of his book, The Return of Depression Economics. This past November, a revised and updated version of the book was published — now entitled The Return of Depression Economics and the Crisis of 2008.

In this book, Krugman provides an excellent introduction to the global economic downturn. Over the past several decades, he explains, economic thought has shifted increasingly toward the supply side of the economy. As a result, when shortfalls in demand have occurred, economists and policymakers have been unable to find ways to boost private spending; too little private spending leads to excess production and ultimately to recession. These problems are nothing new to the current global crisis. Indeed, as Krugman shows, the inability to create enough demand to match production (i.e. “depression economics”) has been the driving force behind a number of recent economic crises around the world, including those in Latin American, Japan, and Southeast Asia. If more attention had been paid to these crises (and if certain policymakers had been more open minded in seeing the flaws of deregulated financial markets), Krugman argues we could have better anticipated the current global economic situation.

The various crises that Krugman discusses all seem to unfold in a similar manner, with financial institutions playing a central role. When economic conditions are favorable, financial institutions pursue overly risky ventures. As long as markets perform well, this behavior is not a problem. Trouble starts when an event (e.g. a real estate bubble burst) causes investors to lose confidence. As investors panic, prices begin to fall. Subsequently, overexposed finan-
cial institutions—stuck with an excess of illiquid assets—begin trying to pull out of their risky ventures. This causes greater market volatility and price drops. Confidence in the whole economic system continues to fall, currency values decline, and interest rates rise. This process feeds back on itself in what Krugman calls the “vicious circle of financial crisis.”

Of the economic crises discussed in The Return, the most interesting — in part due to the way it spread — began in Thailand during 1997. During the 1980s and 1990s, Thailand grew rapidly, which led the country to develop a “bubble economy.” This growth began when foreign companies built factories and moved their production to Thailand. Rural peasants migrated to the cities to fill the new factory jobs and small businesses (financed by local banks) began to flourish. Growth in Thailand and other Third World nations — which were billed as “emerging markets” — did not go unnoticed by foreign investment funds; flows of private capital into developing countries expanded throughout the 1990s, reaching $256 billion by 1997.

Thailand’s bubble eventually burst in July of 1997. What happened? As Krugman explains, “It was simply a matter of the house beating the gamblers.” Some speculative investments that had been made by foreign firms started to go bad. This eroded confidence, slowed lending from abroad, and brought the country into the “vicious circle of financial crisis.” Demand for Thailand’s baht began to fall. The Bank of Thailand tried to maintain the value of its currency by selling foreign reserves (dollars and yen) and buying back baht; in the long run, however, this strategy was not sustainable because the Bank would ultimately run out of foreign currency to trade for baht. Once the Bank could no longer maintain the exchange rate, the baht lost as much as 50 percent of its value against the dollar within only a few months.

Thailand fell into a deep recession, with Malaysia, Indonesia, and South Korea soon following. Typically, when a financial downturn spreads from one country to another, it is due to their direct financial linkages. But Krugman argues that the real driver behind the spread of the recession across these Asian economies was their connection to the foreign (e.g. Western) investors rather than the linkages they had with each other. Foreign investment usually came to Southeast Asia via general “emerging market funds.” In other words, the money flowing to Thailand, Malaysia, Indonesia, and South Korea was all from the same bucket. After Thailand started having trouble, investors pulled out of their “emerging market funds,” which meant concurrent drops in foreign capital for other Southeast Asian economies.

Krugman details how similar crises — all hinging on insufficient private spending — led to devastating recessions in Mexico, Argentina, and Japan. He argues that these crises — and the policies that helped create them — have much to teach us about the current global economic downturn. In the U.S., the housing bubble started to burst as early as 2005. Prices had risen so high that most consumers could no longer afford to purchase a new home — even with variable rate mortgages and no down payment offers readily available. As a result, housing prices slowly began to fall, which presented a big problem for lenders who viewed defaults and foreclosures as unproblematic under the assumption that housing prices would always rise. As the true size of the housing bubble became apparent, financial institutions that had overexposed themselves to subprime mortgages and mortgaged backed securities suffered tremendous losses. Ultimately, these losses led credit markets to freeze and private spending to drop precipitously.

