The Economy and Emotions

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15.1 Introduction

In an analytical field dominated by neoclassical economics, emotions are almost absent in economic theory; the pursuit of rationality has relegated them to the sidelines. Emotions appear as irrational states, upsetting rational markets. Recently, however, and invoking Keynes's notion of animal spirits to explain the destructive forces behind the Global Financial Crisis (GFC), economists Akerlof and Shiller acknowledge the need to bring emotions into the picture:

> So many members of the macroeconomics and finance profession have gone so far in the direction of "rational expectations" and "efficient markets" that they fail to consider the most important dynamics underlying economic crises…. Conventional economic theories exclude the changing thought patterns and modes of doing business that bring on a crisis. They even exclude the loss of trust and confidence. (2009, p. 167)

These authors highlight the "restless and inconsistent element in the economy" (2009, p. 4) but do so without fully untangling the identification of emotions with irrationality. As Gray (2009) argues in reviewing their *Animal Spirits*: "To suggest that the source of market volatility is unreason is to imply that if people were fully rational markets could be stable". We think otherwise.

Objections to rationalistic conceptualisations of the economy follow many paths. Sociologists query any distinction that denies the intertwining of social processes. Drawing such a distinction quarantines a special kind of "economic rationality" (advanced in orthodox economics) from "irrational" emotional states involved in individual and organisational decisions. Yet rational calculations involved in utility maximisation, cost-benefit analyses, or calculations of present value have emotional translations. They might emerge from coldness, coolness, greed, selfishness, or indifference. Social representations of economic activity—buying and selling shares, firing workers in a downturn, selling mortgages to the poor—equally invoke emotions.

Even if real economies could maximise utility and profits across well-functioning markets, it is doubtful that their dynamics would involve only emotions "as noise that is captured by the error term in the utility function," as Bandelj (2009, p. 348) puts it. Minsky shows that the neoclassical economy is actually *prone* to emotion-generating uncertainty: "Uncertainty is a deep property of decentralised systems in which a myriad of economic agents make decisions whose impacts are aggregated into outcomes that emerge over a range of tomorrows" (1996, p. 360). Polanyi shows that the "financial market governs by

The authors gratefully acknowledge comments in preparing this chapter from Harry Blatterer, Joseph de Rivera, Neil Hart, Helmut Kuzmics, Christian von Scheve, and Sam Whimster. A version of this chapter was presented at the biennial meeting of the European Sociological Association in Torino, Italy on 28 September 2013.

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J. E. Stets, J. H. Turner (eds.), *Handbook of the Sociology of Emotions: Volume II,* Handbooks of Sociology and Social Research, DOI 10.1007/978-94-017-9130-4_15, © Springer Science+Business Media Dordrecht 2014

panic" (1957, p. 229). Workers and consumers, as we are reminded by the GFC, also struggle with insecurities and try to guard against them. These responses range from personal depression and collective anger at mass job loss through to the 'emotion management' expected of workers vying to hold insecure jobs.

There is one exception to this exclusion of emotions from the orthodox project. The emotions of happiness. Utilitarian traditions see maximising good (ultimately *utility*) as the preeminent social goal of economics (Loewenstein 2000, p. 426). However, recently, economists like Richard Layard have reinvigorated Jeremy Bentham's legacy, modelling it to the task of maximising *happiness* across society. In a 2003 lecture, Layard claimed that: "rational policy-making is possible since happiness is a real scalar variable and can be compared between people" (2003, p. 21). But Layard's policy prescriptions work *against* the utility-generating market model, recognising "non-exchange" influences on wellbeing such as social ties. In the examples he cites, the negative emotional impacts of markets—job insecurity and reduced esteem from unfavourable interpersonal comparisons in the presence of inequality—actually emerge as central to the need for policy change.

This chapter has three parts. We first develop these opening remarks about the disciplines of economics and sociology; our goal is to identify what the *sociology* of emotions offers to understanding economies and how that understanding might be extended. The second considers historical figures in sociology and economics and their treatment of emotional factors, ending with a commentary on the *emotionlessness* of modern economics. A focus of our encounters with theorists is to identify the 'social personas' of business leaders, traders and merchants that surface. The final section extends discussion to the place of emotions in four areas of the financial economy: the roles of 'emotion rules'; money itself; its inflation and deflation; and trust and confidence. Our goal is to illustrate key points that we believe to be central but overlooked: the role of macro-processes in generating emotional states; the place of uncertainty in economic life; and related, the 'normality' of disequilibrium and disruptive change in real economies. Not surprisingly, surveying the sociology of emotions in the economy runs into neighbouring territory dealt with elsewhere, such as the sociologies of work (see Chap. 15 of this *Handbook*), organisations (Fineman 2008) and consumption (Kuzmics 2011).

We adopt a framework derived from economic sociology that acknowledges "the patterns of social interaction and the institutions that people create … to make a living and a profit" (Swedberg 2003, p. xi). Historically-situated economic actors in capitalist markets and social institutions are the objects of analysis. Some macro-actors in our presentation emerge as key agents: business organisations (including their leaders/entrepreneurs) and financial actors (investment funds, banks and finance markets) are central. States, as producers of economic rules, and as fiscal and monetary agents with their own interests, prove equally important.

15.2 Framework

15.2.1 The Split Between Sociology and Economics

The late nineteenth century *Methodenstreit* (Methods Battle) which divided historical and theoretical economists was, Schumpeter declared, "wholly pointless" (1954, p. 814). When he said that there is no "serious question" about the importance of both approaches to the capitalist economy, he was correct in everything save his own optimism about a reconciliation between the various approaches. Schumpeter wrote his *History of Economic Analysis* in the 1940s, but simultaneously, Parsons "brokered" a "nefarious deal" (Moss 1999, p. 552), extending the split in different directions, when Keynes was in his heyday, by agreeing with orthodox theorist Lionel Robbins that sociology would vacate the field of institutional economics and money (Velthuis 1999; Collins 1986, pp. 11–12; Swedberg 1990, p. 3). Thereafter, sociology neglected, or took-for-granted, the works of Keynes and of recent 'heterodox' economists who understood that economic conflicts involve money as *a*

social relation (Ingham 2004), with both civilising and de-civilising tendencies (Elias 1978), in situations of uncertainty and where emotions play a major role.

Overcoming this divide is important, we argue, to integrating emotions into the theoretical constructs about the economy informing both economics and sociology. Heterodox economics has wasted energies disputing neoclassical economics (Pixley and Harcourt 2013). This may change, but tentative signs do not make a spring of rapprochement. At present, there is a diminished emphasis on the history of ideas, heterodox thinking and economic history in teaching programs that would facilitate such openings from the economics side. However, avenues developed in economic sociology (for example, by Richard Swedberg, Randall Collins and Geoffrey Ingham) and by institutional economists (including Hyman Minsky, Sheila Dow and André Orléan) suggest cause for hope.

15.2.2 Why Economics Downplays Emotions

No sociological survey of emotions in the economy can fail to notice the absence of emotional accounts in economics although milder reproaches of the same kind could be levelled at sociology and even psychology until recently. When orthodox economics has not ignored emotions entirely, it has dealt with them in ways that require translation. This obscurity stems in part from the Benthamite foundations of economic science: its project was to promote happiness (later redefined and quantified as utility) through efficient markets that organise consumers and producers. Berezin writes: "History reveals that utility proved a more attractive concept than sentiment" (2005, p. 114). Economic circumstances that maximise utility (assumed to happen in free markets) are an ideal economic order. On such terms set by economics, we contend that these circumstances amount to an ideal emotional order as well; indeed, this is the implication of the "spontaneous order" tradition in economics (see Perrin 1995, p. 795). Such thinking treats emotional states inconsistent with utility-maximising behaviour as irrational, even dangerous. Durkheim was forceful about the problems accompanying the defence of rationality in economics, brilliantly remarking that:

> the economist does not say: things happen in the way established by experience; but instead: they have to happen like this because it would be absurd if it happened in any other way. The word *natural* is therefore to be replaced by the word *rational* (Durkheim 1888: *Cours de Science Sociales: Leçon d'ouverture*; quoted in Steiner 2011:19; author's emphases).

Economists sometimes defend rationality dogmatically. Eugene Fama's defense of the 'efficient markets hypothesis' in an interview with the *New Yorker* magazine (Cassidy 2010), even rendered as rational what were extreme responses to financial market shifts during the GFC. Commenting on the Great Depression, Federal Reserve Chair Ben Bernanke cites Minsky and Kindleberger on "the inherent instability of the financial system" but criticises them for having to "depart from the assumption of rational economic behavior". Bernanke does not "deny the possible importance of irrationality in economic life" but adds "it seems that the best research strategy is to push the rationality postulate as far as it will go" (2000, p. 43). In outlining his sociology of economic knowledge, Steiner playfully suggests that "hyper-rational" orthodox economics is a "rent-seeking strategy from a handful of mathematical economists" (2001, p. 452), and a type of knowledge that dominates over other economic knowledge rooted in material interests or that involves "popular economic representations" (2001, p. 445). The latter two knowledges are important to our purposes, not least because they can be readily connected to realistic values and interests (and, by extension, to emotions) generated in the economy.

The denial of overt emotions has an element of *taboo*, especially in a discipline noted for its masculinity (see Meagher and Nelson 2004). But politics and patronage also contributed to this denial in unexpected ways. In the heartland of value-free economics, the United States, the retreat into mathematical formalities had been prompted by the Cold War which, "enforced, if

it did not create, a trend toward economists offering professionally neutral expertise, which contrasted strongly with the ethical, and strongly held, advocacy of the late-nineteenth-century professional economist" (Morgan and Rutherford 1998, p. 16). Social processes help to maintain such pretences. Turner and Stets suggest that market-based societies are prone to conflicts between the "demands of the emotion culture" and "emotions that individuals actually experience" (2006, p. 28). Impression management matters in economic transactions and games, as it does in any context, where financial and status losses are possibilities. Poker-players, superior bankers or teenagers (whether of ghetto or leafy suburb) cultivate cool exteriors. Emotions are a fatal giveaway for the "babyish", those lacking "self-control" (Lyman and Scott 1970, p. 149). Every effort is devoted to perfecting skills of 'presentation'. These range from the weapons of the weak—foot-dragging, dumb insolence and go-slow tactics (Scott 1987), to those of the strong—indifference or conformity to whatever the situation and power structure require.

