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Journal of Economic Sociology – a peer-reviewed journal was established by the Institute of Social Investigations, (Daugavpils University, Latvia) and the International Center for Comparative and Institutional Research of the Faculty of Sociology (St. Petersburg State University, Russia). The journal publishes original works on economic sociology – social patterns of economic development, social reproduction in the economic process, theory and history of ideas of economic sociology, sociology of ownership and distribution, social problems of employment, the impact of social norms and values on economic activity, economic consciousness and economic practices, the motivation of economic activity and economic behaviour, social and demographic factors of economic activity and other.

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Preface *(V.Voronov)*

The "Journal of Economic Sociology" is published jointly by the Institute of Social Investigations, Daugavpils University and the International Centre for Comparative and Institutional Research (ANO Intercom Centre) of the Department of Sociology, St. Petersburg State University. It concentrates scientific forces involved in studying various problems of economic sociology: the theory and history of ideas in economic sociology, modern concepts of economic sociology, sociology of ownership and distribution, social reproduction in the economic process, social problems of employment, the impact of social norms, values, and interests on economic activity and the institutions, which are formed on their basis, the economic consciousness and economic practices, motivation of economic activity and employment behaviour, and more.

Relevant issues are varied and complex, but so far in the European Union and Russia there were no special scientific journals (in paper and electronic versions) dedicated to the study of the important role of social factors in the modern economy, and this edition should fill this gap. The editorial board is composed of representatives of different Latvian, Russian and foreign research centres, and we hope to attract well-known scientists to the writing of articles – economic sociologists from the European Union and Russia. This will highlight the socio-economic and political situation in these countries, including discussion issues illuminated from different methodological positions. Special attention will be given to various aspects of economic sociology, especially the concept of social and cultural embeddedness, the concept of social capital and trust, corporate political-economic research, as well as studies of political-ideological element that pervades economic phenomena and, finally, to further develop the identity of economic sociology and its institutionalization.

All these and other issues and concerns should be reflected in the pages of our journal to overcome the asymmetry of growth of economic sociology in breadth (the study of economic phenomena that previously were not part of the scope of sociology) through its growth in-depth analysis of the current state and dynamics of these phenomena on the basis of the conceptual and various methodological tools of sociology.

European sociology recognizes the importance and the role of economic sociology for positive theoretical and practical impact on economic relations in modern society.

This is well illustrated in the article by Professor S. Korniodos from Greece "Problems of Economic Sociology (Review of New Ideas)" (see: Current Sociology. 2007. January. No. 1. Vol.55. Special Issue: Current Economic Sociology: Problems and Prospects). This situation is encouraging in the capabilities of the international discussion of current issues in economic sociology and adequate application of these issues to the practice of "the real world" of Europe and Russia.

The intended audience for the Journal are the specialists who study this area of social science, employees of state and municipal administrations, faculties and students of higher educational institutions.

The first issue is dedicated to a number of important and relevant aspects of the problems of economic sociology.

The section ***"Economic Sociology: Now and Before"*** is devoted to current theoretical approaches to the objective field of economic sociology as an actively internationally developing direction of social science. The article by *Y. Veselov* formulated the basic stock of what has been done, what has not been done and what needs to be done to increase the contribution of economic sociology in the creation of new theoretical positions that impact on contemporary social and economic practice. The article by *M. Sinyutin* is devoted to the study of Western economic sociologists' debate about the nature of money, on the basis of which the author discusses the main promising areas of research of money from the perspective of economic sociology.

The section ***"Social Capital Theory and Practice of Social Networks"*** contains two articles. The article by *V. Davydenko and A. Tarasova* presents modern theoretical and empirical research on the implementation of partnerships and business relationships from the point of view of the practice of corporate networks and social capital theory. The article by *V.Davydenko and R. Akhmedzyanova* analyzes the relationship between the leading market players engaged in the retail networks in the city of Tyumen (Russia).

The section ***"Social Factors in the Modern Economy"*** analyzes theoretical and methodological aspects of the convergence of development levels of regions in the framework of the integration process of the European Union for the period 1995 to 2011. *V. Voronov, O. Lavrinenko and A.Ozols* in their article provide an outline of the concept of convergence in the application of these processes, the major types of convergence and methods of its assessment, analysis of applied research of these processes in the European Union over the last 17 years, and offer recommendations for similar studies in the regions of Russia.

In the section ***"Sociology of Labour and Capital in a Globalized World"*** the complex global economic processes and their negative impact on the social life and industrial relations are analyzed. The article by *A. Petrov* explores issues of labour motivation in the context of economic globalization, and characteristic features of the new forms of labour that give birth to flexible forms of employment in modern enterprises.

