Beyond Twin Deficits:

Emotions of the Future in the Organizations of Money

By J. F. PIXLEY

ABSTRACT. This paper outlines new developments in the sociology of money. It highlights certain aspects of Post Keynesian monetarism and explores Keynesian concepts of emotions relative to economics and economic sociology. Gunnar Myrdal's work on time and money contributes to the discussion. Underdeveloped areas of discourse in both sociology and economics are identified and the resulting superficiality of references to money are examined. Sociology, for example, has historically neglected concepts of future time and money, while economics has paid little attention to emotions and organizations. Removing these orthodox barriers allows economics to be informed by concepts previously relegated to sociology, such as emotions of trust and confidence. This process may induce the disaffected from both disciplines to draw from each other, creating an alternative, and ultimately more satisfactory understanding of money.

I

Introduction

MONEY AND HIGH FINANCE ARE MAJOR CONTEMPORARY CONCERNS. Advocates of market orthodoxy are having difficulty advancing the merits of further financial liberalization to an 'informed public', and even former proponents are expressing disenchantment.[1] One need only consider the failure of 'shock therapy' for Russia, where a formal finance structure was lacking; or the World Bank's criticisms of the IMF's policy toward Indonesia in 1998, where unemployment, distress and military violence mounting daily.[2] The heartland of world finance, Wall Street, attempting to suggest that the 1997–1998 Asian financial crises were only due to 'cronyism', was

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startled in late 1998 by the sudden collapse of a US hedge fund ironically called Long Term Capital Management (LCTM). It was alleged to have borrowed US$1.25 trillion, investing twenty times its own capital on some holdings. The large investment banks (e.g. Merrill Lynch and Goldman Sachs), required by the Federal Reserve to rescue it, had been kept in the dark about LCTM's long-term exposure; apparently influenced by the financial sector's blind faith in LCTM's so-called 'gurus' John Meriwether and two Nobel-winning economists.[3] In other words, 1998 was not a good year for high finance.

Amidst these crises, critiques of market liberalism are a 'growth industry'.[4] New arguments for international and national regulation are important but few offer assessments of the *limits* of proposed remedies. More necessary than criticism, however well-justified, are innovative theoretical challenges which will engender alternative research programs and alternative policy debates. Contemporary problems are too pressing for analysis to remain constrained by disciplinary boundaries. Sociology has been reluctant to assess the financial side of economic life with its intensely future orientation. In the same way, economics has been relatively uninterested in the hierarchical, unequal distribution of power and the conflicts (not mere competition) for control over opportunities that largely take organizational forms.

Where might a fruitful meeting place on money exist? Economists and sociologists agree that a money economy cannot exist without a normative consensus and *trust*, backed by state authorities (Mizruchi & Stearns 1994 p. 317). Trust is central to the existence of money, however most monetary theories treat it as an ad hocery (Ingham, 1996a p. 250). In contrast, sociological explorations of trust are well-developed and linked to the concept of risk (e.g. Niklas Luhmann, Ulrich Beck). In the case of finance organizations, trust and risk are pre-eminent but rarely defined in these sociological terms (despite their reassuring names, such as Bankers Trust). Thus, where economics and sociology intersect, sociology is capable of analyzing trust but needs active, cross-disciplinary discussions with economists about money. Economists, in contrast, may be interested in the converse.

Only a few sociologists have developed a significant body of research on money. Of note are Tom Burns (e.g. 1998), Geoffrey Ingham (e.g. 1984; 1996; 1996a; 1998) and Giovanni Arrighi (1994; 1998). They have insisted that money is a social relation and, consequently, a social institution. Although the leading economic sociologist Richard Swedberg discussed international finance earlier (1987), he and Mark Granovetter (1985) have subsequently had more influence on important research on embedded networks in market arenas. Sociological and cross-disciplinary perspectives on money emerged at the height of the inflation of the 1970s (e.g. Hirsch & Goldthorpe 1978; Burns et al 1987) but later abated (Ingham 1998). Other sociological work includes Heiner Ganssmann (1988) and Nigel Dodd (1994), who agree with Ingham about this neglect. Sociology has looked at the social and cultural effects of money and/or accepted orthodox economics or neo-Marxian political economy of money as a neutral veil or a medium of communication (e.g. Mizruchi & Stearns 1994, Deutschmann 1996). It has not looked at the 'power struggles' at the center of the production of money, as Ingham proposes (1998 p. 14).

The economics that is informed by the new sociology of money is largely Keynesian. Foremost are Keynes' concept of liquidity preference, and Post Keynesian views on rentiers (Smithin 1990; 1994; 1996) and their rejection of the neutrality of money. As Hyman Minsky puts the Post Keynesian case, most economists of Keynes' time and of today, are 'unwilling to give the monetary-financial sphere the full partnership in determining the behaviour of the economy [along with labour market determination], which is central to Keynes' vision of the capitalist economy' (Minsky 1996 p. 79). Thus money creates its own instability, rather than being merely derived from unstable profit rates in production.

This insight is crucial for the new sociology. Although capitalism entails free wage labor, for Ingham and Arrighi (1994), 'production and command of mobile credit-money' (Ingham 1998 p. 9) are just as important. The mobility obtained through money's non-commodity form lies in the social structures of debtor-creditor relations and its future orientation. Georg Simmel's classic *The Philosophy of Money* ([1907] 1978) is a critical resource for Ingham's argument that money is itself a social relation entailing 'promises to pay' (1998 p. 10). For Simmel, the relationship between two parties engaged in the bartering process is transformed by money transactions into a relationship that each party has 'with the economic community that accepts the money' (Simmel 1978 p. 177).

Another important Post Keynesian debate concerns the problem of predictions about the unknowable future, in cases where decision-makers simply 'haven't got a clue' (Davidson 1991). Although sociology is rightly concerned with past time and present time (the increasing simultaneity of time has preoccupied figures such as Giddens), little consideration is given to future time (partly because prediction is inadmissible to most sociologists). Yet work done by the Stockholm School and Post Keynesians is most important. In discussing time, economists frequently refer to emotions of trust, mistrust, confidence, fear, and depression, but the context of uncertainty and expectations within which these emotions or 'animal spirits' (to use Keynes under-theorized phrase) are referenced is unsatisfactory.

The sociology of emotions (particularly Barbalet 1996; 1998) is another new field capable of analyzing not so much the 'subjective sentiments' but the social bases of these emotions. It looks at the way decisions about economic action or inaction (e.g. the liquidity preference) are made — motivated by a pseudo-rationality which projects the present into the future then back to the present. Also included is Luhmann's definition of trust, that it presupposes risk which, unlike danger, can be avoided (Luhmann 1979; 1988).