This is not to suggest invariability across economic fields. Hassoun writes: "In banks, for example, social relations are framed by reserve and discretion; expression of emotion is censured, repressed, kept in check, and considered harmful". He cites an exception—the lack of "sanctions or reprimands for externalizing feelings or showing aggressiveness" on share-markets (Hassoun 2005, p. 114). We show herein that exceptions have broader contexts.

15.2.3 Emotions and the Economy—Sociological Approaches

The program of research establishing how emotions, thought processes and different forms of human action interrelate is a vast and developing field. There is now a greater acceptance of the complexity of these interactions in the field of sociology (Turner and Stets 2006, p. 25). In surveying recent developments, von Scheve and von Luede (2005) even suggest that there is room for greater cooperation between neuroscientists, who imply social structures in their work on emotions, and sociologists (they single out the work of Elias and Bourdieu) who have the sophisticated models explaining such structures.

Investigating emotions is consistent with a central responsibility of sociologists (one shared by us) to identify the *social* in both the technical and in the economic. Some sociology, however, headed in the reverse direction: identifying the rational in the social has been a preoccupation of figures including Coleman (1986) (who focuses on "interests"). Barbalet, who agrees that emotions and cognition are "interlaced", offers a wider justification for a sociology of the emotions in the economy: major economic theories have "not directly addresse[d] the emotional basis of economic action itself" (1998, p. 95).

As we say, economics has had a strong investment in its version of rationality. Definitions of rational action variously ignore, externalise and even rationalise the role that emotions play in evolutionary terms (see Frank 1988; for criticism of this, see Elster 1998, p. 72). But increasing sensitivity to the question of emotions has emerged. There is now acknowledgment that emotions can help order preferences and judge the possible outcomes of decisions. But these insights amount to a limited appreciation. Writing in the *American Economic Review*, Loewenstein recognizes that emotions have "long lasting and important consequences both for individuals and society" (2000, p. 429). Still, he holds out hope that emotions are "systematic…[or] amenable to formal modelling" (2000, p. 431). Elster (1998, 1999) has also written about the importance of emotions to fields, including economics, without diminishing his commitment to rational-choice theory. Even elegant work by Kahneman and Tversky (1974; also Tversky and Kahneman 1986) on heuristics and biases, and on systematic deviations from the normative model of rational choice, pay little attention to emotions as Kahneman concedes (2011, p. 12). Finally, in introducing a series of papers on emotions that build on experimental research in neuroscience and psychology, economist Alan Kirman et al. say it is "possible to speak… of a real emotional rationality, the rationality

not of the isolated agent but of the socially embedded one" (2010, p. 216).

From the classics onwards, criticism of orthodox economics has pointed to the discipline's neglect of the social "embeddedness" of economic action (Granovetter 1985; see also Krippner and Alvarez 2007). In highlighting factors such as trust and sociability, however, these revised sociological accounts still did not fully recognise the role of emotions in the social institutions for which they sought greater visibility.[1] However, Collins's "interaction ritual chains" are a prominent sociological attempt to put emotions—or rather the maximisation of "emotional energy"—at the centre of what amounts to an expanded construct of cost-benefit calculation, familiar to economics, which can explain "nonmaterial, emotional and symbolic behaviour" (2004, p. 182). Bandelj (2009) takes further steps, joining the sociological literatures of embeddedness and emotions. Drawing on insights from Bourdieu and Garfinkel among others, she recasts economic action as interactive and practical, embedded in routines, and only sometimes consistent with formal descriptions. Indeed, under conditions of extreme uncertainty, the "clear means-ends logic" of economic behaviour collapses (Bandelj 2009, p. 362) with emotions actually creatively aiding decision-making (2009, p. 362). Her observations suggest that emotions are not only embedding. They are also disembedding, creative and disruptive. Accordingly, emotions are unlikely to play a 'supporting' role that merely enriches rational behaviour; they "also influence economic processes because they are generated during the interaction process and cannot be completely anticipated nor controlled" (2009, p. 363).

Working through markets and complex organisations, people look for trusting allies, outmanoeuvre rivals, favour friends, conceal feelings about clients and bosses, and worry about food, housing and share prices. These interactions, however, are shaped by common patterns that point to the influence of *social structure* that, in turn, require macrosociological explanation. As Turner and Stets observe: "most theories of emotion are microstructural in focus, but surely there are macrodynamic emotional forces" (2006, p. 48).[2]

Studying macro-dynamics focuses our attention on large-scale processes of inequality and differences across group experience. Kemper writes in the first edition of this *Handbook*: "when there is a stable structure of social relations, we propose that there are also emotions that correspond to the position of the actors on the power-status dimensions" (2006, p. 98). Collins (2004, p. 147) makes a related point: "long-term" emotions organise and stabilise stratification systems. Summarising Barbalet's position, Turner and Stets reiterate the point that emotions are "differentially distributed across segments of a population that possess varying levels of power and prestige" (2006, p. 39). Accordingly, a sociological picture of the economy must make emotional dynamics accessible, particularly by bringing those relationships shaped by unequal economic and power structures into view (i.e. between creditors and debtors, buyers and sellers, and capitalists and workers). From such a vantage point, the stratification of emotional responses to generalised economic conditions (like downturns) becomes clearer. Shareowners, for instance, experience the same recession differently to insecure workers, and have different abilities and opportunities to mobilise their anxieties in economic self-protection.

Although stratification is a predominant focus in explaining macro-emotional variation, social institutions and social change are capable of producing widespread, more homogenous "structures of feeling" (Williams 1989, pp. 96–97) that shift over time. In economic history, earlier attempts were made to classify cycles and waves; see Russian economist Nikolai Kondratiev's

[1] Bourdieu makes a more general criticism. However sociologically improved, he argues, "interactionist visions" cannot "take account of effects that occur outside of any interaction" (2005, p. 195). His concept of 'fields' shares ground with Norbert Elias's work, and also with later sociologists who use structure in the sociology of emotion.

[2] There are exceptions. Elias (1978) and Barbalet (1998) offer important, though very different, macrosociological accounts.

work, for example. Here, we adopt a position that stresses both the *tendency* for capitalist economies to produce booms and downturns, and the *unpredictable* qualities of these movements. It follows on from this characterisation that the macro-economy can generate overall economic "climates", to adopt in loose fashion a concept sometimes used in the emotions literature. Such climates, to Rivera and Paez (2007), "are objective in the sense that they are perceived as existing apart from an individual's personal feelings" (2007, p. 234). In neighbouring studies of crowds and social movements, more is made of all-encompassing moods (see Goodwin et al. 2000). But the impact of macroeconomic moods or fears on economic behaviour is less well theorised in sociology. Depressions, recessions, booms, and bubbles (generally, the trade cycle) can be understood as mere deviation from market processes that smoothly self-correct. Or they can be taken as evidence of the chronic instability of markets (the heterodox view), in which case, emotional processes might emerge as explanatory factors.

We think of market interactions as decentralised, and not particularly 'collective' in a strict sense, so a question emerges about how shared moods might be explained by the sociology of emotions. We can extend von Scheve and Ismer's (2013, p. 4) analysis of 'emotional atmospheres'; they argue that "shared appraisal structures" create patterns in the economy among individuals who are otherwise only diffusely associated (2013, p. 7). Not strictly 'collective' in their aggregate, these individual responses (presumably, to similar economic events or shocks) produce what von Scheve and Ismer calls an "I-mode" response to common events (2013, p. 7).[3] The "irrational exuberance" of the US asset bubbles of the 2000s that built up from broad-based speculation, with other hopeful effects, might be an example of such dispersed mood formation.

Sometimes, however, economic actors mobilise common identities and relate to each other in ways that have other sociological foundations. These involve what von Scheve and Ismer (2013, p. 7) call "we-mode" responses, drawing closer to collective action and away from dispersed reactions. Anger at wages and conditions across factories that produces a strike wave against employers can generate mutual reinforcements of economic *class conflict*. Another might be relationships that generate severe *distrust* in a credit crisis, for example, when banks act in the same way, refusing to lend to cash-strapped firms.[4] Finally, the intentional acts of powerful actors can affect rapid changes in moods; among the more dramatic was President Nixon's top-down order to "make [the Chilean] economy scream" in response to the election of Allende (CIA 1970).

Macrosociology, with its focus on social structures, collective or serial emotional states, and large actors adds greatly to our explanatory repertoire. Neoclassical economists do study macro 'pathologies' of markets, such as 'herding' behaviour, but their accounts stay loyal to the assumptions and tools of micro-analysis. In rethinking market herding, Baddeley stresses the macro: "if the state of confidence is strong and people are optimistic, then the macro-economy will be vulnerable to waves of euphoria, optimism, and overconfidence, precipitating herding and speculative bubbles" (2010, p. 284). She points out that neoclassical economics examines such sharp aggregate movements assuming actor rationality and styles of learning behaviour captured by an array of "mathematical algorithms" (2010, p. 281) including "Bayesian updating models" (2010, p. 282). Drawing instead on Keynes's insights, as well as neuroscience, evolutionary biology and sociology, Baddeley rejects as an explanation of herding the "dichotomous, binary concept of rationality" enforced via the assumptions of algorithms. Herding is better explained by "socio-psychological factors" (2010, p. 288).

Macrosociology also offers various accounts of the relationship between micro-interactions and their general impacts, with implications for understanding economies. Collins (1981), for example, argues that macro-social processes emerge

[3] Barbalet describes these actions as "serial" or "parallel", involving separate responses of distinct businesses (1998, p. 96).

[4] Christian von Scheve also suggested this example in correspondence.