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Economic Sociology: Historical Development, Analytical Issues and Current Situation

Abstract: Economic sociology as a branch of sociology is more than 100 years old, not as old as sociology itself but not as young as it often represents itself. After the first decade of the 21st century it is time to sum up what is done, what is not and what is the right thing to do now in the field of economic sociology. The history of economic sociology from the end of the 19th century, through the long and storming 20th century and till the beginning of the 21st century is traced in this article. The major contributions to that discipline made by Durkheim, Weber, Parsons, Polanyi, Granovetter are studied; basic analytical issues and methodological approaches from positivism and interpretive method to structural-functional analysis, and embeddedness and network approaches are considered as well. The special focus is made on the New Economic Sociology and contemporary European economic sociology. One of the main arguments is that it is hardly possible to understand the current situation in economic sociology if we do not know its origins and the historical lines of its development.

Key words: economy, sociology, economic sociology, history, new economic sociology.

Introduction

In the last quarter of the 20th century economic sociology was among rapidly developing and aggressively expanding sociological disciplines. What are its main achievements beside the expansion itself? Have a quick glance at two voluminous, mammoth-size *Handbooks of Economic Sociology* edited by Neil J. Smelser and Richard Swedberg (Smelser, Swedberg 1994; Smelser, Swedberg 2005) or *International Encyclopedia of Economic Sociology* by Jens Beckert and Milan Zafirovski (Beckert, Zafirovski 2006). You will agree with me that economic sociology is more than alive. It covers all related to economy and society topics ranging from sociology of money to sociology of consumption; from sociology of immigration to sociology of distribution, and much more. Economic sociology now is even represented in social networks (see

“Economic Sociology and Political Economy” in Facebook). Economic sociology became a widely spread academic discipline, corresponding departments and research centres were opened everywhere in the universities and academic programs were started.

For example, in St. Petersburg State University in the 1980s and early 1990s economic sociology was not more than a small lecture course added to Industrial Sociology, then in 1994 the Department of Economic Sociology was founded and during the last decade Bachelor, Master and PhD (doctoral studies) programmes in economic sociology were opened as well, and it seems that Industrial Sociology is more or less replaced by economic sociology. On the sociological battlefield in that “turf war” between sociological disciplines, economic sociology has obviously defeated its competing rivals like Industrial Sociology, Sociology of Work, Sociology of Consumption, etc. Nevertheless, in any war there are no winners, no losers, as they say, we are all losers. As in addition to that victory, economic sociology has not succeeded in competing with economics itself. The hope was that economic sociology would connect two “shores”, economics and sociology, like a “bridge” contributing to both. But it has not happened yet, and the most interesting question is why?

Economic sociology: classical school

Let’s have a more detailed look at the “rise and fall” of economic sociology in the 20th century. When was economic sociology born? The same question is of vital importance for general sociology. Does its history start from the Ancient Times and from the works of Plato and Aristotle? Or does sociology start only from the year 1832 when the word itself was coined by Auguste Comte? The common viewpoint is that some sociological concepts were produced long before the 19th century but true sociology as an institutionalized field of knowledge came into being only after Comte in the writings of Herbert Spencer (*Principles of Sociology,* 1874 - 1896), Ferdinand Tönnies (*Gemeinschaft und Gesellschaft*, 1887); Franklin Henry Giddings (*The Theory of Sociology,* 1894; *Principles of Sociology*, 1896) and others. The same could be true for economic sociology. Some very challenging ideas were elaborated by Adam Smith, John Stewart Mill, and Karl Marx, but the time of economic sociology came only at the end of the 19th century when the first issues of *L’Anne Sociologique* journal were published. The journal was headed by Émile Durkheim; his colleagues Célestin Bouglé, Marcel Mauss, Henri Hubert, Robert Hertz, Maurice Halbwachs, and François Simiand took an active part in its publishing. Among the thematic niches of that journal was a subdivision called "*La Sociologie Economique"* and it was edited by François Simiand. Durkheim with his "L'Anne Sociologique" transformed sociology into a professional discipline, because earlier sociology in writings of Comte and Spencer was not more than only a part of their encyclopaedic knowledge. For example, Comte studied mathematics and astronomy before sociology (see his *«Traité élémentaire de géométrie analytique»* (1843); *«Traité philosophique d'astronomie populaire»* (1845); for Spencer "*The Principles of Sociology*" followed "*The Principles of Biology*" and "*The Principles of Psychology*", etc. Durkheim placed sociology as a separate branch of science with its own positive method and rules of that method. He tried to reveal what is unseen from the positions of different social sciences including economics (for more on Durkheim's methodology see: Gane, 2011). On the one hand, Durkheim fights against methodological individualism of economics (economists deal with society as not more than an aggregate of individuals) and elaborates a holistic approach. According to it, society is a social phenomenon with its own over-individual existence. On the other hand, he criticises the evolutionary approach of Spencer's sociology and introduces true sociological method (called after him as "sociologism") which explains social facts only from and on the basis of the other social facts. In his earliest work "*De La Division Du Travail Social*", ("*On The Social Division of Labour*", Durkheim, 1997), which actually was his doctoral thesis, Durkheim treats an economic process of the division of labour as a social process of division of individuals in the modern society based on principles of organic solidarity. Thus, Durkheim explained *individualisation* as a function of society itself, he claimed that it was not the function of individuals as it was usually explained by economists, instead, society not only socialises but also individualises. Later in the 1930-s that idea was continued in the writings of Norbert Elias, especially in his lesser known work "*Die Gesellschaft der Individuen"* (" *The Society of Individuals*", 1939 (Elias, 1991)).