The combined approach of economics and sociology can better identify instability and fear of the future, endemic at the peak of the economic system. As Gunnar Myrdal of the Stockholm School argued, it is the existence of money that magnifies the future orientation; wherein lies ignorance, hence uncertainty and, as sociology suggests, the need for trust when taking risks.

Sociology neglects issues of time, and economics neglects issues of the emotions. Emotions help deal in the present with the unknowable future, and both issues are essential in developing systematic alternative understandings of money and finance. It would explain, for example, finance organizations' constant data collection and assessments of the expectations of and confidence felt by aggregates of relevant economic groups. All this information or 'news' is collected in the hope that it is predictive and therefore can form the basis for decisions. This is the fundamental meaning of 'information society', in my view.[5] Concepts from the sociology of organizations, particularly Stinchcombe's work on the ways that organizations 'grow' towards the available information (1990) and the endemic problems with impersonal trust organizations (Shapiro 1987), are also essential for developing alternative understandings of money. While there are sociological studies of banking and finance at low levels of abstraction, few are grounded in an explicit theory of money (Mizruchi & Stearns 1994 p. 313).[6] The case for regulators demanding greater 'transparency' for creditors is less convincing if consideration is given to a likely proliferation of guardians to guard the guardians of money.

This paper poses such alternative analysis as a potential meeting place between economics and sociology about money. It will not delve into arcane disputes in sociology and will leave economic debates to economists, except to reject the methodological individualism of predictive models.[7] The alternative would start from the basis that *uncertainty* of the unknowable future is magnified in the social relations of money. Analysis aims to highlight the new sociology of money. It will show the fruitfulness of Post Keynesian monetary debates and the issues of uncertainty, time and money developed by Keynes and the Stockholm School. Using the sociology of emotions and of organizations this paper will emphasize the benefits of this unique combination of approaches.

Such considerations suggest further research on whether, for example, certain indirect inter-relations between financial organizations entail a surfeit of impersonal trust; that is, a reduction of uncertainty and of vulnerability is more of a problem than a solution to financial crises. This is opposed to arguments advocating increased social integration through building secondary trust relations (Putnam 1996, Fukuyama 1995), as they ignore impersonal trust (Pixley 1999). Another issue concerns the origins and strength of the meanings of the particular financial 'slogans' that impersonal *trust* organizations employ to assess credit-worthiness, risk, and potential gains. The problem is that numerous Post-Keynesian and other economists have deconstructed the discourses of orthodox economics, criticizing the 'great scares' of 'inflation' and 'deficits'. However, the hierarchically organized forms and social bases of these catch-cries need greater attention. An alternative would investigate the categories in the population which more or less 'consent' that economic policy should be largely reduced to finance policy despite 'technical' arguments to the contrary (often with more socially responsible remedies) from other economists. The relative absence of processes of democratic deliberation about financial matters, and the contrasting search for numerous technical or populist 'fixes', are equally of concern for an alternative analysis.

II

The Sociology of Money and Post Keynesians on Money

ALTHOUGH MONEY HAS BEEN THE PURVIEW OF ECONOMICS, disputes about the main functions of money and how it performs these functions are endemic to that discipline. The mainstream alleges that money is merely a neutral mask over the 'real' economy (cf. Smithin 1994 pp, 1; 11-12), and many sociologists accept this orthodox economic view, rather than that of Keynes (cf. Ganssmann 1988; Ingham 1998 pp, 4-5; 15). General equilibrium theory, other economists maintain, does not find proper room even for the existence of money. Still other economic theories assign, at best, a minor role to money including the popularly known monetarism (Minsky 1996 pp, 73-4). Also, the 'habit of money to be tolerably unreal in normal times, but wildly fictitious in times of speculation. . .has yet to be accommodated into monetary theory' (Desai 1988 p. xiv).

Thus, alternative approaches are well justified. According to Ingham (1996a, p 267) however, economic sociology's focus on 'micro' networks provides few means to move to broader economic processes. Mark Granovetter's argument about the embedding of economic life in social networks (1985) merely tends to 'add' face-to-face interactions and social relationships to unexamined assumptions of macroeconomic terms. Since social interaction pertains to any form of action, the 'embedded network' thesis says nothing specific about 'the market' or inflation. In contrast, a sociological analysis would not leave this broader level to orthodox economics, with its pervasive assumption of the macro as an aggregate of individual agents. Rather, the macro level comprises social relations with emergent structural properties, which need treating in more specific terms than simply 'adding' or embedding social meaning and social interaction around the outskirts of a still reified 'market'.

Developments in the sociology of money by Ingham, Burns and others stress that it is important to use different levels of analysis including that of 'embedded' networks, but *primarily by treating money as itself a social relation* (thus, Ingham 1996). Sociologists Max Weber and Georg Simmel argued similarly, which shows that this claim is not new. Economists Joseph Schumpeter, Maynard Keynes and Sir John Hicks (eventually[8]) and Post Keynesians accept the credit theory of money as against neo-classical and monetarist positions. (This has been partly characterized as a debate between exogenous versus endogenous money in economics, where exogenous money is assumed to be a neutral, fixed amount that outside agencies such as a central bank can (and should) control, and that the rate of interest on money is a 'natural' rate set by the 'real' economy (Smithin 1994 pp. 5-6, 25; Chick 1983 pp. 178 – 191).[9]) In the opposing case, money is no 'neutral' veil or useful 'lubricant' masking the 'real' economy. Thus Minsky endorses the idea that 'when the veil flutters, real output sputters', stressing that a financial structure is a major component of a capitalist economy (Minsky 1996 pp. 74, 83). For Ingham, money itself is a social relation entailing 'promises to pay'. He suggests that 'if money is essentially an abstract measuring system, then all 'money (as opposed to barter) is 'virtual', including not just 'modern' or even 'postmodern' money' (Ingham, 1998 p. 10).

Money has at least four, frequently contradictory (Burns 1998) functions. It is a medium of exchange, a store of value, a unit of account, and/or a standard of deferred payment. Compared with the mainstream economic view, money is less about reducing the inefficiencies of barter in a static exchange (Smithin 1994 pp 10-12; 18), since as Keynes said 'if this is all, we have scarcely emerged from the stage of barter' (cited Ingham, 1998 p. 9). Similarly, in sociological accounts influenced by Talcott Parsons, money is too often reduced to a medium of communication, a mere symbol (rather than a 'thing' for barter) — a harmless social device (Ganssmann 1988 pp. 287; 293-4). Yet, transactions are mainly 'exchanges of debts', the trust and confidence in the value and final, 'ultimate' payment are paramount, according to Smithin (1994 p. 24). Burns suggests that the stability of money as a means of exchange rests on social consensus but such stability is constantly contradicted by the use of monetary signs for sources of funds for investment, development and more accumulation (Burns 1998). So, Post Keynesians and these sociologists agree that money cannot be divorced from issues of credit, speculation, and uncertainty. This is because the nature of money is about trustworthy credit relations occurring in a 'market economy in which both production for sale. . .and most exchange relations have a temporal dimension' (Smithin 1994 p 18).