Table 15.1 Emotional influences on the economy—a taxonomy

	Orthodox	Heterodox
Micro	Assumes rational utility-maximising individuals (little or no account of emotions) Recent revisions stress: the 'evolutionary' role of emotions for rational action; and the role of emotions in decision-making	In economics, Keynes's 'animal spirits' of investors is an influential characterisation of investor behaviour In sociology, economic actors are variously 'situated' or embedded (Polanyi, Bandelj) in 'interaction chains' (Collins)
Macro	Macro-states are understood as the aggregate of individual decisions (e.g. 'herding') Large-scale shifts and market failures are understood as disturbances to equilibrium states Akerlof and Shiller (for e.g.) acknowledge 'animal spirits' and emotions govern decisions and disequilibrium but understand these as irrational processes that justify intervention	Macro-states exist independently of aggregate individual behaviour, with 'social representations' (Orléan) and/or paradoxes (fallacy of composition: Keynes) Disequilibrium is 'normal' in capitalist markets Conflicts in macro-economy generate emotions. Shared sentiments and moods are powerful determinants of economic action

out of the emotional energies expressed in micro-social scenarios—"situated interactions":

> the growth of a productive economy as well as its cycles of boom and depression should be to an important degree determined by shifts in emotional energies throughout the working population in general, or possibly among entrepreneurs in particular (1981, p. 1011).

Macro-states, of course, are not always straightforward aggregations of micro-states. Barbalet notes: "economies as a whole, in which aggregate investment propensities function, cannot be explained through the proclivities of individual investors" (1998, p. 95). Keynes's "paradox of thrift" (1973, p. 83–84) illustrates this, highlighting the micro-macro disjuncture in the aggregate consequences of the individual's emotional effort at self-protective thrift. Caution, risk-aversion and containment by sensible individuals 'rebounds' via macro-processes into a recessionary climate, leading the same risk-averse actors into bankruptcy and despair. This prompts one further comment on the role of *uncertainty*. Its endemic presence in market societies necessitates special emphasis on "anticipatory emotions" (Kemper 2006, p. 101–102; see also Pixley 2012; and insky 1996, p. 360). How economic actors respond to uncertainty focuses our attention on the all-important relationship between emotions and unknown futures.

Because the study of emotions in applied contexts is still emerging, our taxonomy of the role of emotions in economic processes is tentative. Table 15.1 summarises some distinctions that guide this survey. It is convenient to divide contributions between micro- and macro- approaches: ones that emphasise an analytical focus on individual behaviour and others that emphasise aggregate/overall responses. The second distinction is also methodological. Orthodox approaches, in our simple dichotomy, stress what Colander et al. call the "holy trinity—rationality, selfishness and equilibrium" (cited in Lawson 2006, p. 488). Heterodox approaches, for our purposes, involve a departure from these assumptions and stretch across economics and sociology. They are methodologically diverse, stressing 'disequilibrium', non-rational processes and social institutions.

15.3 Emotions and the Economy—Insights from Classical Thinkers

Both directly and indirectly, classical thinkers across economics and sociology addressed the subject of emotions in economic life. Here, we make a general claim, asserting the relevance of classical thought to the future shaping of this sub-field of emotions scholarship. Close reading brings surprises. We give particular attention to those in economics and sociology who have an encompassing view of social relations of the "specific economy in which we live", the kind of phrase that Keynes used. Another focus is the "social persona" of the entrepreneur, who takes centre stage in emergent capitalism, and who

comes to embody both the range and social dynamics of some of the types of capitalism under investigation.

15.3.1 Emotions in Commercial Society: Adam Smith and Herbert Spencer

To establish a context for understanding the thought of Adam Smith (1723–1790), we need, as Hirschman shows, to give some attention to the moralists of the seventeenth century and to such thinkers as Montesquieu and Sir John Steuart in the eighteenth. These thinkers were responding to the emergence of political and economic situations with the "general belief that the passions were dangerous and destructive" though in the eighteenth century, views about the passions become more positive (1977, p. 27) and Hirschman writes that, "The most interesting applications of the thesis show how the willfulness, the disastrous lust for glory, and, in general, the passionate excesses of the powerful are curbed by the interests—their own and those of their subjects" (1977, p. 70). What these writers did was "to utilize one set of comparatively innocuous passions to countervail another more dangerous and destructive set" (1977, p. 20). However, with Smith's *Wealth of Nations*, the distinction is "superseded and obliterated" (1977, p. 69). Passions don't need to be set against one another; all can contribute to economic improvement (1977, p. 110). So, "private individuals, by pursuing their vices, or simply their self-interest, could contribute to the social welfare" (1977, p. 119). Thus, we arrive at the notion, still ideologically powerful, of the "invisible hand".

Hirschman usefully situates Smith's work in a "*doux-commerce* thesis" (the description is derived from Montesquieu): "that commerce was a civilizing agent of considerable power and range" (1982, p. 1464). Thus, for Smith and for Hume, the market "would generate as a by-product, or external economy, a more 'polished' human type" (1982, p. 1465). Hirschman points out that the doux-commerce thesis is compatible with another interpretation of market society, the "self-destruction thesis" in which "capitalist society, far from fostering *douceur* and other fine attitudes, exhibits a pronounced proclivity towards undermining the moral foundations on which any society, including the capitalist variety, must rest" (1982, p. 1466). He sees this thesis emerging in the nineteenth century, "among both Marxists and conservative thinkers". However, we find that it is strikingly apparent in Smith's work too and re-markably, it turns out that the 'founder of modern economics' and patron of its drier practitioners, is the author for whom understanding emotion as a source of both positive and negative consequences for individuals and the public interest is a key to understanding economic life.

The "commercial" stage of economic organisation which Smith saw emerging in Europe in the eighteenth century represented a major 'improvement' over earlier feudal society, changing social relations from "servile dependency" for the better and distributing wealth widely. It allowed people to pursue the passion for self-improvement which, in Smith's view, we all share. But that improvement came at considerable cost. The division of labour, for all its economic benefits, leaves the "common people" emotionally and intellectually stunted while the rising merchant class, driven by "self-love" or "avidity", could distort the economy and the actions of government to pursue monopoly or the irrational and ultimately doomed projects of colonisation. (Here, we can identify a description of early capitalism as a form of emotional stratification, a concept emphasised by Turner and Stets (2006)). There is a tendency to dismiss Smith's observation as nothing more than an aside when he writes in the *Wealth of Nations* that "People in the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the publick, or in some contrivance to raise prices" (1981, I.x.c.27). In fact, this is part of his sustained critique of commercial society.

We have within us, according to Smith a disposition to "truck [meaning to trade by exchange of commodities], barter and exchange" which, whatever its origins, enables us to pursue that passion for "improvement", for bettering our situation. And we learn to engage with one another,

first on the basis of our own feelings and, as we grow, on the basis of "sympathy" for others with sympathy here not meant in the sense of 'feeling sorry for', but explicitly redefined as "correspondence of the sentiments" (1984, 1.1.2.4). Here are the origins of the sentiments that lead us to pursue "wealth, power and preheminence (sic)", in particular our pride in riches and our shame in poverty; indeed, the origins of our deference to the "rich and powerful" which Smith suggests is the source of "the distinction of ranks and the order of society" (1984, I.iii.2.3). (The concept of sympathy in Smith has been harnessed to many later arguments in economics and philosophy (see Frank 1988)). Sympathy connects Smith's political economy to a sustaining moral order; markets somehow 'require' or 'encourage' sympathy for commercial exchange to be grounded socially—and emotionally. For Smith, "the man of real constancy and firmness … thoroughly bred in the great school of self-command, in the bustle and business of the world" is able to adopt "the sentiments of the impartial spectator" (1984, III.3.25; for more on this, see Hill and McCarthy 2004). There is an important question, however, as to whether Smith believed markets encouraged sympathy or required it. The latter view, as Perrin states, is found in the "spontaneous-order theory" of the Austrian school of economics; "self-interest based exchange considerations draw people together and facilitating or regulatory norms emerge almost pari passu" (1995, p. 795).

Smith's sociology of moral sentiments and their relationship to commercial society is at times critical of the effects of markets, suggesting a more complex position. Markets do not appear to automatically create emotional order. While we come to understand others and to bring reason to that understanding, reason is only a kind of aid. Like Keynes later on, Smith makes it clear that reason counts for little in the heat of emotion. And as we develop, our experiences and opportunities differentiate us bit by bit from one another: "habit, custom and education" (1981, I.11.4) will eventually create a gulf between people.

Commercial society brought opportunities for the "common people". The division of labour meant, because of "the great multiplication of the productions… that universal opulence which extends itself to the lowest ranks of the people" (1981, I.i). But while the *Wealth of Nations* begins with this analysis of the benefits of the division of labour, it ends with an argument that the sovereign, that is government, should educate the common people, the majority, to protect them against the emotionally crippling consequences of this form of economic activity. The endless repetition of "a few simple operations" leaves a man incapable even of solving any problems that arise in his work:

> The torpor of his mind renders him, not only incapable of relishing or bearing a part in any rational conversation, but of conceiving any generous, noble, or tender sentiment, and consequently of forming any just judgment concerning many even of the ordinary duties of private life (1981, V.i.f.50).

It is a bleak picture; opulence has costs.

For the merchant, life is very different but still in some ways not to be envied. Anticipating later descriptions, the merchant is "bold", more prepared to take risks, Smith writes, than for example, the country gentleman, and therefore central to the development of the commercial age. But "the chance of gain is naturally over-valued" and merchants have this tendency to combine to the detriment of the "public interest", not only in the "contrivance to raise prices" but more broadly in the sway they exercise over government to limit markets and set up bounties and particularly in pursuing colonial schemes. Smith is scathing of the "mean rapacity and monopolising spirit" they display. He points to "the absurd confidence which almost all men have in their own good fortune", illustrated at its worst in the endless colonial ventures of the eighteenth century which usually aimed at discovering silver and gold, ventures which were almost always ruinous but were driven by passion and "human avidity". Colonialism in the Americas and the Indies had sought: "To promote the little interests of one little order of men in one country, [but] it hurts the interests of all other orders of men in that country, and of all men in all other countries" (1981, IV.vii.c.60). Passion meant that the merchants exercised power in their own interests,

contrary to the interests of the consumer and contrary to "justice and equality of treatment" (1981, IV.viii.30). Ultimately, this pursuit of wealth and power is a delusion: "enormous and operose machines contrived to produce a few trifling conveniences to the body" (1984, IV.i.8). And yet, we only come to this view in moments of despair. Fortunately, according to Smith, our more usual tendency is to imagine "the pleasures of wealth and greatness" and "It is this deception which rouses and keeps in continual motion the industry of mankind" (1984, IV.1.9–10).