Durkheim also explained that the origins of the division of labour rooted not in the mere wish of rational individuals to increase economic effectiveness or productivity but in more complex social processes like destruction of segmented society. This destruction comes from the demographical changes as a growth of population and the increase of its moral density (the fostering interactions between individuals and between groups), from the rise of urban development, from the spread of monotheistic religions, etc. After Adam Smith it was the first methodological breakthrough in the theory of the division of labour, meanwhile it was left unnoticed by the mainstream economics. Only Karl Bucher responded positively to Durkheim's study but he himself represented the marginal branch of economics called the German Historical School of Political Economy. Since then the divergence between economics and economic sociology came into being. Durkheim was apparently prejudiced against mainstream economists for their inability to cope with the problems of individual and collective order, social consciousness and individual interests, and an inability to understand institutional forms of economic activity. In economics, the Durkheimian sociological and institutional methodology of studying economic phenomena was totally unseen and left untouched for the sake of sociologists. Nevertheless, in economics its own tradition of institutional analysis based on an evolutionary approach was laid by Thorstein Veblen in the "*Theory of Leisure Class: An Economic Study of Institutions"* (1899), but it would take more than 70 long years for economists to recognize the rights and legitimacy of institutional analysis of economic phenomena when the major institutionalists like Ronald Coase, Oliver Williamson and Douglas North won the Nobel Prizes in Economics.

In his less known article "*Sociology and the Social Sciences*" (1909) Durkheim determined the frontiers of economic sociology, he wrote that there are economic institutions, i.e., institutions of the production of wealth, institutions of exchange, institutions of distribution; these institutions form the subject matter of economic sociology ("Il y a enfin les institutions économiques: institutions relatives à la production des richesses (servage, fermage, régime corporatif, entreprise patronale, régime coopératif, production en fabrique, en manufacture, en chambre, etc.), institutions relatives à l'échange (organisation commerciale, marchés, bourses, etc.), institutions relatives à la distribution (rente, intérêts, salaire, etc.). Elles forment la matière de la *sociologie économique"* (Durkheim, 1909, p.13)).

But Durkheim himself had never published a book or an article with the exact title "economic sociology". The first book, as far as we know, with that exact title appeared in 1904 in Paris and was published by *Alcan* publishing house. Paradoxically, the author did not belong to the Durkheimian school of economic sociology. It was the book by Belgian sociologist Guillaume De Greef titled "*La Sociologie Economique*" (De Greef, 1904). What is much more interesting is that in the same year with an unprecedented speed, it was translated into Russian and published in Moscow under the neutral title

«*Социальная экономия*» ("*Social Economy*"). In that time it was even dangerous to translate into Russian the word "Sociology", because it sounded very suspicious for the Tsarist government and its censorship. "Sociology" was too close to the word "Socialism", that is why Economic Sociology was changed into politically neutral "Social Economy" as something dealing with economics. It's not strange that history was repeated once again after the October 1917 Revolution when sociology was claimed by Bolsheviks as a bourgeois science. As far as we know, that first book in economic sociology was never translated into English. Even "*De La Division Du Travail Social*" by Durkheim was first translated into English only in 1933, 40 years after from its first edition. It is clear now why the book by De Greef still is totally unknown in the English speaking world of economic sociology. Not surprisingly that the De Greef approach in economic sociology is tremendously understudied. For example, the name of De Greef was never mentioned in the historical studies of economic sociology of such colossi like Richard Swedberg or Neil J. Smelser, and only a few notes were made by Philippe Steiner.