The essential sociological idea is that the social relations of money are not reducible to the social relations of production[10] which is similar to Keynesian and Post Keynesian views (e.g. Minsky 1996 p 79). Simmel's classic treatment is found in his *Philosophy of Money*, particularly in the first section — an undeservedly neglected section, Ingham notes (1998 p. 8). Simmel holds that medieval views on money adopted the inflexible, Aristotelian doctrine that it was 'unnatural for money to engender money' and that use and spending were identical. In contrast, Simmel suggests money must be seen as a 'productive power' linked to the 'fluctuations of life' (1978 p. 169). As he says, money was formerly acquired by 'unproductive methods' such as war and tribute (e.g. ancient Rome). It was also lent for consumption not production, so that interest was not seen as 'a natural product of capital' (Simmel 1978 p. 182).[11]

Simmel's major point is to stress the profit from the *use* of money, not from mere ownership of money but rather 'the money yielded by money' (1978 p. 182) or, as the tax system calls it, the capital gains. The loaning of money divides its 'activity' into two parts, and thus greatly expands its 'economic energy'. However, such a process rests on an 'intellectual abstraction' that can only take place in 'a firmly established and civilized social order'. Thus, Simmel argues, 'the inner nature of money is only loosely tied to its material basis; since money is entirely a sociological phenomenon, a form of human interaction', it has a 'clearer character' when social relations are 'concentrated, dependable and agreeable' (Simmel 1978, pp. 169; 172).

Moreover, Simmel shows its further mediation, for when the value of exchange 'has no direct value for the other party [i.e. unlike barter], but is merely a claim upon other definite values', the realization of this claim depends on the whole economic community or the government 'as its representative'. Money transactions move a relation between two exchanging parties to a relationship that each party has 'with the economic community that accepts the money'. 'This is the core of truth in the theory that money is only a claim upon society' (Simmel 1978 p. 177). The social significance of Keynes' remark that the liquidity preference is not an option for the whole society is rendered analytically rigorous.

If money is a credit relation in which trust and confidence are 'paramount', a process of concentration and centralization is readily understood.[12] The development of central banks was no mere aberration from a more 'perfect' self-regulating market, as Post Keynesian John Smithin points out (1994 p. 80) and there is little evidence that such a money 'market' could provide viable money (Ingham 1998 p. 13). 'In an uncertain environment promises to pay are inevitably of different quality, and the process of acquiring a good reputation in this respect will have a self-reinforcing quality' according to Smithin. A hierarchy of less- to more-reputable issuers of promises to pay, whether of central banks which did evolve, or even in so-called deregulated environments, seems unavoidable and inevitably entails power relations (Smithin 1994 p. 80). Analysis would also be sharpened by use of the sociological concept of impersonal trust organizations (either private or public). In contrast to neo-classical views of the neutrality of money, Simmel's case is compelling: 'the function of exchange, as a direct interaction between individuals, becomes crystallized in the form of money as an independent structure' (1978 p. 175). Thus, money is 'a reified social function' where 'the sociological representative of the relation between objects and money is the relationship between economically active individuals and the central power which issues and guarantees the currency' (Simmel, 1978 p. 177).

Yet as Ingham argues, neither a central bank, the 'state' nor any other financial organization can simply establish or 'produce at will' the invariant standard and 'substantive validity' of money. Taking a cue from Weber, Ingham maintains that money's 'purchasing power can only be established through the struggle between producers and possessors of both money and goods'. But such a struggle, he argues, between relatively *autonomous* social processes of goods production and money production, is always contradictory, for in achieving monetary stability, instability emerges elsewhere. The control of inflation is a 'continuous rebalancing of power relations'. As he puts it, 'there is a constant tension and trade-off between the expansion of value through the creation of credit (and debt), and the breakdown of monetary stability through its over-expansion in relation to production' (Ingham 1998 pp. 13-14).

III

The Social Struggles of Money

Giovanni Arrighi is a fervent supporter of the idea of *money as one of the contested social relations in modernity*. He argues against Kondratieff cycles of long-term fluctuations in commodity prices as much as 'post-Fordist' and even 'flexible accumulation' explanations of the contemporary economic situation (1994 pp. 2-8). Taking a dramatic and sweeping view of contemporary global finance, the peculiarities of the late twentieth century are not so novel if one focuses less exclusively on trade and production and more on *the credit system and speculation* (Arrighi 1994 p. 229). Arrighi draws on Fernand Braudel in identifying phases of finance capitalism which tend to follow a wave of growth in commercial capitalism and the accumulation of capital far exceeding the scale for 'normal channels for investment' (Braudel, cited Arrighi 1994 p. 162).

Arrighi cites four main 'financial' phases. The first goes back (way back) to the Genoese, Venetian and Florentine era in the 15th and 16th centuries; the second to the 17th century which was dominated by the Dutch high financiers in Antwerp; the third to the late 19th century which was dominated by the City of London during the decline of the British Empire; and the fourth is the U.S. phase of the Wall Street 'financialization' of the late 20th century.[13] Arrighi insists that a capitalist logic of action guided Florentine business enterprise in the 15th century. The logic (namely the liquidity preference) was that capital should be invested in trade and production only as long as returns were higher than capital could have earned in financial deals. However, any move to flexible forms of investment such as *the financing of domestic and foreign public debts,* implied 'considerable economic, political and social turbulence' (Arrighi 1994 pp. 100-1).

More contentiously, Arrighi suggests a parallel between 'la belle époque' of Edwardian Britain and Reagan's USA. In the British case, considerable competition by the 1870s had led to over-production, the withdrawal of cash flows from trade and into profitable opportunities in world financial intermediation.

In a less epoch defining manner, Smithin agrees that a 'revenge of the rentiers' was accomplished by a 'political revolution' between 1979 and 1982. The 'aggressive' inflationary and cheap money policies of most monetary authorities in the early 1970s had become a 'nightmare' for rentiers (those who gain income from dividends and interest on financial investments). Rentiers suddenly experienced 'negative real rates of interest'. After the elections of Thatcher and Reagan, according to Smithin, rentier interests 'captured' central banks, converted them to 'hard money', high interest and anti-inflation policies, and monetary policies became overly concerned with financial matters such as inflation, government budgets and balanced exchange rates (Smithin 1996 p. 5).