Herbert Spencer (1820–1903), to the extent that he is even remembered today, is remembered as a social Darwinist, the coiner of the phrase 'the survival of the fittest'. However, his *Principles of Sociology* (1882, 1885, 1896) is a massive statement about social evolution, putting emotion at the centre of social understanding and earning the ire of Durkheim for what appears to be its ambiguity about the relationship between emotion and social structure.

In what Spencer called the "preliminary" to his *Principles—The Study of Sociology* (1874)—he described "the various perversions produced in men's judgments by their emotions" (1874, Preface), noting both the difficulty that meant for anyone attempting sociology and the prevalence of these distortions in social life. For the sociologist, as for anyone else, "excited feelings" distorted estimates of probability and importance (1874, p. 147). Indeed, Spencer writes that "trustworthy interpretations of social arrangements imply an almost passionless consciousness" (1885, p. 232). More generally, our beliefs are inevitably distorted: "caused much more by aggregates of feelings than by examinations of evidence" (1874, p. 149). The effects of these passions, according to Spencer, were particularly evident in his time in the extent to which people willingly subordinated themselves to authority, were rabidly patriotic, and, of great importance, showed a "class-bias": "a joint effort to get an undue share of the aggregate proceeds of social activity" (1874, pp. 174–177, 203–204, 247).

To better understand this idea of social activity, we must examine Spencer's notion of social evolution: the idea that, analogous to biological evolution, society might exhibit "progress towards greater size, coherence, multiformity (sic), and definiteness" (1882, p. 585). This involved greater heterogeneity (with increasing social stratification) (1885, p. 644); greater social coherence; greater "definiteness", for example in political organisation (1885, p. 645); and as "the primary process of evolution" (1896, p. 600), increasing integration as groups combine and subordinate themselves to government (1885, pp. 643–644). Associated with these changes, Spencer even proposed "the law of emotional progress" with emotions becoming similarly more complex (1882, p. 54). Nevertheless, 'progress' appears to be a misleading term in this context. Spencer, relying again on the analogy from biology, was equally clear that social evolution didn't necessarily lead to improvement:

> Evolution does not imply a latent tendency to improve, everywhere in operation. There is no uniform ascent from lower to higher, but only an occasional production of a form which in virtue of greater fitness for more complex conditions becomes capable of a longer life of a more varied kind.

What thus holds with organic types must also hold with types of societies (1896, p. 599).

Spencer identified, as "ideal forms" (1885, p. 606), "two social types" based on an extreme contrast between the contrasting "kinds of social activity which predominate" (1882, p. 544). These were the *militant*, the activities of "warlike tribes" and the *industrial*, "in which the agricultural, manufacturing, and commercial organization form the chief part of society" (1882, p. 545). These are ideal types in that no actual society could operate without some way of feeding its members, while most (though not all) would have some form of defence; the difference would be in the "ratio" of these social activities (1882, p. 544). The militant required "compulsory co-operation"; the industrial which usually emerged as militancy declined, involved "voluntary co-operation" (1882, p. 583), deriving from an "elaborate division of labour" and "the system of contract" as a result of social evolution (1885, p. 609). This form of cooperation, this predominant relation in each case, is "daily determining

the thoughts and sentiments” of people (1882, p. 557).

Spencer seems to equivocate on the question of determination, on whether the forms of cooperation determine thoughts and sentiments. On the one hand, he argues that: “These pervading traits… originate in these relations of individuals implied by industrial activities” (1882, p. 557). On the other hand, at the end of the third volume of the *Principles*, he asserts that changes in structure will lead to “corresponding change… expressed in the average feelings and opinions” (1896, p. 583). In Elias’s terms (2000, p. 169), “the structure of society… required and generated a specific standard of emotional control”. And to complicate matters, Spencer also proposed that changes in feelings as the industrial type became more common had less to do with that type than with the reduction in militancy with its “consequent brutalizing effects on the feelings” (1885, p. 640).

Not surprisingly, therefore, Durkheim would criticize Spencer, according to Poggi (2000, p. 17, 34–35), for being insufficiently empirical (for philosophising rather than doing sociology) and for basing his analysis in the psychology of individuals rather than seeing that psychology as deriving from social structure. In Poggi’s words:

> Spencer claims that the key to societal dynamics lies in the individual’s pursuit of his/her own advantage; whereas according to Durkheim dynamics must go a long way, propelled by the unfolding of collective processes, before it *itself* brings the individual into existence (2000, p. 35; author’s emphasis).

15.3.2 Unregulated Passions of Boom and Bust: Emotions in Emile Durkheim

Spencer’s worldview is important (implicitly to this day) to economics and understandings of the economy; its identification with a ‘spontaneous’ social order, for example, is a polemical theme in Austrian economics. And Durkheim’s sociology is both an offshoot and a reaction to Spencer—Durkheim refuses the idea that contract-based market society can generate the associative norms necessary for contract or to enable distant market relationships (Steiner 2011, p. 27). Durkheim’s dislike of abstract rationalism, which he identifies with economics, opens the door to important and novel ways of re-conceiving the economy; for example, he sees the inability of individuals to set prices as proof of the invisible force of the “social facts” that dominate his social theory (Steiner 2011, p. 25). Moreover, it is clear that Durkheim’s conceptualisation of reason put him on a collision course with economic abstraction; his is a deeply socially organised reason, one “intimately linked” to collective emotional experience (Weyher 2013, p. 369).

As Jones (1986) points out, Durkheim’s earlier *The Division of Labor in Society* (1997) adopted something close to a spontaneous order worldview. But he “gradually relinquished the evolutionary optimism which underlay this mechanical, ‘self-regulating’ conception” and became more focused on disintegrative forces (Jones 1986, p. 59). The later Durkheim, like Marx and Polanyi, sees market industrialism as involving highly disembedding forces[5] disruptive of social orders. Unlike Marx, however, whose theory is full of emotional implications yet curiously avoids them (Collins 2004, p. 102), Durkheim’s account of capitalist change implies unstable and shifting “emotional climates” (de Rivera and Paez, 2007; also Barbalet 1998).

Durkheim’s *Suicide* (2006) is a study of “social facts” and the exercise of a sociological method. It is a powerful statement about emotions, quietly implicating the capitalist economy in the patterns involved in the most private of anguishes. Flam (2009, p. 78) sees *Suicide* as a study of “extreme” emotions and their social causes. As macrosociology, it offers at least two valuable contributions to this survey. Writing of booms and busts, Durkheim presents the *economic cycle* as an impor-

[5] However, Granovetter (1985, p. 482) is slightly incorrect: the switch or Great Transformation is not to disembeddedness but to the domination of market norms over the entirety of social life; for example, ‘supply and demand’ forces are social relations and not ‘disembedded’ (see Ingham 1996; Pixley 2010a; also Krippner and Alvarez 2005, p. 28).

tant influence on emotions. And he shows how emotional states become stratified.

In a rich description of an overheated economy in his chapter on *anomic suicide*, Durkheim's account of the rule-breaking entrepreneur is situated in frenzied market activity where constraints and rules are subverted for personal gain. Durkheim invokes *anomie*—a concept also identified with the writer's earlier, more optimistic discussion of worker 'alienation' produced by rapid and haphazard changes in the division of labour (1997). However, here, Durkheim captures with the same concept a different emotional state, that of entrepreneurs caught up in their own speculation. Anomic states are highly emotional, and in extreme cases, lead to anomic suicide, brought about by the anxiety and risks generated from the loss of constraint by societal rules (2006, p. 219). Durkheim's account is prescient today, years into a long period of deflation following the speculative bubble that preceded the GFC.

When taken together, Durkheim's different statements about anomie in *Suicide* and *The Division of Labor in Society* offer a second insight: in the macro-structures of emotions in the economy, emotional states are not uniformly distributed. They are stratified. Entrepreneurs emerge as "rule breakers" in *Suicide*—and by implication as the class capable of generating great social disruption. Alienated workers and the impoverished appear as restrained by the social order: "Everything that enforces subordination attenuates the effects of this state" (2006, p. 219). Studying the suicidal impact of the 1882 Paris Bourse crash, Durkheim writes that "economic crises have an aggravating effect on the suicidal tendency" (2006, p. 201) and further notes that "Industrial and commercial functions are really among the occupations which furnish the greatest number of suicides" (2006, p. 218). He continues: "Those who only have empty space above them are almost inevitably lost in it, if no force restrains them" (2006, p. 219). Disruption not only takes place in economic collapse, but clearly in the booms that precede them:

> It [anomie] is the same if the source of the crisis is an abrupt growth of power and wealth…. The limits are unknown between the possible and the impossible, what is just and what is unjust, legitimate claims and hopes and those which are immoderate. Consequently, there is no restraint upon aspirations…. At the very moment when traditional rules have lost their authority, the richer prize offered these appetites stimulates them and makes them more exigent and impatient of control. The state of de-regulation or anomy [*sic*] is thus further heightened by passions being less disciplined, precisely when they need more disciplining (2006, pp. 213–14).

These descriptions, in more dramatic late 19th century fashion, say something similar to critical elements in Smith's warning of the consequences of an advancing division of labour: avidity and aggression in the wealthy and stunted development among alienated workers. Durkheim's image of the business entrepreneur as a disruptive force is exemplified in Veblen's work discussed below.

15.3.3 The Spirit of Capitalism: Max Weber

In Smith, both the potential for business figures to produce and act through sympathy and to conspire against the public are emphasised with a hope that a social order might be stabilised by respectful relations between traders. By contrast, Durkheim's reference to entrepreneurs and sharetraders emphasises rule-breaking and excess. In Max Weber, however, a different set of emotions capture the social persona of the business figure. Weber's *The Protestant Ethic and the Spirit of Capitalism*, is perhaps the most read of twentieth century sociological texts; in Barbalet's words: "possibly the most audacious, infuriating, misleading and enduring sociological text written" (2008, p. 14). Weber made clear he was definitely not suggesting "that it was possible to simply derive the capitalist *economic system* from religious motives, or from the ethic of the calling associated with 'ascetic' Protestantism" (response to Rachfahl (2002, p. 258; author's emphases)). Nor was he making a claim about religion in early twentieth century capitalism (2002, p. 313). Wiley (1983) reminds us that Weber was writing at a time prior to capitalism's biggest crisis—the Great Depression—and that his desire to explain

the origins of capitalism stemmed from faith in its unique achievements of rationality.