The method used by De Greef in his economic sociology was very close to the popular historical materialism founded in that time by Karl Marx and developed by the Marxist school. The general task of De Greef was to combine political economy and scientific socialism. The society as an organic system according to him consists of 7 subsystems: economy, genetics, aesthetics, ethics, law, collective psychology and politics. The economic subsystem is the fundamental basis of the societal system that corresponds to the central argument of materialism on structure and superstructure. The core function of the economic subsystem is to reproduce the societal organism. This idea is very close to Spencer's argumentation that the general function of the economy is "to feed" the societal organism, and it is not very far from Talcott Parsons' structural-functionalist ideas on AGIL scheme where the function of the economic system is adaptation. De Greef saw the subject matter of economic sociology in the relationships between the economic system and the other six societal subsystems. In the economic subsystem according to De Greef the core centre is not the production as it was claimed in Marxist economic theory but the exchange and its institutions. After De Greef the sociological theory of exchange was developed by Marcel Mauss in his famous work *"Essai sur le don" ("The Gift")* published in *L'Anne Sociologique* in 1925. His idea was to reveal that the exchange itself is not naturally economic as it was claimed by the economists but a general social process of giving and taking (after him that idea was continued in American sociology in works of George Homans and Peter Blau). It starts from the reciprocal processes of gift exchange, and not from human relations but from relations between human and non-human, between men and gods in the forms of sacrifice. Long after that, in the historical process of the development of tribal relations the economically oriented exchange started to accompany the gift exchange. Mauss as well as Durkheim substantially contributed to the development of economic sociology but he did not specialise in it and never gave lectures in that discipline. The first lecture course with the precise title of "Economic Sociology" was given by French sociologist Celestin Bougle in the Sorbonne in Paris, in 1935 (Bouglé 1935). The first part of it was devoted to historical materialism and the second to the notion of collective interests as it was developed by François Simiand (for more sophisticated analysis of Durkheim and Durkheimian school see writings by Philippe Steiner (Steiner, 2005)).

But neither Mauss nor Durkheim or De Greef were accepted by economists, meanwhile German sociologist and economic historian Max Weber became the first sociologist to be widely represented in economics. If you ask students of an economic department about Weber, you will suddenly discover that the majority of them know his name and/or have heard something about his ideas. Nevertheless, they heard nothing on economic sociology and its French roots. Certainly, Weber is represented in the textbooks of the history of economic thought mostly in the sections devoted to the German Historical School. Why Weber is more popular in economics than Durkheim and others? The answer lies again in the history of economic sociology. The German tradition of *Wirtschaftsoziologie* (Sociology of Economy) is quite different to the French tradition of *Sociologie Economique*. In the first half of the 19th century in Germany there was a widely spread concept of *Nationalekonomie* (National Economy) which was deliberately invented to compete with the English tradition of political economy. The basic idea of National Economy as the economy of a nation is that the economy of a nation as a social whole was opposed to the free market ideology and individualistic political economy which was assumed by its founding fathers to be of universal character. The political economy by Smith, Ricardo and Mill was constructed as a general social science with universal laws and principles to be applied to any country and any nation no matter the stage of its historical development. But the basic argument of the National Economy coined by Adam Müller and Friedrich List was around the simple idea that what is good for united and well developed Britain is not so good for disintegrated and less developed Germany at those times. To look at the economy as a part of the society with its own language, national culture, religion and its ethics, customs and traditions was the general and most important task of the National Economy tradition. Such argumentation is close to the line of economic sociology but we would like to underline that these views on economy as a social and national construction were produced inside the economic theory itself. That is why there were no such drastic cleavages in German thought between economic theory and economic sociology, the economic theory itself was more or less influenced by the law school and sociology.

The methodological approach in the German economic tradition was laid by the German Historical School of Political Economy founded by Wilhelm Roscher and Karl Knies and later developed by Gustav Schmoeller and Lujo Brentano. The historical approach revealed that Roman and Byzantine economies hardly could be explained with the help and on the basis of the English political economy, thus, there were no universal laws for economic development. Weber himself specialised in Roman economic history and trade communities in the medieval times, so his economic and sociological method was based on the historical approach (for more see: Swedberg, 1999). That is why his economic sociology was mostly rooted in history and he was interested especially in the questions: where, when and why capitalism was born? Capitalism is a general notion or superconcept, it was invented in the social and economic science and does not exist in the real world. Actually, there are varieties of capitalisms, which are historically unique configurations of the social and economic space. Capitalism has different faces in different countries and in different times. For instance, Weber divided ancient or medieval capitalism as politically anchored and modern European capitalism as a self-sufficient system based on rationalised industrial production. But in order to study it and explain it origins, Weber introduced the “ideal type” methodology. Ideal type is an analytical tool used to operate with numerous historical data in sociology. Each ideal type is a more or less simplified model, or one-sided accentuation, invented for analytical reasons only.