Overall, The Return does an excellent job of situ-
ating the current financial meltdown in a series of recent (and disturbingly similar) economic crises in countries around the world. In terms of its treatment of the current crisis itself, however, the book has less to offer (which is unsurprising given its November, 2008 publication).

A bigger issue, then, is the book’s rather thin discussion of how crises in Latin America and Southeast Asia translate into policy prescriptions for the current situation facing the U.S. and much of the rest of the world. When economic distress hit countries like Argentina, Mexico, or even Indonesia, the problems were largely contained within a single country or at most a region (e.g. Southeast Asia). The affected countries only had to worry about their own economic recovery, which often took the form of attracting outside investors from countries that were experiencing better times. In the current crisis, the U.S. and Europe do not have that option. Krugman glosses over the extent to which the current crisis is a global problem. It will likely require new types of solutions, which recognize the interconnectedness and interdependence of financial institutions around the world.

Krugman emphasizes the need for the U.S. government to quickly initiate a massive amount of spending — ideally a stimulus package somewhere on the order of 4 percent of GDP. He argues that the government should not waste money on tax cuts, which consumers tend to store away in savings accounts instead of actually spending. Other than that, however, Krugman provides few specifics on precisely where taxpayer money should be spent in order to best stimulate demand. This makes it difficult to envision how we might escape the current “vicious circle of financial crisis.”

Russell Funk, Accounts Editor


In the course of the debates over the last few months about bailouts and tax cuts one familiar face has raised its head: the anti-statist conservative out to warn us that social provision is a helping hand onto the path to dependency and total lack of responsibility for the self. It’s an argument so hackneyed that one is tempted to ignore it, but Margaret Somers’ new book Genealogies of Citizenship frames such arguments as emblematic of a larger set of discourses about citizenship and statelessness, the perils and promise of the free market, and the possibilities of civil society. Somers’ project is intended as a contribution to public sociology as well as a foundation for a new sociology of rights. An avowedly political book that rejects the binary of normative, ethically prescriptive scholarship and apolitical “empirical” social science, it is a clarion call for us to see how letting market logic colonize the state and civil society leads to “citizenship betrayed” and imperils the foundations of democracy. To take the place of hegemonic market logic she provides an ideal of democratic socially-inclusive citizenship rights that draws its power from a civil society strong enough to maintain a favorable balance of power between state, market, and citizens.

A scholar of history, sociology, and law, Somers’ looks back to Locke and Hobbes while remaining firmly focused on the present, especially the lessons to be learned from what she calls Hurricane Katrina’s “unnatural disaster”. Somers’ main analytic mode is her “historical sociology of concept formation,” which views concepts as socially-produced artifacts in need of historicization and reflexive examination. Substantively, three theorists are central to her project. Somers draws from Hannah Arendt’s
formulation of “the rights to have rights” to explain the perils of contractual citizenship, uses TH Marshall’s idea of social citizenship, and employs Karl Polanyi’s concepts of embeddedness and instituted process as the foundation for her entire attack on market-driven governance.

Somers’ central thesis is that society must be fearful of market fundamentalism, an “ideational regime” that sees free market logic as the best way to organize all other realms of social life as well as a political movement spreading the gospel of marketization. This marketization of the public sphere is problematic because then wealth is allowed to be converted into clout in civil society, resulting in the abrogation of social citizenship rights. Marketization is of particular concern for Somers’ sociology of rights, because it leads to the contractualization of citizenship whereby rights become conditional upon quid pro quo exchange. Specifically, moral worth and equality are defined by participation in the workforce. In a society where full employment is not guaranteed, this produces a superfluous and expendable population who become the internal stateless, denied recognition as moral equals and thus disavowed by the state designed to protect them. This redefinition of citizenship reveals the gravity of Arendt’s “right to have rights,” which asserts that viewing all members of a society as moral and social equals is a precondition of a democratic citizenship regime. Coupling this with Marshall’s idea of social citizenship, leads Somers to promote a “citizenship livelihood” or a basic income right that replaces the social exclusion of poverty with the material foundation necessary for inclusion in civil society.