Instead, Weber wants to know what brings the 'capitalist' to life. The "four principal forms of ascetic Protestantism", which flourished in the later sixteenth and during the seventeenth centuries, emerge as the motivating energies of this new actor. The concept of a "calling" (*Beruf*, but Weber (2001, p. 39) said that the English word was actually more accurate) is central to Weber's explanation of this drive. There are varying accounts of the motives and energy of the calling represented in Weber's early entrepreneur. Barbalet, for example, argues that: "In the *Protestant Ethic*,…, practices of *Beruf* achieve rationality through the suppression of emotion. In the later vocation lectures, on the other hand, *Beruf* is achieved through and expresses passion and emotions" (2008, p. 9).

Certainly, a colder and more rationally calculating figure—emotionally distant and detached—emerges in Weber's account.[6] The sympathy of Smith and unregulated passion for profit in Durkheim have vanished. Weber writes, in his discussion of Calvinism, of an "unprecedented inner loneliness" that drives the early Protestant entrepreneur to reject "all the sensuous and emotional elements in culture and religion, because they are of no use towards salvation" (2001, p. 60–62). "Intense worldly activity" could counteract these feelings and, hence, drive a new culture of endless work and accumulation—thereby offering evidence of "the certainty of grace" (2001, p. 67–9). This calling, indeed, persists without its religious foundations: "the religious roots died out slowly, giving way to utilitarian worldliness" during the eighteenth century (2001, p. 119; also 122–123). In summary:

> Capitalism at the time of its development needed labourers who were available for economic exploitation for conscience's sake. Today it is in the saddle, and hence able to force people to labour without transcendental sanctions (2001, p. 259, n. 108).

[6] Bourdieu argues that Weber's capitalist is more *calculating* than the orthodox agent who instead "makes their choices on the basis of information furnished by prices" (2005, p. 207). To Weber, the capitalist calculates the current social balance of power (Ingham 2004).

Thousands of words have been written about the validity of the Protestant ethic thesis (see Whimster 2007 on this) and we do not rehearse these accounts here. Instead, note one example of its creative application in contemporary times found in Boltanski and Chiapello's *The New Spirit of Capitalism* (2007). They are, they write, "following the Weberian tradition" in asking how to "induce commitment" among both wage earners and capitalists today (2007, p. 7–11). They conclude that "management discourse… today constitutes the form *par excellence* in which the spirit of capitalism is incorporated and received" (2007, p. 14), both because of its technical recommendations to improve efficiency and productivity and because of its "high moral tone" (2007, p. 58). Contrasting the French management literature of the 1960s and 1990s, Boltanski and Chiapello find a significant difference in the treatment of emotions. In the earlier period, the literature called for a "radical separation" of private life (the realm of family and friendship) from the impersonal realm of work. By the 1990s, that separation was being seen as "inhuman because it leaves no room for affectivity" (2007, p. 85). Commitment now required "the rehabilitation of the affective and relational dimensions" (2007, p. 94); emotion (if not Weber's 'transcendental sanctions') persists.

15.3.4 The Disruptive Entrepreneurs of Thorstein Veblen

Thorstein Veblen takes a theme from Smith, his critical exploration of the emotions driving merchants, into an impersonal corporate era. In *The Theory of the Leisure Class* (1953), first published in 1899, this class's conspicuous consumption spreads its influence generally. How much Veblen's analysis is based on the historical and national habitus of the United States in the late nineteenth century is worth questioning—his work is steeped in European texts and evidence (e.g. Sombart, Marshall and others); but, at the same time, Veblen saw America's economy as "dominated" by the crackpot realism of "utopian capitalists and monomaniacs" (Mills 1953,

p. vii). Veblen's "businessman" is modelled on the robber barons of the US Progressive era—such as Rockefeller, Vanderbilt, and Carnegie who joined in cartels with financiers like J. P. Morgan. Veblen contrasts this disruptive, insatiable force of the entrepreneur with the practical "engineering" figure of industrialisation who has a sense of finitude and "causal sequence" (Veblen, cited in O'Donnell 1973, p. 209). Both were new drives, very different from the motives of the earlier American small business-entrepreneur in farming and handicraft.

Veblen's analysis puts the motives of major actors at centre stage. Work habits and orientations differ sharply. He boldly states at the outset of his *Theory of Business Enterprise* that he will start from the "habits of thought" and emotional outlook of "the business man" (1904, p. v; also Chap. 4). Not only is 1890s economics criticised for its focus on "industry" and distance from experiences, but so is Marx's focus on the "capitalist enterprise". Concepts like the falling rate of profit, overproduction, speculation and crises are based on the faulty belief that industrial capitalism is "efficient" (1904, p. 236). Not so, claims Veblen. The much-lauded "economies of scale" have nothing to do with "the modern cultural situation", a situation heavily influenced by business methods, principles and motives for "pecuniary gain". Efficiency is irrelevant to captains of industry (the "financiering strategists"; 1904, p. 22), who make "shrewd" deals and bigger profits in a state of "chronic perturbation" (1904, p. 31, 34).

Worse, the businessman is not creative; his motive is not "workmanship"—Veblen's other lifelong interest. Like Durkheim, he sees the businessman as "disruptive", exempt from "scruples" (mere "sentimental constraints") and from "serviceability for the needs of mankind" (Veblen 1904, p. 50–52). He explains that business principles have shifted irrevocably towards the impersonal (far from situations where Smith's sympathy would easily apply). In the "older days" of handicraft, producers and customers had "close and lasting" "personal contact"; a reputation for "workmanship" was as important as "gains" in the "neighbourhood industry". Personal contact imposed the discipline that "honesty was the best policy". The "new" 1890s businessman has an "easier conscience", "untroubled" by the "aggregates" of consumers who shop in huge retail stores, and is in fact busy drawing on the psychologists of advertising (Veblen 1904, pp. 40–56). All that matters in the new "business view" is realising gain. The developers of US railroads, for example, were indifferent to the "systematic ineptitude" and "waste" of the system that they created and which they relentlessly defended against efforts at sensible consolidation (1904, pp. 39–40).

In the businessman, Veblen identifies a new historical persona—the financier/manager—with a unique set of motivations and emotions. The mindset of "old-fashioned surveillance" by capitalist-owners of their firms gives way to an "active" business mentality that forms, and breaks down, coalitions and trusts in pursuit of "strategic control". This person is not "bound" by permanent ownership but seeks "large and frequent" "disturbances" as the means to the only end—money. Veblen regards these capitalists as saboteurs with self-imposed roles as chief fanatics "in their delusional world" (Heilbroner 2000, p. 234; Mills 1953, p. viii). The businessman's crafted disruptions may help industry—or bring "widespread hardship" (Veblen 1904, p. 24–29). In attributing one social personality to this new "businessman" and another to the admired "craftsman", Veblen anticipates Elias. The social habitus of the "owner" is quite different from that of these new "pecuniary experts" who forever collect and dump diverse enterprises, experts in nothing but gain. However, not only Veblen, but also others including Pareto (see Aspers 2001, p. 533), emphasised that the old "owner" actually *mutates* into the "anxious" rentier, the "passive" shareowner (Veblen's term; 1904, p. 28).

Veblen did not escape criticism for his harsh portrayals. Schumpeter, for instance, accuses Veblen of nearly, *not quite*, taking the line that capitalists are not functional for capitalism, but destructive predators "on the productive activity of others" (1954, pp. 895–896). And it is clear Veblen is not discussing the lone handicraft-entrepreneur who rises and falls on their 'idea'. Instead, he is looking squarely at entirely new entrepreneurial behaviour. Later, Parsons, in his de-

sire to establish sociology as the study of values, complementing neoclassical economics, attacked the American institutional economists including Veblen, whom he describes as a technological determinist, a "radical" empiricist who lacks "abstraction" (cited in Velthuis 1999, p. 632). Yet Veblen's insights offer crucial and unique perspectives on the emotional energies of business actors that have renewed relevance.

15.3.5 Uncertainty, Emotions, and Rationality: Keynes's Animal Spirits

The Depression ended the period of so-called liberal capitalism, a capitalism better characterised as turbulent and hostile to labour. The up-and-down 1920s finally collapsed with the share-market meltdown on Wall Street in 1929, leading to a banking crisis, and eventually mass unemployment worldwide and the emergence of fascism in Europe. Orthodox prescriptions—cutting wages and spending—failed catastrophically and a new paradigm emerged, justifying the aim to counter depression through government spending. The more democratic program was exemplified in Roosevelt's Works Program of America. This doctrine became known as Keynesianism, after its most powerful advocate, Cambridge economist John Maynard Keynes.

At the core of Keynesianism, elaborated in the *General Theory of Employment, Interest and Money*, is a diagnosis of sustained capitalist disequilibrium, worsened by a crisis of confidence added to orthodox prescriptions. As Wiley shows in his comparison of Weber and Keynes, the latter understood capitalism as irrational while the former—without the experience of the Depression—still identified with the "formal rationality" of the entrepreneur (1983, p. 40). In his diagnosis of prolonged recessions, we focus on two variables that Keynes brought to light and reworked: how investment decisions are made and the role of uncertainty. To explain investment, he applied the concept of "animal spirits"—the "spontaneous urge to action rather than inaction" (Keynes 1973, p. 161–162). This spontaneity appears more convincingly sociological, admitting a wider range of influences on decision-making and investment than the orthodoxy (see Backhouse and Bateman 2011, p. 126). And such spontaneity of animal spirits gives rise (and responds) to an element of unpredictability—both in the direction of economic judgments and in the type of influences—with a clear emotional content. Keynes links decisions to these spirits:

> In estimating the prospects of investment, we must have regard, therefore, to the nerves and hysteria and even the digestions and reactions to the weather upon those whose spontaneous activity it largely depends (Keynes 1973, p. 162).

Crucial to Keynes's account is the role of unknown futures, of expectations, uncertainty, and confidence, in influencing activity. One can immediately grasp the connection between uncertainty and animal spirits—the latter involve unstable, ever-changing political, emotional, speculative and technical efforts at dealing with the former. Severe market slumps, it follows, are the products of the deepest of uncertainties congealing into very widespread negative sentiment. And so, Keynesian policies by government emerge as an overt attempt at economy-wide 'emotion management', aiming to raise business confidence—something beyond the manufacture of even the most powerful market actors.