The 'rentiers' revenge' put an end to what Smithin argues had been a 'workable compromise' between the competing interests during the post-war era. As he says, the remedy is hardly the aim of 'zero inflation' that mainstream economics has promoted ever since. More beneficial would be a new compromise in which rentiers gain a 'reasonable' but not exorbitant rate of return. However, discussions of what are 'fair' or reasonable shares of income are not on the agenda. Instead, right up until 1998, inflation has been controlled in many countries by 'keeping the economy permanently in a state of semi-slump' far beyond what might have been a necessary concession to the excesses of the 1970s (Smithin 1996 pp. 5, 132).

From these depictions of the contested relations of money, the present financial crises suggest, without being too alarmist, at least a time of 'global uncertainty'.[14] At what point does sociological analysis overlap with economic debates about money and time? It seems to me that the excessive prominence of rentier concerns and demands of institutional shareholders, in this situation of instability are best described as *attempts to control the future*.

The ordinary point that it is not possible to control the future is, however, not part of the conceptual framework of corporate and speculative ventures and the economic theorizing behind these activities. In one sense, Keynesian economics failed[15] to develop the fledgling sociological categories in Keynes' own work which, with his treatment of time and uncertainty, may help explain these efforts to control the future.

Keynes attempted to use psychological and sociological insights by imputing 'group' characteristics to three and occasionally four 'strategic' economic agents (Lekachman 1957 pp, 342-5; Smithin 1996 p. 74).[16] The 'investing class' (rentiers) and the 'business class' are the most crucial although, like consumers, they are an 'ill-defined mass'. Business entrepreneurs' expectations of the future were the most important, while Keynes ascribed a shrewd, short-term view to speculators (Lekachman 1957 p. 351). The class of 'earners' appears mainly in Keynes' early discussion of the distributional consequences of inflation, although he conceded that 'the same individual may earn, deal and invest' (cited Smithin 1996 p. 74). More to the point, Smithin points out, today's 'investing class' is now constituted by the pension funds and other institutional investors, and the role of the business class is comprised of large corporations (1996, p. 74).

Sociological analysis would explore the social bases and likely conflicts, contradictions and tensions between 'rentiers', 'business', consumers and 'earners' initially described by Keynes (Wiley 1983 p. 36), and place the various logical positions and their specific *uncertainties* (not mere interests) in today's organizational contexts. A sociological understanding of both inflation and deflation, Tom Burns suggests, defines it as a 'core process' in decentralized capitalist economies of 'conflict over the distribution of money income' (Burns et al 1987 p 301). It is, moreover, insufficient to pose this as a conflict between 'capital and labor' alone. The conflict exists, rather, between numerous social actors at various levels. Primary actors include representatives of owners/employers and trade unions, as well as rural organizations, banks and other non-bank financial organizations, consumers and, further removed, governments and central banks (Burns et al 1987 p 308). Overt conflicts and negotiations occur over wages and prices, productivity, employment and output, taxes and provision of public services, income maintenance, government subsidies, budget deficit resolution, and credit and money creation (1987 pp 305-6).

International organizations also figure increasingly in these conflicts. Debtor-creditor relations would be included, along with recognition that many 'earners' are today also debtors through their credit cards and mortgages and 'rentiers' through their pension or superannuation funds. The 'rentier-earner' phenomenon (however mediated through pension funds and business corporations) has expanded considerably in the major industrialized countries. Nevertheless, many more millions have no access to credit. In contrast, a key device in orthodox macroeconomics is the 'representative agent' who is 'buyer and seller, worker and employer, salesperson, consumer, accountant, and banker, all in one' (Smithin 1996 p. 6). Such a rigid microfoundation removes from sight the social and organizational bases of efforts to control the future.

IV

Future Time in Relations at the Peak of Finance and Business

As WITH PRODUCTION, but under incredibly short or 'virtual' time frames, the social relations of money are entirely future-oriented. This accounts for the enormous temptation in this field to predict, forecast, and prophesy by making generalizations from aggregates of expenditures. Structures of 'expectations' are investigated in the hope that they can predict future behavior and be valid at the macroeconomic level.

In contrast to contemporary economics, Keynes' interest in the liquidity preference was a formal acknowledgment of 'studying up' (in disuse even in sociology these days). His major insights into the 'unbearable uncertainty' of the future are crucial to developing sociological research on the asymmetry between money and commodities. Keynes' fundamental break with all previous economists was to dispute the assumption that private wealth accumulation results in the growth of productive capacity as a whole and 'thus serves a social purpose'.[17] Instead, there is constant instability and tension between the 'liquidity preference' and any public good that may or can result from accumulation of the means of production (Caporaso & Levine 1992 pp, 109-10). For different motives (precautionary, financial or speculative), savers, wealth holders and speculators have a preference for maintaining their wealth in liquid form, either 'storing' for a future purpose or by actively playing the asset market (Chick 1983 pp, 198-202). The conflict lies between the short-term and the long-term, and the tension is not removed by the corporate form. Although modern corporations could be said to 'own' the means of production, whereas individuals 'own' liquid shares in many corporations, for Keynes this only shifted the instability to financial circulation (Caporaso & Levine 1992 p. 110).

Keynes argued that liquidity of investment is not an option for the whole society. As he said, it is as though a farmer could decide to move farm capital into speculation for a few days, then return to farming by the end of the week (Caporaso & Levine 1992 pp, 111-12). The speculator, in Keynes' view, does not assess the 'soundness' or productivity of a business project or a firm. Instead the speculator has a short-term horizon, looking constantly to sell dear and buy cheap (Chick, 1983 pp, 204-07). As Victoria Chick points out, speculators are not ignoring uncertainty but are acting on their best guess, as if certain although they are not. The 'variety of opinion about what is uncertain' in Keynes' well-known phrase, means that there are usually both sellers and takers, all of whom are guessing what average opinion expects the average opinion to be (cited in Chick, 1983 p. 205; Caporaso & Levine 1992 p. 111).