But the Weberian approach to economic sociology was not only historical, he also introduced a so-called interpretive method of sociological explanation. If Durkheim and the French school developed a positive method based on study of empirical facts and considered sociological method to be as one of the methods of natural sciences, Weber was mostly interested in what was hidden beyond those empirical facts. His position was strictly anti-positivist, he considered that sociology studies human agency as a fact of another nature, because rational meaning of action is in the focus of the researcher. Hence, sociology has a different character if to compare it with that of natural sciences. In this argumentation Weber followed the ideology of differentiation of *Kulturwissenschaft und Naturwissenschaft* (Cultural sciences and Natural sciences) founded by Heinrich Rickert. Each individual agency has its specific motivation and interest, what for to do this or that, what are the reasons to act in this way or another? How to explain the individual human behaviour? Or more complex collective actions? Thus, in Weber's interpretive approach the social action was divided into two levels: on the first level there are empirical facts of action which can be observed and classified; on the second level the cognitive structure of action is placed. In his explanatory model of social action Weber divided different types of rational action. Before him economists only followed the idea of instrumental rationality introduced by Utilitarianism. It was assumed that people act according to their understanding of ends and means, and economic action is how to connect means and ends, how to choose the most effective means to the rationally understood ends under the condition of scarcity. Weber as a historian could not agree with that, he revealed different types of economic rationality, the first type is *Zweckrational* or purposive rationality; the second is *Wertrational* or belief-oriented rationality (so called value-rational action) based on the rationally understood hierarchy of values or beliefs in the individual and collective consciousness. The third type is affectual rationality, determined by an actor's emotions. The fourth is traditional rationality based on traditions or customs. In his theory of capitalism Weber explained how instrumental rationality came into being and replaced other types of rationality, but he insisted that this transformation of traditional rationality into purposive rationality happened only due to the change of value-system, especially due to the transformations of orders of worth in the historical process of church reformation. He combined economic and ethical explanations together to reveal the origins and nature of modern European capitalism. Weber differentiated capitalism of Ancient Times; trade and finance capitalism of Italian city-states like Venice, Genoa or Florence; trade and colonial capitalism of Spain and Portugal and industrial capitalism of Britain and Netherlands. The last refers to systematic and strictly rational organisation of industrial production but the core motivation of the economic action in the very beginning of capitalism was value-rational and enrooted in Protestant ethics. Of vital importance are the ideas of duty and professional calling (Lutheranism), ideas of predetermination (Calvinism) leading to labour asceticism, ideas of rational attitude to consumption and economization as a virtue (Puritanism), ideas of self-consciousness and responsibility (Baptism). It was new rational thinking, which came from new moral values that helped capitalism to find and broaden its own place in the traditional society. But soon, when capitalism was already constructed as a full-fledged system, there was no need for moral approval. From that time the system is reproduced on its own basis, as Weber puts it in "*Protestant Ethics and the Spirit of Capitalism*".

How did Weber influence economic theory? And what is left after his "*Protestant Ethics*"? My answer is that practically nothing, except the vague notion of one possible origin of capitalism. His interpretative methodology, study of economic consciousness, idea of the value-rational action, all that was left untouched by economists. Even the term "capitalism" was lost in the 20th century by economic theory, somehow it happened that the term "market economy" substituted the widely spread 19th century term "capitalism" coined by Marx, Werner Sombart and Weber. Meanwhile Weber introduced a more complex and sophisticated approach to individual behaviour called later by Josef Schumpeter as "methodological individualism" (Heath 2011). English political economy was based on the naïve version of unqualified methodological individualism that came from philosophical ideas by Locke and Hobbes. In sociology Durkheim criticised that position from the viewpoint of sociological holism. In his turn Weber introduced his own approach to individualism, he revealed that in the empirical reality there is nothing except individual actions, only individuals are able to act and only individual actions are subjectively understandable. The social entities like state, for example, are not more than certain types of individual behaviour but it does not mean that individual actions are not social in their nature. The individual action could be empirically seen as totally individual and independent from others but the senses of that action are social by its nature. The mainstream economics in the Neoclassical tradition overlooked that support to its own methodology from the camp of the economic sociology. Weber's ideas influenced a lot on so called neo-Austrian school only (Hayek, Mises, Schumpeter).

But what is more interesting, that vice versa, sociologists unanimously recognized the Weberian methodology of economic sociology and his theory of capitalism as its own legacy and declared "Protestant Ethics" to be classical sociological text. It looks more than strange because in its nature "Protestant Ethics" is much closer to economic history and economic sociology than to general sociology. Thus, one more time after Durkheim, economists did not incorporate sociological approach in economic studies and rejected claims of sociology to have its own opinion on what economics is about.