These tendencies toward breakdown described by Keynes are, in fact, anticipated in Veblen who writes of the "malady" of depression of "the business man" whose "affections" are the "emotional seat of the trouble". Veblen argued that any effective remedy "must restore profits to a 'reasonable' rate" (1904, p. 241). That businessmen often hold out for "more", is Schumpeter's main criticism of the 1940s feeble bourgeoisie, always phoning their Senators: "Good God, can't you help us?" (cited in Swedberg 1991, p. 315).

15.3.6 After Marshall: Equilibrium Economics and Parsonian Sociology

The concept of equilibrium has come to dominate modern economics, theoretically secured by post-War work on general equilibrium. Hart

(2003) argues that equilibrium is one of the economics profession's most powerful metaphors, derived as it was from metaphors in physics and biology. But, he continues, "economists have demanded far more from equilibrium analysis, despite the greater difficulties, than their counterparts in evolutionary biology" (2003, p. 1155). Alfred Marshall (1842–1924), though a founder of neoclassical economics, had high hopes for a concept of equilibrium "in which eventual outcomes could be imposed on continuous processes" (Hart 2003, p. 1145) like forces of "life and decay" found in biology (Marshall, cited in Hart 2003, p. 1146). But Marshall was not like the Marshallian thinkers who followed him, or other theoretical economists of the time like Carl Menger or Leon Walras who were aloof from the social life that troubled Marshall. The latter had a "compassionate intelligence" according to Robert Heilbroner, who has an intriguing, critical discussion of Marshall's "most important gift to economic analysis—the element of time" (Heilbroner 2000, p. 210; see also Hart 2003, p. 1156 n.7). The irony was that Marshall's 'time' was still:

> abstract time; it was the time in which mathematical curves exfoliate and theoretical experiments may be run and rerun, but it was not the time in which anything ever really *happens*. That is, it was not the irreversible flow of historic time—and, above all, not *the* historic time in which Marshall himself lived (Heilbroner 2000, p. 210, author's emphases).

Marshall indeed had no success whatever (says Hart 2003, p. 1140) in including processes known to be "irreversible and continuous in time". As Heilbroner points out, Marshall would live to see World War I and the Russian Revolution and not long after his death there would be the Great Depression and a Second World War: "Yet, of the relevance of economics to all these overwhelming changes, neither Alfred Marshall nor still less his official colleagues had much, if any, understanding" (2000, pp. 210–211).

Despite their increasing mathematical and computational complexity, especially after World War II, the general equilibrium models that emerged continued down the path to abstraction, furnished with equally abstract accounts of markets, firms, consumers, information and transactions. Indeed, the merchant or business man or entrepreneur—the crucial actors in the economic story in our own account thus far—start to disappear from mainstream theory in the 1930s (Barreto 1989) even as Keynes gives a central role to the investor's animal spirits. Hart offers a useful summary of the stylised world of general equilibrium that eventually emerged, and that has come to dominate conventional economic analysis, thinking and policy: "Optimising economic agents, endowed with perfect foresight and/or rational expectations, transact in competitive markets where freely operating markets attain equilibrium configuration." Any "random supply side shocks" to markets prompt "new equilibrium configurations" (2011, p. 19).

Hart's summary is instructive, illustrating at two levels how emotional influences in the economy are automatically minimised in equilibrium models. The actor's emotional states are rendered irrelevant given possession of perfect information and rational expectations. And at a macro-level, in the context of widespread economic emotions that shift over time, cyclical fluctuations can never develop distinct and describable features. Persistent disruptions to periods of 'tranquillity' (a term Minsky prefers to 'equilibrium' (2008, p. 197) from investment booms or monetary crises, for example, or simply paths with cumulative causation are untheorised or absent features. Equally, policy changes, or capitalist dynamism from new entrepreneurial ideas that necessarily involve Knightian uncertainty and which frequently disorganise economic life (as Schumpeter emphasises in his term "creative destruction" (1934), for example), cannot have lasting, revolutionary effects because the model's information and rationality assumptions do not allow for this.

One prominent central banker draws out the practical significance of this loss of insight in his field. Dynamic Stochastic General Equilibrium models have, in his words, "no role for social interaction", no bubbles or busts; no one "misuses power or defaults on a promise" (Goodhart 2013, p. 76). The decrees—that money (promise) is irrelevant and is not itself the active source of

dynamism and that no shock can occur under the Efficient Market Hypothesis (a subvariant of Equilibrium models)—are with us still. This remains, despite all that has happened while this economics escaped mostly into abstraction.

These abstractions from actors are free from the time over which plans go wrong or luck brings surprising success; they are free from hopes and later excitement or despair and therefore free from humankind's dreadful imperfections, decent values and passions. This choice to avoid the social world may be understandable in face of terrible, sudden leaps into horror, but it is not social science. Violent economic change and social tensions, driven by emotions, incubated by hope, ruthlessness or fear, modified by social institutions and democratic policies (with potential civilising, internalised shame and embarrassment (Elias 2000)), are again hidden.

Hopes for returning to equilibrium in depressions have consequences for understanding policy. At worst, this faith conceals an indifference to the human consequences of (allegedly) short-run 'austerity' (or 1930s prescribed liquidation of labour, and fanatic faith in the gold standard) which met a now famous response. In anger at this indifference, Keynes said "*In the long run* we are all dead' (1923, p. 80; author's emphasis). Overcoming this theoretical state of alienation means accepting uncertainty, Keynes said, and ever-possible surprises, however ugly or beneficial. The problem of who decides on and judges what might benefit humankind plays no part in alienated economics, either. There we find a 'timeless' economy in which abstract humans predictably look after number one, in a uniform way. Any question that these economists examine a specific economy, with institutions developed over historical time to cope with uncertainty, is a source of irritation to those fixated on abstract time. Any questioning of this from even supporters of capitalism is derided. For example, in 1921, the Chicago economist Frank Knight made clear that capitalist dynamism, in which new profits are generated by 'surprises', makes no sense without accepting radical uncertainty. Probability he said, can only involve known chances (Knight 1964). That means equilibrium models are stuck in the past, in that which is known.

So, in this economics, there is no sense of finitude although the emotions necessary to believe in timelessness come from cognitive dissonance. Believing in timelessness also implies a highly predictable and controllable future. And uncertainty, whatever equilibrium economists claim, provokes many emotions which include trust, hope, anxiety, suspicion and, failing all that, the resort to spying, illegal inside information, to collusion and organised 'trusts'. The entire financial industry, for example, is built on impersonal emotions of trust, and their frequent betrayal (see Pixley 2004, 2012).

Parallel trends in post-war sociology (particularly Parsons's efforts to build a systems theory) conclude this section. Barbalet (1998, p. 16–19) comments that Parsons followed the neoclassical commitment to rationality by insisting that the economic sphere was affectively neutral. Certainly, Velthuis (1999, p. 634) argues, the early Parsons undermined institutional economics, seeing sociology's task as complementing an orthodox economic framework by merely emphasising how economies were institutionalised in value structures. Parsons "took the hedonistic basis of orthodox economics to be empirically true for the whole of economic life" (Velthuis 1999, p. 635). However, Parsons did oppose the pervasive utilitarian modes of analysis present in economics, denying that self-interested rationality was a universal, psychological feature (Parsons and Smelser 1956, p. 23). His later systems-theory modelled the economy as an institutionalised subsystem within a larger social system, an approach he believed matched the prevailing reality of a regulated "free enterprise" economy (Parsons and Smelser 1956, p. 15). Barbalet (1998, pp. 90–94) further notes that Parsons's (later) reception of Keynesianism never drew on the creative implications of Keynes for a theory of action. Parsons and Smelser appear to accept Keynes's analysis of investor behaviour, animal spirits, and uncertainty in their *Economy and Society* (1956, pp. 233–224), only to describe the investment market as an "unstructured situation" (1956, p. 236) and one likely to produce irrational, deviant behaviour

(1956, p. 237). Still, they do acknowledge the role of (non-rational) "conventions" and "animal spirits" of entrepreneurs in stabilising investment, edging closer to a view (at least for investment) inconsistent with affective neutrality.

15.4 Topics in Economics and the Emotions

The final section of this chapter extends our historical and conceptual survey by pursuing four topics that highlight the role of emotions in contemporary economic developments. These topics—financial markets, money, inflation and deflation, and trust and confidence—largely deal with aspects of emotions in the monetary economy. This selection is important given that the recent GFC highlighted the widespread destabilising impacts of money and financialisation. This Crisis illustrates some of our most important themes: the emotions of uncertainty; the role of disequilibrium; and the powerful structuring forces of major economic institutions and actors.

15.4.1 Emotion Rules and Uncertainty: the Case of Financial Markets

Ever since Gustave le Bon's 1896 *The Crowd*, psychologically minded economists have understood 'panics and manias' in financial markets as an external 'contagion' among the ignorant raging 'masses' rather than as an internally generated problem. Even in Charles Kindleberger's otherwise sensitive history (most recently in Kindleberger and Aliber 2011) of 300 years of crashes, manias are said to operate like a virus. Today, however, financial actors take 'emotion management' seriously. We see examples of banks firing risk-averse traders who have "learnt fear" and of disgusted whistleblowers (such as Michael Lewis and Frank Partnoy) who find their satirical criticisms are slavishly copied, transmuted and emulated (Pixley 2004, p. 89; 2012, p. 108). Traders get the most attention from journalists and ethnographers, with their antics typically mapped back to 'hormones' or over-abundant 'self-confidence'.

A better sociological understanding of the operations of emotions in financial markets must look beyond metaphors of wild weather and viruses, and images of testosterone-charged males in primal competition. Following our framework outlined in Part I, we seek to identify how macro-actors deal with uncertainty, partly through the emotion rules of finance (e.g. Pixley 2009). Only a limited view of the financial industry is gained by investigating a single trader and his/her daily interactions. Finance is a global network of trading houses, banks and mutual funds, with peak players whose "interweaving of individual moves" and rapidly shifting positions, to quote Elias, appear to be "following a blind course" (1978, p. 103). Finance is a loosely regulated field; central actors tend to innovate haphazardly, reactively. (Nonetheless, financial markets are highly dependent on major state institutions to underwrite bank money creation.) The web of interdependencies is so complex that it is difficult to understand from any particular vantage point and this generates further problems. Tellingly, when various governments held inquiries into the Crisis, the list of actors involved in conflicts of interest (see, notably, the Levin Report (2011)) was so long that ascribing responsibility seemed impossible.