Moving on, then, to 'studying up', historians of finance describe a past of 'elusive stability' (Eichengreen 1990), and this equally applies to the fragile present. Instability, moreover, offers less certainty about the future even in the limited sense of simple potential trends. Hyman Minsky places instability at the peak of the economic system, in the corporate business sector, as well as the finance sector. As Minsky says, 'an economy with a Wall Street cannot be static; it cannot abstract from time' (1985 p. 39). His major point is that 'financial instability is a normal functioning, internally-generated result of the behavior of a capitalist economy' (1985 p. 26). Minsky's 'financial instability hypothesis' poses the paradox that stability – 'or tranquillity – in a world with a cyclical past and capitalist financial institutions is destabilizing' (Minsky 1985 p. 37; Henwood 1998 p. 222). During the course of a sustained expansion, stability feeds back and affects long-term expectations. This in turn affects views about uncertainties which 'in turn will affect the asset values and permissible liability structures' (Minsky 1985 pp, 36-7). Once increasing units are engaged in speculative finance and what Minsky calls 'Ponzi finance' (where debts can only be paid for with further debts), an initial 'financial tautness' may easily turn into a financial crisis and even 'debt-deflation interactions' (Minsky 1985 pp, 42; 50).[18]

For Minsky instability is normal! 'Tranquillity and success are not self-sustaining states, they induce increases in capital asset prices relative to current output prices and a rise in acceptable debts.' The role of profits is central, since 'present profits' may or may not validate decisions made in the past. This will affect long-term expectations and frame present as well as future investment and financing decisions (Minsky 1985 p. 41). Minsky also draws attention to the rapid search for 'financial innovations' whereby 'aggressive investors' search for loopholes in the central bank's efforts to *reduce* inflationary pressures. In all moves to financial liberalization, innovations are very difficult to control. This makes 'radical reforms more difficult than many populists would like, since policies aimed at finance aim at a moving target' (Henwood 1998 p. 220). According to Doug Henwood, the Federal Reserve's attempts to control such innovations, for example with the move to Eurodollars in the 1970s, led to the Volcker 'clampdown' which virtually paralyzed the American economy, and significantly affected other economies (1998 pp, 219-20). In 1987, the reason why the Wall Street 'crash' did not result in a 1930s depression was because it was better managed by the Federal Reserve. Yet, as John Smithin (1996) argues, it was 'triggered' by Reserve Bank statements that led to panic ('climbing a wall of fear' is the cliché.) Wall Street's assumptions from Volcker's previous clampdown that inflated asset prices *might* bring a similar, Federal Reserve-induced recession, proved unfounded. In this case, fear was induced by anxiety about the effects of 'fighting inflation'; the rentiers' own medicine (Smithin 1996 pp, 126-31).

Thus, due recognition must be given to the way that uncertainty, instability and ultimately *fear of the future* affects the peak of the economic system. This fear is primarily induced by the existence of money (as stressed previously, a social relation as opposed to a neutral entity). Contemporary with but independent of Keynes' work in the 1930s, problems of money and time were explored by Swedish economists of the Stockholm School, most notably by Gunnar Myrdal.[19] He is allegedly the first economist to base his theory on people's 'imaginative construction of an unknown future' (Shackle 1967 p. 98). In disputing the concept of monetary equilibrium (the convention of equality of demand and supply), Myrdal argued that money destroys the necessary equality of a barter system in which everyone knows what the others are planning and the barter is a one-off exchange. As Shackle points out, money does not simply '*represent* today's products', nor is it *only* a 'promise to pay'. Rather, money is exchanged now for promises of money *later*, where the interest rate is the ratio of exchange of *differently dated sums of money*. A lack of equilibrium requires only ignorance and money. Money implies uncertainty because it permits the deferring of decisions, and deferred decisions cannot be known by anyone (Shackle 1967 pp, 91-2). Thus, there is not only ignorance of the future in general, but also in the case of economic transactions, ignorance is introduced by money.

Shackle compares Keynes' position with Myrdal's greater preoccupation with uncertainty and risk. He also compares Keynes' position with Myrdal's *ex post* (recorded experiences), *ex ante* (calculations), and Myrdal's theory that 'profit *hypothesis* and investment *decisions* are recognized to be something in a man's mind'. He argues that Keynes makes a similar suggestion about the inducement to invest. That is, Keynes supposed that 'equality of the marginal efficiency of capital and the loan rate of interest leaves businessmen with no incentive to alter any further' their intentions (Shackle 1967 p. 110). Shackle ultimately suggests that Keynes provides no space for the 'formal analysis of uncertainty' even though 'dependence on expectations' implies the 'fragility of the inducement to invest' (Shackle 1967 p. 113).

V

Emotions: Confidence, Trust and Fear

It is worth noting that Keynes did introduce the emotional state of the businessman into economic theory. Let us therefore draw on these insights of Myrdal and Keynes, both of whom linked money and uncertainty of the future with risk and confidence, via expectations. To accomplish this, a sociology of the emotions is required.

Robert Lekachman gets to the heart of Keynes' non-economic assumptions about 'business entrepreneurs'. In Keynes, 'uncertainty engenders a convention and explains an emotion'. The convention is 'the rule that the future will resemble the present' for it is at least solid and itself influences expectations. The emotion, also from uncertainty, is exaltation or pervasive optimism which Keynes dubbed "animal spirits", known within the financial community as the "state of business confidence". 'Thus into the last home of rationality in economic affairs, Keynes introduced two interlopers, convention and emotion' (Lekachman 1957 p 349).

Although the Keynesian 'revolution' hardly influences orthodoxy today (Smithin 1994), Keynes' stress on the emotion of confidence has recently found a welcome home in sociology. The emotional basis of economic action and inaction (e.g. the liquidity preference) is a major part of Jack Barbalet's treatment of the sociology of the emotions (1998; 1996). As Barbalet argues, instrumental rationality draws on under-conceptualized emotions.[20] Although dismissed by the mainstream as mere 'attitudes,' or part of business 'culture' promoted in managerial literature, the emotions of the market are inescapable. Thus commitment, loyalty to the corporation, joy in success, trust in the people whose cooperation is required, envy and greed are 'background emotions' of the market (Barbalet 1998 p. 59).

Above all, when we consider the 'entrepreneur' or 'speculator' - not their 'subjective sentiments' but rather the social bases of these emotions which are based on past social interactions (Barbalet 1998 p. 94) - temporality is primary. The emotional relation to temporality and the future, as Barbalet argues (1996 p. 84) has not been fully considered. Few sociological analyses face 'the unavoidability of an unknowable future', or deal with decision-making in uncertainty. Here lies the socially effective 'heart' of the future-oriented emotions of anxiety, fear, confidence, and trust, and the past-oriented emotions of depression, morbidity, and futility (Barbalet 1998 p. 89); or, bearing Minsky's suggestions in mind, tranquil satisfaction with the present.

The problem of time and its effects are a much greater difficulty in mainstream economics (Lekachman 1957). Although orthodoxy accepts uncertainty, it assumes that it is always possible to give a probability distribution about future risk (risk being defined as capable of measurement, as with insurance risks).[21] That is, for orthodoxy, uncertainty is synonymous with probabilistic risk (Davidson 1991 p. 129). The assumptions are either that market signals give reliable information about 'objective probabilities', through statistical analysis of past data and current market signals, or through the 'axioms of expected utility theory' which base expectations in subjective perceptions of future consequences (1991 pp. 129, 134).