After Durkheim (and French school, Mauss, Simiand, Halbwachs, Bougle, De Greef) and Weber (with his colleagues Werner Sombart and George Simmel) the first page in the history of economic sociology was turned over. Economic sociology was introduced into scientific discourse and became more or less institutionalised. Three basic sociological approaches were introduced to the study of the economic life: positive method (including comparative method), historical materialism and interpretive method. The significant theories in economic sociology were elaborated as well: sociological theory of the division of labour (Durkheim), sociological theory of exchange (Mauss), sociological theory of money (Simmel) and wages (Simiand), sociological theory of capitalism (Weber, Sombart). As you see, economic sociology was predominantly a European phenomenon but in the 1930s due to political reasons the centre of sociological study shifted across the Atlantic to the USA; several major figures in sociology, economics and economic sociology had to leave Europe for the USA (Schutz, Schumpeter, Polanyi). Thus, a new page in the history of economic sociology was opened and obviously it should differ from the previous.

Economic sociology: 1930 - 1970

"Weber never developed his economic sociology into a full theoretical system", as Neil J. Smelser puts it (Smelser 1963, p.17). Nevertheless Weber became the most influential figure for the next generation of economic sociologists. Especially for American sociologist Talcott Parsons the Weberian methodology was central to his study of the social action. By the way, it was Parsons, the first among sociologists, who translated "Protestant Ethic" into English (1930). His doctoral dissertation, which was defended in Heidelberg University, was devoted to the theory of capitalism "*The Concept of Capitalism in the Recent German Literature*" *(Weber and Sombart).* When Parsons came back to the USA he was invited to Harvard Department of Economics as instructor. He was in very close contact with such prominent economists as Joseph Schumpeter and Frank H. Knight. Later in 1931, when the first Harvard Department of Sociology, headed by Russian emigrant Pitirim A. Sorokin, was established, Parsons moved to sociology and worked in contact with such sociological intellectuals as George Homans and Alfred Schutz. The first articles by Parsons followed economic sociology tradition (Parsons 1931, 1935). Two years after, on that basis Parsons published in 1937 his "*The Structure of Social Action*" where he studied Durkheim, Marshall, Pareto and Weber ideas on the social action. He starts from the utilitarian concept of action incorporated in the tradition of economic thought, then he discusses the positivistic approach and its critics from the position of interpretive sociology, and then he introduces his own concept of the "voluntaristic action". His task was to find out the solutions to one of the most important problem in sociological theory: how to connect structure and action, i.e., how to combine in an explanatory model the structural determination of action and free will of individual human action, how to combine social structure and individual economic action. In his opinion, individual action always depends on its social, cultural and physical environment. He does not agree with Durkheim because in his interpretation individual or economic action is totally predetermined by the social entities, individual consciousness is dissolved in collective representations and there is no place left for a personality and personal character of action. At the same time Parsons cannot agree with Weber, and later with Schutz, because their methodological individualism places individual or economic action into some social vacuum. In his attempt to synthesize these theories Parsons develops a systemic approach, taken partly from Pareto's theorising. Parsons introduces the concept of the system of action: each action is structurally divided into four subsystems, the first subsystem deals with *Personality* and individual goals; the second, with individual as *Behavioural organism* (its biological and psychic functions); the third, *Latent* subsystem deals with the communication process based on cultural patterns and meanings; the fourth, with social orientation of action (role behaviour, social norms and commitments, social sanctions and control). Later he added a functionalist approach to his structural analysis of action, each individual action can be analysed with *AGIL* functional scheme: *Behavioural Organism* performs the function of *Adaptation* of an individual to the physical environment; *Personality* is connected with *Goal-attainment*; *Social* subsystem *Integrates* individual action into social or institutional environment; *Cultural* subsystem gives the symbolic means of communication, it is the *Latent* function of pattern maintenance.

Thus, economic action could be seen as personal activity or voluntaristic action (it is based on individual goals and wishes which correspond to what Marshall called "activities" on the contrary to "wants" as predetermined by the vital needs of human organism); economic action is carried out by human beings dependent on and adopted to physical environment, in that sense economic action is dependent on human wants; economic action is performed as communicative action within symbolic environment (money language, for example, is such a type of economic symbolic means of communication); economic action is socially rooted in norms, values, collectives and institutions, and it is socialised action often transformed into the specific role behaviour.

Later in 1951 Parsons in his "*The Social System*" analyses the structure of the social system, which consists of four subsystems: *Politics* (goal-attainment), *Economics* (adaptation), *Culture* (pattern maintenance) and *Societal Community* (integration). As you see, the economic subsystem can be seen primarily as a social subsystem (only as a part of the society) and it performs the function of adaptation of the social system to the external and internal environment. The systemic goal of the economic system is to produce, not only empirically evident goods and services but the generalised means to satisfy the societal needs. In the primitive societies the economic system is not differentiated from the social system. Only under modern capitalism the economic system differentiates from the other societal subsystems and becomes more or less autonomized with its own specific economic organisation like industrial enterprises, investment or savings banks, commercial firms, etc.