The emotional content of finance is shaped by specific market rules. Fligstein (2001, p. 40, 15) identifies the "four types of rules relevant to producing social structures in markets—what can be called property rights, governance structures, rules of exchange, and conceptions of control" (2001, p. 32–33). We argue that overlapping this cognitive component of market rules are emotion rules, which define how emotions are (or should be) played out in often ruthlessly competitive environments and uneven games. Given the emotion-charged environment of finance, and the permanent state of uncertainty in which it operates, it makes sense to identify the emotion rules that financial actors develop and deploy. As Pixley shows (2009, 2010b), financial decision-making under uncertainty—where fear of losses is very real and the need for instant judgments is normal—is highly emotional. Emotion rules in finance act much like their overlapping cognitive

equivalents: they can make action possible; and at times, they normalise risk, incompetence, loss, and even injustice. Some examples assist in understanding how they operate:

- Big banks and corporations deal with competition and uncertainty through emotion rules.[7] One increasingly copied emotion rule governing exchange is *caveat emptor* (buyer beware), which may pass on future dangers buried in financial products. It implies emotions of suspicion and distrust, yet unlike toxic food, it denies legal remedy to risk-averse purchasers of allegedly 'safe products', say, of income streams from loans. Bourdieu stresses that "the act of *signing* a contract is so harrowing" because of its fatefulness (2005, p. 186). Worse, *caveat emptor* is often only in the fine print, and the 'product' is rarely understood either by the salesperson or bank client (Pixley 2012, p. 257–260). It leaves the client not the dubious producer at fault.
- Yet with 'light touch' regulation, *distrust* among banks, fund managers and their assessors (law, accountancy and credit rating firms) is a pervasive emotion rule.
- Emotion rules manage uncertainty by promoting the 'stability' and security of certain core facts. The emotion rule of *ceteris paribus*—all else being equal—has allowed financial actors to assume continuity by relying on probabilistic models that extrapolate from past economic trends. It too is found in the fine print of contracts.

Given endemic uncertainty, Pixley also shows that money's emotion rules are typically oriented around time horizons. How a firm creates 'certainty' rules in facing the unknown varies by whether the rules look to the *present, past, or future*. In the very short term, or present reality of the last minute's market activities: "Traders are like fish in the sea, they only think about the next mouthful" (cited in Pixley 2012, p. 77). However, longer-term planning to deal with uncertainty also involves seeking past patterns, and raises an obvious question: which past to pick? The history of the Great Depression (or of a minor upset in 1962 for that matter) may or may not be meaningful in facing *this* future. A past orientation exercises a different kind of control over present and future. Take, for example, instances of Alan Greenspan's refrain, "I've been on Wall Street since 1948",[8] as a way of consolidating his leadership at the Federal Reserve. Finally, among those who accept the *unknowable* future, this may produce emotions of ultra-caution or in contrast of recklessness if it is guided by a tacit assumption that governments cannot allow big banks to fail.

Financial actors like bankers—"merchants of debt" (Minsky)—capitalise on uncertain futures by widespread "trading in public hope", in Drahos's phrase (2004). This merchandising of hope for security in *money* was offered to the millions after the 1970s when the possibility of secure jobs seemed to have gone. The scene was set, more recently, for severe household indebtedness and personal bankruptcy around the OECD. Interviews with financiers (Pixley 2004, p. 129) reveal occasional regret about these developments and the role banks have played.

At the same time, banks and financial traders prime their organisations for market conditions. Fineman, who writes on emotion in organisations, argues that emotion-management is a critical tool for managing staff: "Emotion is 'unrolled' and divided into convenient units" to assess commercial "successes" (2004, p. 721–724), such as acting out "a passion to sell products in a sincere way" (Chapman, cited in Fineman 2004, p. 730). In a boom, boldness, self-confidence and financial 'literacy' are fostered to raise risk taking. In a bust, risk aversion is wanted: timidity, reduction in testosterone, a 'feminine touch' are favoured.

[7] Flam (1990) explores 'emotion-rules' in corporations, under communist-command and capitalist economies; see also Flam (2013).

[8] Alan Blinder alerted Pixley (2004, p. 85) to this FOMC quote 'behind closed doors', adding that others asserted authority like this in Treasury, and few committee members could retort that 'I've been on Wall Street for 50 *days*'. Greenspan's favourite phrase during his tenure was to say 'history tells us', but surely history recounts constant uncertainty under a 'fog of war'.

15.4.2 Money and Emotions

Emotions are central features of financial markets—but what about money itself? Everyone accepts that wild desires and urgent needs for money involve turbulent emotions. But fewer people understand money, and how it is created, particularly by the same banks we have just discussed. Even during a monetary crisis, most economists and sociologists ignore money-creation: as do bankers. Schumpeter wrote in the 1940s "even today" textbooks start with a story about how cash is simply more handy than barter (1954, p. 717). The standard approach to banks likewise gives them a modest, passive role as the intermediary between depositor and borrower. In tranquil times, money is under little scrutiny.

Mainstream financial economics, with one definition of money, 'money-as-exchange', has value residing in the goods and services that we madly desire. Money is a modest add-on with no cognitive or emotional significance, a "technical device", says Schumpeter (1954, p. 277) who denies this view strenuously (1954, p. 717–731). Mainstream sociological views extend ideas of money into social realms, yet only as a convenient 'thing' of social use. For instance, they highlight the stratified ways in which money is exchanged, how it has many and varied cultural effects. Zelizer (1994) shows vividly that different social groups attach different symbolic meanings to money; for example, according different significance to wages and to windfalls.

Conventional sociology pushes money-as-barter beyond individual choice but, like conventional economics, it sticks only with money's convenient exchange function. In Parsons's systems theory, money, like language, is functional for social integration; money is a mere sign or, in neoclassical metaphors, a "lubricant", still a neutral expression of the "real" (Ingham 1998, p. 6). The only qualification is that more money is better. Anxieties are allayed or happiness gained if we have enough money to meet needs and to display status.

This tranquil account has deficiencies. Neither conventional economics nor conventional sociology can explain how money can be safely 'stored'—something claimed by the finance industry in 'selling hope' in the form of financial products. How does anyone know when money might deflate or inflate, or if money will be accepted in 40 years' time? In the 1950s, Paul Samuelson gave an answer to this question—money, as a projection into distant futures, is "accepted because it is accepted" (cited in Orléan 2013, p. 57–60). More recent search models (e.g. the 'efficient market hypothesis') dispense with his circularity. Mathematics could, allegedly, bring 'information' into the present. Today is tomorrow. Everyone can be blasé. Orléan (2013) demolishes these 'tranquil' views, arguing that money is a social-emotional phenomenon of collective representations in the Durkheimian sense. It is not only that 'routines' of money are uncertain, rarely permanent, but also that emotional representations of money's power are striking (Orléan 2013, p. 61–65).[9]

The conventional view of banks is equally tranquil. Bankers are "intermediaries of other people's money", collecting it from saver-martyrs, from "innumerable small puddles, where it stagnates, in order to hand it to people who will use it" (a sarcastic Schumpeter 1954, p. 319). Tim Geithner, then US Treasury Secretary, benignly explained in 2009 that:

> the purpose of a financial system is to let those who want to save—whether for vacation, retirement or a rainy day—save. It is to let those who want to borrow—whether to buy a house or build a business—borrow. And it is to use our banks and other financial institutions to bring savers' funds and borrowers' needs together (cited in Pettifor, with counter arguments; 2013, p. 11–12).

But the role of banks in the monetary system is far more active. Banks have state licences to create money (legal tender) and selling loans is the source of their profit. Schumpeter exposes an unsettling, "frightening" reality: in actual "banking practice" savers have a minor role, because bankers increase "the quantity of money" (1954,

[9] From Daniel Defoe to Isaac Newton, Emile Zola or Samuel Butler, Mark Twain to Michael Lewis, the literature on money's emotional power deserves further research.

p. 320). Savers' deposits are tiny compared to the loans that banks deposit and the "near money" that financial firms create. Indeed, central bank data show that at present bank money amounts to 97 % of the total broad money, with the state accounting for 3 % (Ryan-Collins et al. 2011). Andrew Haldane (2010) from the Bank of England, for example, shows that from the 1860s to 1970s in the United Kingdom, bank credit money (assets) remained at around 50 % of GDP—in line with economic activity. However, from the 1970s, bank assets rose to 600 % of GDP by 2007, the year an obscure English bank collapsed.

The role of banks in producing monetary crises, precisely because of their money-creating ambitions, is highlighted in Minsky's view that newer financial capitalism is increasingly unstable in unpredictable ways (2008, pp. 319–320). This is illustrated by aggressive commercial and investment banking practices that included new types of near money in the lead-up to the GFC. One flogged their 'products' at small airports in Germany (Royal Bank of Scotland) and another to the mentally ill in Hong Kong (Lehman)—right up to their bankruptcies.[10] Following Orléan, monetary crises reveal intense emotions. President Obama even told American bank CEOs in early 2009: "My administration is the only thing between you and the pitchforks" (cited in Johnson and Kwak 2011, p. 3).

However, Schumpeter (1954) and Simmel both agreed, capitalist money can also be socially productive. Simmel (1990, p. 172) marvelled that through 'manufacturing money' its power is magnified. Here lies the key to money's "dual nature" (Ingham 2004). Banks can create money with a dangerous focus on profits alone, and by doing so amplify money's fragility. Alternatively, money can be directed to social investment through hoping for the borrower's success. No doubt conflicts and tensions over the creation and uses of money are endemic to unequal economies with competing social and economic interests. Collective fears of public debt contributed to right-wing political mobilisation in the United States through the Tea Party movement (Skocpol and Williamson 2012). Indeed, Veblen had more than a century ago noted the longing for "the metaphysical stability of the money unit" (1904, pp. 237–238) as the fraught social hope in capitalism.