In contrast, Post Keynesians argue that in many cases there is 'true' uncertainty and therefore there is no point working out probability distributions. In these cases, according to Paul Davidson, decision-makers either avoid choosing between alternatives because they 'haven't got a clue' about the future or they follow 'animal spirits' about positive investment regardless of the future (1991 p. 130). However, in sociological terms, the statistical calculations from past signals of the likely future losses do not actually reduce uncertainty itself, but suggest that planning against vulnerability to potential loss is primary. Insurance is the obvious example, but in business this could take the form of diversification, cost cutting, and attempts to control opportunities. Davidson seems implicitly to recognize this in citing the way that 'legal enforcement of money contracts' is 'society's assurance' that business will gain compensation from losses due to failures to fulfill contractual obligations (1991 p. 138).

Whatever Davidson means by 'true' uncertainty, which arises from his view of free will (McKenna & Zannoni 1997-8 p. 238), he suggests that for 'routine decisions' businesses can usually assume 'the uniformity and consistency of nature over time', as 'a useful simplification for handling the problem at hand'. According to Davidson, the idea that 'the world is probabilistic'—even sometimes—rests on restrictive assumptions and promises more than economics can deliver (1991 pp, 141-2). Be that as it may, we have stressed ignorance of the future, not only because money permits deferring decisions which cannot be known by anyone but also, since sociology stresses reflexivity, meaning and agency (not only 'potential' free will), self-fulfilling expectations are commonplace and 'scientific' predictive capacity is largely rejected as positivistic.

Although decision-makers really haven't got a clue, economic orthodoxy does *describe* certain processes that occur such as the constant gathering of market price data. It legitimizes this activity with the claim that the future can be predicted (the more accurate meaning of 'information society'). The convention, referred to by Keynes, that the present and recent past may resemble the future, is partly justified in common sense terms of doing thorough 'homework'. Searching the present is also part of overcoming fear of the future. It provides security if not 'inside knowledge' which, of course, is always advantageous. Recent demands for greater 'transparency' are evidence of both these movements. As Barbalet says, the mechanism implied by Keynes is a two-way projection of emotion about the present into the future and its re-importation back into the present, inspiring action. Thus a 'pseudo-rationality is created by projection' (Barbalet 1996 p. 86).

Instead of Keynes' subjectively located 'animal spirits', the major emotion in these situations, in both personal *and* impersonal forms, is trust. As the emotional basis of economic action, Luhmann's definition of trust is most significant. Trust is relatively modern, according to Luhmann (1988 p 97), because it 'presupposes a situation of risk' for possible gain instead of simply accepting one's fate (1988 p 96). For Luhmann, trust entails a choice (or calculation) between one action over another, in which the subsequent disappointment or success depends on 'your own previous behavior' (1988 p 98). He suggests that trust and confidence are both positive expectations about the future 'which may be disappointed'. However, one will attribute blame for a bad outcome quite differently: externally ('the weather' or 'the boss') in the case of confidence, whereas one will blame oneself for trusting one risky alternative over others.

Compared with the probabilistic definition of risk cited previously, Luhmann's sociological meaning has trust depending on risk, not on danger because 'if you refrain from action you run no risk' (Luhmann 1988 p 100). No investment or wager is lost that is not made, whereas danger simply has to be borne or ignored. Risk entails the prospect of a positive outcome, and so the perception and evaluation of risk entails an 'internal calculation of external conditions' which promotes both risk-taking and risk-avoiding, trusting or distrusting. Luhmann also suggests the source of modern individualism in the 'risk-calculating merchants, learning from experience, attentive to news, [and] making decisions' (1988 p 100).

For Luhmann, a 'theory of trust presupposes a theory of time', because trust has 'a problematic relationship with time. To show trust . . . is to behave as though the future were certain' or rather, trust is a means of reducing complexity (1979 p 10).[22] As he says, 'The uncertainty which is bound to exist is simply a consequence of the very elementary fact that not all futures can become the present and hence become the past' (Luhmann 1979 p 13).

Yet Luhmann follows Parsons in accepting neoclassical views of the neutrality of money, looking at its effects in easing system 'complexity'. As Ingham charges, this view of money as a 'sign' or 'generalized' medium of communication of 'real' economic and social processes leaves the 'social production of money' unexamined (1998 p. 6). The social conflicts entailed in money production, the ignorance of the future magnified by money's 'promise to pay' later, are the very factors that render Luhmann's conception of trust useful. If trust is required for taking risks for future gain but if, contra Luhmann, money is itself socially produced, Luhmann's question of whether individuals trust 'the stability of money' or assume a money system is 'functioning' (Luhmann 1979 pp, 55-6) is partial. 'Sound money' is, after all, maintained to the detriment of various social groups and a flight into money and the liquidity preference depends on social and historical factors as suggested by the Minskyian paradox.

To restate, money entails social relations of trust and mistrust that take organizational forms ordered in hierarchical and dynamic relations with state monetary authorities. Moreover, impersonal trust organizations are paramount. The issue in the first instance is not whether the atomized individual personally 'trusts' the purchasing power of money since most individuals engaged in impersonal, indirect credit-debt relations are the last to know and first to suffer. Instead, the validity of money is tested by the claims and counter-claims of a network of trust organizations that operate beyond individuals, where the reduction of vulnerability and uncertainty are both ruthlessly partial. This does not necessarily lead to 'stable money' (even when rentiers' interest dominates). Rather, it leads to new trust and faith relations, new regulations, new financial 'instruments', and new sources of speculation if not fraud, engendering regulations and further problems about who will guard the guardians of trust (Shapiro 1987). As Tom Burns puts the matter:

> A major problem historically with monetary orders—instability and the threat of collapse—is that new, complex, large-scale systems emerge, but the regulative means are often inadequate or unreliable. . . . [Agents] may not know—or lack the skills to utilize—the best institutional arrangements and regulative measures for effective regulation of a monetary system. These limitations are not publicly stressed, nor is the historical pattern of banking crises and monetary system failures. For reasons that are fairly obvious (Burns 1998).