In 1956 Parsons together with his younger colleague Neil J. Smelser published the most important economic sociology work entitled "*Economy and Society*" (to follow Weber's tradition of "*Wirtschaft und Gesselschaft*") with a specific subtitle *"A Study in the Integration of Economic and Social Theory"*. Parsons and Smelser revealed the structure of economic systems in that book: it consists of *Financial* system (goal-attainment function), *Production* (adaptation), *Household* (latent function), *Entrepreneurship* (Integration). They studied the system boundaries and exchange relations between economic subsystems. Special attention was paid to the institutional structure of the economy (institutional forms like a contract, property, ownership, institutional structures of markets, and processes of institutionalisation of economic values). It is worth mentioning that major theories of contemporary economics like John M. Keynes' economic regulationism or Schumpeter's theory of economic development were studied from the sociological viewpoint in that book. But when Parsons as a visiting professor to Cambridge was giving his "Marshallian Lectures" in 1953-1954 and introduced his "*Economy and Society*" approach to economists, his lectures, according to Smelser's evidence totally failed because nobody among economists understood what they were about. The Parsonian sociological language was too specified and so unclear that economists simply ignored his theories and claimed it as very vague (even among economic sociologists that book *"Economy and Society"* is quite unpopular in citing). Thus, the attempts and theoretical efforts of economic sociologists to construct a bridge between economics and sociology were in vain again and again, and unfortunately no integration of economic and social theory happened despite what was proclaimed in the title of the book.

Nevertheless, some minor changes took place in the relationships between economics and sociology. At least, Parsons as a major intellectual figure in sociology (the charms of Sorokin in Harvard had vanished more or less by this time) influenced those economists who worked in Harvard. It was J. Schumpeter who first in his giant "*History of Economic Analysis*", posthumously published, admitted the legal rights of economic sociology to be a part of economic knowledge. He divided economic analysis into four parts: economic history, economic statistics, economic theory and (sic!) economic sociology. It was in 1955, having taken more than half of a century for economists to recognise that economic sociology could be integrated into economic knowledge. Parsons and Smelser did not use the term "economic sociology" until the 1960s, partly because it sounded a bit strange in English (to compare with more natural "*La sociologie economique*" in French). Maybe they tried to continue the Weberian tradition of "*Economy and Society*". Even in the 1960-s and 1970-s Smelser preferred to use politically correct terms in relation to economists' term "The *Sociology of Economic Life*" in the title of his book (inside it he used numerous times the term "economic sociology"; as far as I know the first book in English precisely titled "*Economic Sociology*" was published as late as in 1983 by Arthur Stinchcombe (Stinchcombe 1983)). But Schumpeter, being himself native Austrian, introduced to the English-speaking public in the economic world the term "Economic Sociology" very decisively and without any doubts. Nevertheless, his attempts were in vain, nobody from the economic camp seemed to hear Schumpeter's claims to involve economic sociology into economics. Meanwhile, at the end of the 1950s and in the early 1960s due to Parsons and Smelser tremendous efforts, economic sociology as a branch of sociological knowledge was more or less institutionalised, in 1968, in the official publication "American Sociology" (Parsons 1968). Economic sociology was represented by Smelser as a branch of sociology along with sociology of law, race sociology, sociology of religion and others. Step by step economic sociology began to fight for its rights to be the one and only legitimised discipline in sociology to study economic issues, and gradually it began to replace other branches of sociology dealing with economics: industrial sociology, sociology of work and occupation, sociology of consumption. Economic sociology positioned itself as the most generalised knowledge on economy trying to gather other sociological disciplines under its umbrella. In the 1960s economic sociology was also introduced into the American academic world especially after the successful publication of the "*Readings in Economic Sociology*" in 1965 by Smelser.

It is a paradox but the contemporary economic sociology often called "The New Economic Sociology" is not based on the Parsons and Smelser ideas and theories. Karl Polanyi became the unexpected hero of contemporary economic sociology. He is the most influential figure among economic sociologists at the present time according to a bibliographical study of D.Wang (Wang 2012, p.115). The most requested author today is Mark Granovetter, but the second is Polanyi! How did it happen? That is quite interesting, because Polanyi never positioned himself as an economic sociologist, he was partly economic historian and partly economic anthropologist. As far as I know, he only once read a lecture "Economic Sociology in the USA" during his visit to Budapest, his native city, in the 1960s. His most popular work in contemporary economic sociology is "*The Great Transformation*", with a subtitle "*The Origins of Our Time"* (Polanyi 1944). It is more than strange that contemporary economic sociologists decided to lean on Polanyi, because strictly in that year Schumpeter published his "*Capitalism, Socialism and Democracy*" or Hayek issued his "*Road to Serfdom*", but much less popular and much more complicated "*The Great Transformation*" was chosen. Why? In comparison to Parsons, Polanyi's text was not so abstract and overfilled with special terminology, his argumentation was more historical and political (inclined to left-wing trend) than sociological. The character of the book is clear anti-market, as Polanyi tried to explain the origins of 20th century crises and World wars catastrophes as general market failure. His theory of transformation (or concept of embeddedness) is quite simple and is easy to understand: in the primitive, archaic and ancient societies their economies are totally embedded into social structures (for example, Polanyi follows the Weberian concept that ancient capitalism is politically anchored). Later in the historical process the nation state creates the free market, the process of disembeddedness begins, market economy differentiates from society and becomes a relatively autonomous structure, then the free market economy subordinates society to the economy and transforms it into market society. I should stress that Polanyi's methodology, strictly speaking, is anti-Marxist in its argumentation. According to the Marxist theory of historical materialism, economic relations of production or economic structure always determine superstructure or a system of social, political, cultural, etc. relations. Instead of it, Polanyi claimed that only in the historical process of societal transformation in the 17^{th} -19^{th} centuries the market economy *becomes* the real basis or structure of the society. Then Polanyi argues that human nature is transformed step by step, a man is taken from his or her social environment. In that race for making money a man is gradually transformed into economic man. Free market and market society needs its legitimisation, that is why the political economy of the 18th century comes into being.