15.4.3 Emotions of Inflation and Deflation

Our discussion of money extends to two polarised states where money relations become dysfunctional: high inflation and deflation. Inflation is an increase in the "general level of prices"; that is, "when the amount of money required to buy a representative bundle of goods" increases (Flemming 1978, p. 13). But since the last burst of inflation in the rich democracies in the 1970s and 1980s, sociological interest in inflationary processes has waned. Historically, however, bursts of high inflation (especially sharp shocks to the prices of food like rice or bread) have had symbolic and emotional power. And, hyperinflation, characterised by accelerating volumes of money in circulation, is an extreme case and deserves special treatment.

The emotions of high inflation tell us about broader economic conflicts. Looking at the 1848 European revolutions, Berger and Spoerer show statistically that rapid increases in food prices (not just radical ideas) were an important trigger for the economic crisis that in turn produced massive popular discontent (2001, pp. 318–319). In 1979, Margaret Thatcher made a famous appeal to voters about the harm of inflation by holding up two grocery bags, one pathetically emptied by the impact of five years of inflation. There are more recent and dramatic examples. The Asian economic crisis of 1998, which produced a huge depreciation of the Indonesian rupiah, forced up fuel and rice prices and broadened the wave of discontent across Indonesia that ended General Suharto's dictatorship (Freedman 2005, p. 235).

Maier argues: "Social and political structures help shape inflation; conversely inflation alters collective social roles" (1978, p. 39). According-

[10] Pixley saw RBS staff dressed like airline stewards at Dusseldorf, Cologne-Bonn and Frankfurt airports many times in 2007–2008. On Lehman, see Pixley (2012, p. 185).

ly, inflation is a channel for conducting, managing and even intensifying conflicts between economic interests. High inflation in the 1970s—stagflation when combined with unemployment—was produced in part by the 'hot emotions' of class conflict with strengthened unions able to press wage claims. The particularly intense conflict in Chilean society during Allende's government had led to 500 per cent inflation by 1973 (Friedman 1994, p. 235). As Goldthorpe put it at the time: "current inflation ultimately derives from … [a]… more intense and equally matched social conflict than hitherto" (1978, p. 210). Disfavouring creditors, 1970s inflation became a symbol of "class fear", to use Barbalet's (1998) term; in that case, fear by other classes of working class power. The same 'hot' industrial climate shifted money relations in other ways. Overburdened governments increased the money supply to placate discontented electorates as well as to manage what Brittan called the "bias of excessive expectation in democracy" (1978, p. 166).

Extremely severe inflation—hyperinflation—goes hand-in-hand with a rapidly expanding money supply chasing finite resources. Hyperinflation is a particularly vicious disturbance of monetary orders and society (often already at breaking point), quite different from inflations produced by rising investment, class conflict or corporate and union power. Governments (and central banks) have a variety of motives for vastly increasing the printing of money. (Quantitative easing in the USA and the United Kingdom since 2010 is not an example *while* deflation persists.) In periods of severe crisis (i.e. to finance a war) massively increasing the money supply rapidly serves an important function and, indeed, powerful interests can even favour hyperinflation. Lenin's line was that 'debauching the currency' would destroy 'Capitalism' and Keynes says he was "certainly right" (1971, p. 148–149). Governments "confiscate, secretly and unobserved" and impoverish many while enriching some, raising prices for entrepreneurs. By contrast, Churchill, when Chancellor of the Exchequer, shared Keynes's equally hostile views on the deflationary path of mass unemployment imposed on Britain in the 1920s (Ahamed 2009, pp. 231–233).

Fear of inflation is a powerful anticipatory emotion, expressing fears about competition for assets, unpredictability and declining purchasing power. Germany, for example, is thought to have 'inflation averse' voters, one probable factor in that country's response to the financial-economic crisis in southern Europe. Whereas today many people are both savers (through pension funds) and debtors (through home mortgages), most people in Germany rent and perhaps this fact makes them more hostile to mild inflation that eases debt (Lanchester 2010, pp. 71–81). Writing about quantitative easing in the financially-battered United States in 2009, James Surowiecki observed that:

> there's something peculiar about how powerful fears of inflation are. In the past ninety years, the U.S. has had one only one sustained bout with high inflation–in the seventies. That track record should engender some faith that central bankers are going to be responsible and that a healthy industrial economy isn't prone to regular inflationary spirals. It hasn't (2009).

Perhaps the reason for this fear is that it is quickly re-ignited by the 'coalitions of interest' (namely, financial markets, creditors and institutions like the IMF) who favour low inflation. Yet the 'money illusion' of nominal, not real, prices in inflationary periods can operate inversely, increasing entrepreneurial confidence and producing booms.

Deflationary periods are outlier scenarios at the opposite end. Money, in a sense, becomes too powerful and debt burdens become greater. Deflation brings out different fears; emotionally, deflation is the anticipation that tomorrow will be worse than today. Deaton shows, for example, that expecting a downturn had an effect on overall American wellbeing—apparently more than the downturn itself (2012, p. 22). And, a 2013 study reveals something further: parents become harsher with their children during downturns; "that changes in macroeconomic conditions, rather than current conditions, affect harsh parenting" (Lee et al. 2013, p. 4). However, the best evidence of the emotional impact of deflation is studiously compiled by health researchers in *The Body Economic* (2013). Stuckler and Basu's epi-

demiological study shows how "austerity kills", by comparing countries that applied austerity and stimulus, and casting these contrasting policies as "natural experiments" performed on populations (2013, p. xii). The countries that responded with austerity had a rise in preventable diseases, depression, premature deaths, and suicides. Those that chose stimulus did not, and emerged with greater economic and physical/mental health more quickly than those under austerity (2013, pp. 109–13, 123–137; 142–145).

15.4.4 Trust and Confidence in the Economy

Trust—interpersonal, social and political—is widely considered as vital to democratic functioning. In economic relations, trust is just as important. As Swedberg (2003, pp. 248–249) points out, major economic institutions carry the responsibility for promoting trust by ensuring transparency and predictability as well as by enforcing rules and punishment. By contrast, widespread distrust of other people, or institutions, limits interactions, adds to transaction costs, retards innovation, and leads actors to "insure against losses". Trust in complex societies takes on particularly *impersonal* characteristics; the varying and often asymmetric conditions, which regulate the styles and content of impersonal trust is examined closely by Shapiro (2012).

How does trust relate to emotions in the economy? Pixley (2004) establishes that they are strongly intertwined because economic life is preoccupied with managing uncertain, even unpredictable, futures that bring out potent emotions. Berezin (2005), by contrast, sees trust as cognitive and perceptual, with emotions only playing a supportive role. In adopting this position, she relies on Coleman's view of trust as a "bet on the future", reiterating its cognitive and calculative dimension. Accordingly, one has the impression of a highly isolated actor, outside relationships and grasping them from a distance; as Misztal remarks, Coleman's "version [of] trust is a less emotional, more calculating, colder device for policing free riders" (1996, p. 79).

The emotional component of trust emerges once the *relational* nature of economic actions is acknowledged. Continual monitoring is potentially inefficient, entails its own risks and, anyway, emphasising this aspect of trust takes too little account of the fusion of interests and mutual projects involved in making business alliances. Barbalet adds that emotions "permit action which would be inhibited if it were to rely on logic or calculation alone" (1998, p. 49). That breaches of trust frequently involve explosive emotions reveals their integral role in all trusting relationships. Even trust in highly impersonal contexts is emotional, protected by stable institutions—buying US dollars as a safe haven in unstable times is connected to feelings about the power and security of the United States; but trust in money vanishes under sudden crises.

Confidence involves an extension of trust, with major institutions playing the leading role. In the macro-economy, confidence involves the *active* process of establishing and maintaining trust across the economy particularly "among those with power and material resources" (Turner and Stets 2006, p. 39), who demand a good climate for investment. Barbalet (1998, pp. 94–101) has considered these dynamics in detail, following Michal Kalecki's war-time intuitions. and we rely on this account in what follows. Governments are under constant pressure from business enterprises to create certainty by acting predictably and making policy conducive to profitable investment. As Kalecki pointed out, "capitalists [have] a powerful indirect control over Government policy: everything which may shake the state of confidence must be carefully avoided because it would cause a crisis of confidence" (1943, p. 325). Business confidence is highly emotional, as Keynes said in remarking about "fears" of a Labour Government in the United Kingdom (1973, p. 162; see also Barbalet 1998, p. 98). The shattering of business confidence, for example, is the outcome, Barbalet argues (1998, p. 98), of "serial" responses, operating through the information networks of investors. Restoring business confidence, however, is not without contradiction. As Kalecki wryly said (1943, p. 324), businesses will stand in the way of the

resolution of unemployment and idle capacity if this involves ushering into reality the unfavourable "social and political changes" that genuine full employment implies.

15.5 Conclusion

This survey cannot claim to have fully integrated the rich and absorbing insights of thinkers identified with this sub-field of the sociology of emotions. Research in this area, we argue, would benefit from closer engagement with perspectives that identify the economy as a flux of macro-actors, processes and institutions, and with the rich traditions of heterodox economic thought. Combining these perspectives, we get a sharply different picture of the economy from that provided in microeconomic texts—one dominated by powerful actors, inequalities, and macro-emotional civilising and de-civilising processes shaped by the business cycle, and its 'tranquil' points that Minsky describes. Capitalism is a highly emotional experience. Classical sociologists and economists described the flesh-and-blood actors as well as the historical disjunctures and conflicts that defined the emerging architecture of capitalist economies. The emotional undercurrents in economic life are never far from their core insights and observations. Perhaps the vision of a world dominated by spirited, lone entrepreneurs financed by banks has gone forever. But the task for sociologists, we believe, is unchanged: to continue to characterise and analyse the role of ever-more complex actors (like global banks) and processes (financialisation, for instance) that produce and shape economic sentiments.

Perhaps, finally, Keynes's concept of "animal spirits" has special significance to future sociology in this area; it is a creative, open-ended account of economic decision-making that is more than ingenious description. Wiley (1983, p. 40) characterises Keynes's position as: "we act as though we are making a rational decision,… pretending we are using a valid calculus." What we need, as this chapter argues, is a perspective which goes beyond that pretence; one which recognises that, in the words we have already quoted from Durkheim, "things happen in the way established by experience" and that emotions are central to that economic experience.

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