VI

The Quest for Control in Organizational Form

THE QUEST FOR CERTAINTY in its organizational form should not be couched in Luhmann's system terms, nor are organizations simply the sum of individuals. Corporations move octopus-like, gathering the nearest relevant forms of information (Stinchcombe 1990). Corporate decisions are made according to the extent of trust in their internal information gatherers as well as through employing outside trust organizations – such as a credit rating agency that assesses another organization's capacity to pay. Yet these assessments are far from fixed, relying mostly on avoiding the last, most recent blunder (Moody's failed assessments in South East Asia is a case in point: Pixley 1999). Business corporations are also under constraints from other trust organizations. Investors are increasingly institutional investors who, at present, demand increasing returns within short-term horizons (Chick, 1983; Harmes 1998).

Governments play a major role in money production even though central banks are less subject to democratic control than formerly, a contentious issue that some argue reduces democratic accountability (e.g. Smithin 1994; cf. Henwood 1998). What Antonio Negri suggested about Keynesian policies in the 1950s applies to the 1990s only if one accepts that governments, banks, other financial units, and households produce money (and make money with money) as much as governments, corporations, small businesses and the household sector produce goods and services.

Negri highlights how Keynes' central motif in analyzing entrepreneurs is the relation to the future. 'Expectations' is the notion that 'unites' the present and the future. The 1930s Depression entailed 'uncontrollable risks', the destruction of 'certainty in the future' for business or, in Negri's words, of 'capital's fundamental convention that results and consequences must match up to expectations' (Myrdal's *ex post* and *ex ante* distinction, respectively). 'Keynes' first imperative is to remove fear of the future. The future must be fixed as present. The convention must be guaranteed' (Negri 1988 p. 24).

Such a guarantee, Negri suggests, is the first 'precise definition of interventionism'. Investment risks must be eliminated or reduced to the convention, and the state must guarantee 'this basic convention of economics': to defend the present from the future. 'And if the only way to do this is to project the future from within the present, to plan the future. . .' then the state must be the planner. It will not 'guarantee the certainty of events, but it will guarantee the certainty of the convention'. Thus economic life relies not on 'the spirit of entrepreneurialism, but on liberation from the fear of the future' (Negri 1988 pp, 25-6).

Of course, contemporary governments are not organizing productive investment so much as expanding financial opportunities by privatizing government enterprises. Governments (and international agencies like the IMF) these days 'guarantee the convention', less in goods and service production but obviously in money production. New concerns about the so-called 'moral hazard' arising from the way governments can be expected to underwrite failed speculative ventures, anywhere, are barely distinguishable from old concerns about industry sheltering behind government tariff walls.

It is difficult not to conclude that the aim to remove 'fear of the future' has become far less socially beneficial than during its Keynesian heyday. More risks of shareholders are externalized to general populations, in labor relations and in money relations, from banking charges on little customers, to trade creditors, employees, society as a whole (in the taxation system) who underwrite failed corporate and financial ventures.[23] As recently argued, 'those affected are not taking risks with any expectation of profit but are simply exposed to danger by decisions they did not make and over which they may have no control' (Mills, 1998 p. 41). Yet, as John Smithin recalls, electorates across the world voted to 'fight inflation first' since the late 1970s.

Conflicts for control over opportunities, while causing increasing instability, are fueled by the paradoxical and vain hope for 'certainty' and at least predictability. In this respect, the inter-relations between financial organizations have led to a surfeit of impersonal trust and its antithesis, mistrust, in a situation where risk, rather than caution, is prevalent. An advertisement in the *Australian Financial Review* (July 6 1998) promised that 'Now you can have PERPETUAL access to the world of FIDELITY', but this fund manager's name is equally incredible: Fidelity Perpetual Global Funds. Similarly, the university fund system in Australia has been offering higher returns if one's superannuation is put in a pool. The point here, so often forgotten, is the extent of the risk. Long Term Capital Management (hedge funds only use rich, allegedly 'sophisticated' investors' money) posted profits of 41% in 1994: but such profits are only gained by engaging in enormous risks, in Russia for example.

With a surfeit of trust and risk in a fragile situation, the predominant call is to set up further impersonal trust organizations, to install international overseers of money who will require greater transparency from the previous guardians of trust. But this would place even more excessive impersonal trust in bodies representing a partial and divided social field. It also forgets that, with respect to the future, decision-makers and everyone else simply haven't got a clue. As Ingham reminds us, in achieving monetary stability, instability emerges elsewhere and equally; stability can give rise to instability. Without including the hierarchy of diverse debtor-creditor relations as well as employer-employee relations, economic sociology neglects a major source of social polarization and of fear. Without acknowledging the social bases of emotions and the organizational forms attempting to manage the future, economics tends toward a 'technical' solution. Combining both gives depth to the complexities of the social relations of money.

Notes

1. The tragedy in East Timor in September 1999 is, however, more directly the responsibility of the Indonesian military forces.

2. From August 3rd to 7th 1998, I conducted a number of interviews in Washington with senior policy and research advisors in the IMF, the World Bank and the Brookings Institution. Also see Stiglitz 1998; Rodrik 1998.

3. Levy, Leon and Madrick, Jeff 'Hedge Fund Mysteries' *The New York Review* December 17 1998 pp. 73 – 77. Stevenson, Richard 'Fiscal Stones, Glass Houses: Bailout Points Finger Back Toward the U.S.' *The New York Times*, September 26 1998 pp. 1 and C2, Henriques, Diana 'Fault Lines of Risk Appear as Market Hero Stumbles' *The New York*

Times, September 27 1998 pp. 1 and 28. By late 1998, the Reserve Bank of Australia made statements unthinkable in 1997, with critical comments about how such hedge funds are 'the privileged children of the international financial scene' (*Australian Financial Review* November 26 1998)

4. A former supporter of finance liberalisation like the Tory political scientist John Gray has provided, in *False Dawn: The Delusions of Global Capitalism* (1998), an influential and perfectly adequate treatment. George Soros, the international financier, published another book in early December 1998, *The Crisis of Global Capitalism* which follows his warning in 'The Capitalist Threat' (1997) that leaving social decisions to 'the market' is a danger to the whole society

5. For scepticism about sociology's efforts at social forecasting, namely the 'post industrial' and 'information society' theses, see Pixley 1993

6. Important work in international political economy, some inspired by Susan Strange (e.g. 1996) by Timothy Sinclair (1994) and Adam Harmes (1998) with rich empirical data on credit rating agencies and institutional fund managers respectively are very useful.

7. The similarities of rational actor models in sociology (eg Jon Elster) and neo-classical economics is discussed in Pixley 1997. Criticisms could also be made of International Political Economy, for avoiding debates about money and IPE's tendency to description; however, posing an alternative is the more important aim of this paper.

8. Smithin recounts Hicks' change, citing a personal letter about how 'the evolution of money is better understood if one starts with credit' (Smithin 1994, p 25 n.6).