Underpinning market fundamentalism according to Somers is social naturalism, which uses binary logic to define the natural as good and artifice as bad. This results in epistemological and ontological privilege for those allied with the nature side of the binary. Looking at what she calls “Anglo-American citizenship theory,” Somers argues that through Locke’s social contract the market is allied with the natural and the state with artifice, which leads to a strong anti-statist current and support for the market as the site of freedom. To take social naturalism’s place Somers introduces the idea of historical institutionalism, which illustrates how phenomena only function when embedded in sets of rules and institutions that define that sphere at a particular time. This requires us to embrace artifice, especially the state, as necessary to secure the equal recognition necessary for the equal exercise of rights.

Hurricane Katrina is Somers’ central (and sobering) case study of how the contractualization of citizenship produces an intranational version of Arendt’s “scum of the earth” by erecting internal boundaries contoured by race and class. She turns on its head any argument that Katrina was a “failure” of the state by recasting it as evidence of market fundamentalism’s treacherous success in evacuating any sense of obligation in the state’s relationship to its citizens. Somers describes the spectacle of the poor, people of color, and otherwise marginalized individuals stranded at the Superdome as a look behind a “thick curtain of denial” at the unemployed and underemployed were deemed expendable after by being blamed for their own poverty. While more privileged residents were able to flee the city, those whose citizenship contracts had been revoked were left to fend for themselves in the nasty and brutish conditions of New Orleans underwater. Efforts to deem this a “natural” disaster are rebutted by Somers, who takes these claims as an opening to thoroughly deconstruct the nature/artifice binary, which she sees as the base of the problems of statelessness and market fundamentalism.
Somers’ hangs her hopes for the slowing of market fundamentalism’s colonizing efforts on civil society. She develops the idea of an architectonics of citizenship, where the state, market, and civil society are conceived as parties to a struggle in the public sphere over the site and direction of power. The character of any citizenship regime is determined by the history of those struggles. To create a strong democratic citizenship regime requires a reinvigoration and repoliticization of the public sphere so it can resume its function of buffering the state and civil society from the evangelizing efforts of the market. Through making this argument, Somers criticizes both Jurgen Habermas and Talcott Parsons for evacuating the public sphere of any real oppositional power by collapsing it with the market on the side of the private. She avers that only a public sphere of real debate and a civil society with enough strength to fight off interlopers can move us from a condition of “citizenship imperiled” to democratically-inclusive citizenship regimes. One of her basic prescriptions is that market logic must not be allowed to leave its restricted sphere, and only efforts by both the state and citizens can keep it at bay.

While I generally was impressed by Somers’ arguments and analysis, I found her concept of civil society a little underdeveloped in terms of content, specifically how tensions in that sector between ideologically different groups might be resolved. She does admit that there is a dark side to civil society where exclusionary and egalitarian groups must struggle for the position of dominant ethos, but it’s never made clear exactly from where the proponents of market fundamentalism are launching their attacks. Are they headquartered in the market with forays into the state? What is market fundamentalists’ relationship to civil society other than coloniza-

tion? Her language of encroachment suggests the market is the home of market fundamentalism, which begs the question of the details of the interrelation of market, civil society, and the state. Somers is conscious that her architectonics of citizenship is a mere heuristic and each overlaps, but that same heuristic keeps her from confronting whether market fundamentalist proponents have any right to a place in the civil sphere, especially when they form a popular movement themselves. Arguing that the state must be involved in protecting the egalitarian and democratic ethos of civil society, she doesn’t discuss just how popular yet possibly harmful groups will be allowed space in public debates while at the same time restrained to prevent a regression of civil society to a less robust character. Moreover, she doesn’t outline how this will happen if those who are interested in a robust civil society are in the minority. This might merely be the legacy of a larger problem in social movement literature that doesn’t tend to conceive of socially conservative mobilizations as social movements in the same way as progressive and Left groups, but it is a problem that must be resolved if her theories are to aid our practices. She provides a theoretical exposition of why society must protect civil society and the public sphere, but the details of that battle are left for others to determine.