9. The natural rate in classical economics derives from agricultural economies: as Chick points out, seed-corn is the 'star' for if corn is held back it is saving, if sown it is investment (1983 p. 184-5). But in this society borrowing and lending may take the form of promises of labour time or produce as much as loans of money, and often, as Weber took pains to show, early capitalists were both savers and investors (Weber, 1976). However, as soon as the entrepreneur needs outside funds, the saver and the investor diverge. And though neoclassical theory brought money into the picture, it still argued that saving was prior to investment (Chick, 1983 p. 178). Shackle shows how Wicksell described the 'natural' rate of interest in terms of a forest owner waiting an extra five years to achieve an increase in the annual output of timber rather than cutting down the trees this year This was allegedly both saving and investing. However, plants 'in process' are difficult to relate to durable instruments such as tools and machines and to ascribe both type of 'fixed stock' as having a 'natural rate of interest' (Shackle 1967 p. 100)

10. To use Smithin's explanation: endogenous accounts argue against a 'natural' rate and insist that debate over monetary policy is no 'foregone conclusion'. Either Keynes' version through the liquidity preference is seen as 'a theory of interest rate determination' or that 'the rate of interest is determined administratively by the policy decisions of the central bank' (Smithin 1994 p. 6). Smithin elsewhere shows that Friedman's monetarist failure became rapidly obvious – on one hand a 'plethora of new financial products' emerged, spelling trouble for monetarist doctrines about controlling a 'particular statistically defined monetary aggregate' (Smithin 1990 p. 50). On the other, the more extreme 'policy-irrelevance proposition' of rational expectations models – namely that 'the econ-

omy' would rapidly adjust to low inflation as long as tight money policies appeared 'credible' and determined to combat inflation – were confounded by the sharp recession (despite Volcker's and Thatcher's obvious commitments to disinflation). As Smithin points out, at the limit, if economic activity ceases altogether, and the population starved to death 'we could be confident there would be no inflation'. The point is that policy is far from irrelevant, and the tight money policies caused widespread distress rather than 'rapid adjustments' (Smithin 1990, pp. 52-3). Arrighi 1994, Henwood 1998 and others take the view that Marx recognised finance capital similarly however Ingham argues that Marx was more concerned with showing money as a 'mask' behind the 'real' social relations of production, and that this emphasis on production is pervasive in sociology (Ingham, 1996 p. 510). See Ingham 1984; 1998 pp. 6 – 8 for extensive treatments of this debate.

11. Even so, it is important to remember that among those who must (and can) borrow simply to maintain a minimum consumption standard, the sense of usury still applies to a greater or lesser extent.

12. Ganssmann takes Parsons to task for avoiding the problem that money must be more than mere symbol. Parsons cannot explain why people accept money beyond saying that there is a generalised expectation that others will accept it too, via an 'institutionalized confidence in the monetary system' (cited in Ganssmann 1988 p. 293). The freedom that Parsons alleges is gained by money, as Ganssmann explains, is possible 'only if an asymmetry between money and commodities exists which privileges money', a problem avoided by Parsons but not, say with Keynes' liquidity preference (Ganssmann 1988 pp. 292-3).

13. Simmel again has an interesting comment: 'The business of finance on a large scale began only in the sixteenth century with the business transactions of princes; the intercourse with princes that followed raised the financiers to a position of royal dignity, while trade in commodities came to appear plebeian. The hatred that socialists have for finance, therefore, may not only be directed against the power of the capitalist.[but] also arise from anti-monarchical instincts, for even though the reification of the social whole, which is a prerequisite of money, need not necessarily take a monarchical form,' monarchies have favoured a central power and 'the fixed residences of princes, which require centralisation, are possible only with the emergence of money taxes' (Simmel 1978 p. 187).

14. Sociologist Nigel Dodd (1997) argues that even this conception is too alarmist, however, he accepts orthodox economists' insistence that a probability distribution is possible and information superiority via networks of information are the defining mechanism of the social institution of money. In the following section, my view on trust and information would dispute this position from Post Keynesian as well as sociological perspectives.

15. Of course Keynesian economics has failed in general, for with globally mobile capital Keynesian policies in one country cannot work (Desai 1996 p. 91-2).

16. Keynes' methodological individualism was at least tempered by stressing the fallacy of composition, later forgotten in macroeconomics (Chick 1983 p. v).

17. Caporaso and Levine suggest that Keynes moves beyond Marx in this respect, since the instability he cites is not about declining rates of profit from over-production (or whatever) but instability from the liquidity option of investing in financial assets rather than productive capital (1992 pp. 110-111)

18. Minsky argues this occurs especially if there is no lender of last resort or significant emphasis on labour intensive, public and private service sector investment. Henwood suggests that a speculative phase occurred in the USA corporate world in the 1970s, and was followed by a Ponzi phase in the 'exuberant' 1980s where corporate takeovers were openly conducted with debt that could not be serviced, similarly household mortgages. He suggests that the corporate sector has since reduced its debt, but not the household sector where consumer debts in the USA were equal to 91% of after-tax income on 1995 figures (Henwood 1998 p. 223). South Korea's corporations entered a Ponzi phase in the mid 1990s.

19. For an account of the success of Myrdal's ideas in Sweden - in contrast to the failure of Britain to adopt Keynesian ideas during the 1930s, see Weir & Skocpol 1985. They show how Ernst Wigforss, a key Social Democratic politician in Sweden, led a team of young economists to develop public works policies in the 1920s. Later called the Stockholm School, this team included Myrdal, Dag Hammersköld and Bertil Ohlin.

20. This is partly because the public-private distinction treats the strong emotions of love, fear, hate and anger as exaggerated but merely 'personal' orientations (Barbalet 1998 p. 59)

21. The distinction between the two goes back before Keynes however. Knight [1921] begins Chapter 8 comparing uncertainty with the use of the term "risk". The latter should be used only 'in connection with the measurable uncertainties or probabilities of insurance'. Even then, no-fault insurance calculations start with the assumption of the rational actor who will cheat: as Heimer points out (1976 p. 46-7), an insurance premium paid in advance means that there is a statistical 'punishment' whether or not a particular individual is negligent or not. The effect of insurance does not reduce the risk or danger (or increase responsibility) but reduces the vulnerability through compensating the losses.

22. Luhmann's more contentious, system-theoretical position is not discussed here, but the idea of reducing complexity for decision-making in particular is far more relevant.

23. I am here only speaking about 'developed' countries. Finance journalists, by March 1999, mainly ignore the appalling problems facing populations in Indonesia, Russia, Brazil and many other places, in the 'confident' view that the finance centres will no longer be held accountable for the havoc wreaked 'far' away. In 'information society' historical memory is quickly obsolete.

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