Some people might be taken aback by the political and ethically-prescriptive character of Somers’ work, and those who hold to the politically disinterested model of social science may view it as an illegitimate line of inquiry that is not excused by admitting up front her political sympathies. For others, though, it will be warmly welcomed as the sort of politically engaged yet theoretically rigorous and complex scholarship for which they have been waiting. Somers’ book serves as an exemplar of how to do work that cannot be pegged as either norma-
tive or empirical but that draws from both to create a nuanced understanding of theoretical and philosophical issues that set the terms of our current debates. Nonetheless, I wonder if this is really a work of a public sociology. The book is dense and draws on an array of concepts and ideas geared toward a professional audience, and its focus on historicization rather than practice makes it mostly a theoretical tome that may be unnerving to the “public.” While everyone, especially policy makers, could benefit from this book, I’m unsure if it will actually find its way into their hands.

Ultimately, though, it’s a stellar analysis and one can only hope that in book it will circulate more widely than journal articles tend to. She provides a complex theoretical apparatus that can deal with political economy and citizenship, ontology and epistemology, and the present as well as the past. In our current state of crisis, Somers reminds us there is more to worry about than the state and the government — that any economic fix needs to stimulate a robust civil society built on substantive citizenship rights. Without one, the end of market “failures” and its dangerous fundamentalism is impossible.

Lotus Seeley, Accounts Editor

ACCOUNTS BLOGROLL

By Fabio Rojas

Academic blogs have now become a noticeable feature of the intellectual landscape. Prominent social scientists have well regarded blogs that affect public discourse and draw thousands of readers a day. Economist Steve Levitt hosts a highly popular economics blog at the New York Times that addresses the economy, social issues, and public policy. Crooked Timber, a group blog, focuses on philosophy, the law, and assorted social science topics. Economist Gary Becker and appeals court judge Richard Posner carry on lengthy policy debates on their own two person blog. One could learn a great deal about the nature of contemporary social science by scanning through these diverse outlets.

Economic sociology is no exception to this general trend. In the last three years, a number of emerging and established sociologists have written popular and informative blogs on topics relating to economic sociology. There is no general trend and these blogs reflect the diversity of the field. Some blogs are written by a large group. Orgtheory.net, the blog I work with, has five scholars whose interests range from stakeholder theory to the philosophy of science. Others have a more focused view, such as Peter Levin’s Rethinking Markets, which focuses mainly on the cultural dimensions of markets.

There are a number of benefits to blogging. One is that authors may attract attention to favored issues. A second benefit is that blogs attract a community of interested readers. A third benefit is that ideas can be informally presented and critiqued, which allows the author to quickly learn the strengths and weaknesses of an idea. Finally, a blog, to use an economic term, may act as a “loss leader.” The blog may be most useful in attracting readers who may then be interested in what the author has to offer (a new theory, articles, books, etc.).

The rest of this blogroll has two parts. The first part lists blogs that frequently address economic sociology. These blogs are written primarily by sociologists and management scholars who identify themselves with at least one area that might
be considered “economic sociology,” such as organization studies, work and occupations, and so forth. The second part lists blogs that address economic sociology topics from a different perspective, such as economics or psychology.

Fabio Rojas is assistant professor of sociology at Indiana University. His recent book, From Black Power to Black Studies: How a Radical Social Movement Became an Academic Discipline, focuses on how social movements generate lasting organizational change. His research interests include mathematical sociology, economic sociology, the sociology of education and (of course) organizational theory.

**Economic Sociology Blogs:**
[Note: Each blog’s title links to its website.]

**A (Budding) Sociologist’s Commonplace Book:** Doctoral sociology student Dan Hirschman (Michigan) discusses the history and sociology of the economics profession.

**Authentic Organizations:** Independent scholar C.V. Haquial’s blog addresses authenticity in organizations. Frequently discusses organizational identity and change.

**Economic Sociology Blog:** A research fellow at the Max Planck Institute for the Study of Societies in Cologne, Germany, Brooke Harrington writes *Contexts* magazine’s official economic sociology blog. Topics include advertising, economic organizations, and pricing.

**Evidence Based Management:** Stanford management scholars Jeffrey Pfeffer and Bob Sutton discuss personnel, organizational culture, and performance.

**Keith Sawyer:** Social psychologist Keith Sawyer (education at Washington-St. Louis) writes about group behavior and creativity inside organizations.

**Orgtheory.net:** A general social science and management blog written by Teppo Felin (BYU – Marriott School of Business), Omar Lizardo (sociology at University of Notre Dame), Kieran Healey (sociology at Duke University), Brayden King (Northwestern Kellogg School) and Fabio Rojas (sociology at Indiana University).

**Rethinking Markets:** Barnard sociology professor Peter Levin writes about issues such as pricing and the application of cultural theory to economic phenomena.

**Socializing Finance:** A group blog written by Daniel Buenza (management at the Columbia Business School), Alison Kemper (Management at the University of Toronto), Yuval Millo (accounting at the London School of Economics), Fabian Muniesa (sociology at the Center for the Sociology of Innovation in Paris), and Martha Poon (UC San Diego). Detailed discussion of finance, banking, credit, and accounting practices.

**Sozlog:** Economic sociologist Tina Guenther (sociology at Bamberg and Würzburg) writes on organizational change and markets.

**Urban Orgs:** A blog written by Mario Small (sociology at Chicago) and Celeste Watkins-Hayes (sociology at Northwestern). Focuses on the effects of organizational structure on urban inequality.

**Related Blogs:**

**Organizations and Markets:** Peter Klein (applied social sciences at Missouri), Richard Langlois (economics at Connecticut), Lassie Lien (strategy at NHH) and Nicolai Foss (business at the Norwegian School of Economics and business administration) discuss markets and entrepreneurialism from an economists perspective. Frequently addresses transaction costs economics.
Accounts Needs You!

Have an idea for an issue of Accounts? Want to write a short essay to be featured here? Make a suggestion for who we should interview next? Send your comments, ideas and submissions to the editors at accountseditors@umich.edu! In the next issue, we hope to highlight qualitative work in economic sociology, as well as continue to feature work relevant to the current financial crisis. We prefer submissions between 1000 and 3000 words, but please contact the editors before sending in your work.

Krugman’s Blogroll

Paul Krugman is the winner of the 2008 Nobel Prize in Economics, an op-ed columnist for the New York Times, and a prominent economics blogger. Recently, NPR’s Planet Money asked Krugman what blogs he follows to keep track of the financial crisis. Here are three he named:

Calculated Risk: Coverage of the financial and housing markets written by a former insider.

Economist’s View: University of Oregon economics professor Mark Thoma provides insight and explanation of economic issues.

Grasping Reality with Both Hands: UC Berkeley economic historian and macroeconomist Brad DeLong’s semi-daily journal about everything from the bailout excoriating bad coverage of economic issues in the media.

Complexity and Social Networks: Focuses on network analysis of large online communities. David Lazer (public policy at Harvard) is the editor.

The Becker-Posner Blog: Economist Gary Becker (Chicago) and judge Richard Posner (also at Chicago) debate various economic and social policy issues.

Freakonomics Blog: Economist Steve Levitt (Chicago) hosts frequent guests who discuss the economics of various social behaviors.

Statistical Modeling, Causal Inference, and Social Science: Columbia political science professor Andrew Gelman frequently discusses how statistics is used, or misused, in various social science fields.