But the main contradiction of the transformation process is that of commoditization. In this process non-market phenomena are transformed into "fictitious commodities". Labour, land and money are not economic goods because its nature is different, they cannot be reproduced as an ordinary goods. Society itself in its turn tried to protect itself from free market forces, for example, labour protected itself with the help of trade unions, "land" protected itself with the help of political forces and influence of land aristocracy class, even capital if possible tried to protect itself from market competition with the help of monopolies and cartels. But the uncontrolled and non-regulated spread of market finally led to the total catastrophe that happened in the 20th century. Polanyi saw the way out from that catastrophe in economic regulationism; there is no need in socialism with its total planning but we must start using markets strictly as a technical device or instrument in the economy not allowing market forces to get rid of the social control over it.

What is interesting is that contemporary economic sociology does not use Polanyi's theory of transformation. We could hardly claim that contemporary economic sociology is anti-market in its nature, it is more or less politically neutral. (Is it good or bad is a different question). The theory of ancient economics by Polanyi presented in his "*Trade and Market in Early Empires*" (1957) is not used by economic sociologists as well, to say nothing of his economic anthropology ("*Dahomey and the Slave Trade*"). What is taken from Polanyi is his methodology and his embeddedness approach. How to treat economy as an instituted process, how markets came from politics, what are the drawbacks of a formalistic approach in economics and how to switch to a substantivist approach, etc.

Let us make a brief intermediary summary: the classic stage of the development of economic sociology was European and was connected with such names as Durkheim and Weber, at least two schools can be mentioned, the French school (Durkheim, Mauss, De Greef and others) and German school (Weber, Sombart, Simmel and others). The second stage of the development of economic sociology was American and was connected with the names of Parsons, Smelser, Polanyi. We can distinguish at least two methods: first, the structural-functional and system approaches by Parsons; the embeddedness approach by Polanyi. Several grand theories were introduced into economic sociology: the theory of economic system by Parsons; sociological theories of production, distribution and exchange by Smelser; theory of transformation by Polanyi. On that stage economic sociology (of Parsonian type) became more institutionalised and little by little took its place in the American universities as an academic discipline.

The New Economic Sociology

The next stage of the rapid development of the economic sociology in the 1980s dealt with the general trend in sociology to get rid of Parsons' legacy, his grand theories and systemic methodology. That period was called later as the "deparsonification" of sociology. The second edition of Smelser's "*Sociology of Economic Life*" appeared in 1976 but by that time some new trends in economic sociology became more than evident. Like in the 1930s the major changes came from Harvard; at that time Harrison White and a few of his graduate students, among them Mark Granovetter and Michael Schwartz, started to study economic and social structure of market economy from a very different view. White came to Parsons' Department of Social Relations, from a totally different camp (usually the way to economic sociology is from economics), his education was MIT, and he got his first doctorate in theoretical physics, and second in sociology in Princeton, he was armed with tools of mathematical analysis and was ready to use it in empirical and theoretical research. Previously White had his professorship in sociology in Chicago, his colleagues at that time among sociologists were Peter Blau and Erving Goffman, advocates of microsociology as opposed to macro theories by Parsons. His first works were devoted to mathematical analysis of social behaviour, very much in the James Coleman tradition. After his first book "*An Anatomy of Kinship*" (1963) he became a well-known model builder in sociology. (see about White's methodology: (Azarian 2003)) In Harvard White became famous for his study of social networks. He introduced a new method of network analysis to reveal that society is not simply the aggregate of atoms as individuals but a structure of different networks. A person is not only an individual figure with its attributes but a position in the network of relationships, a person comes from that pattern of relationships. The same is true for organisation, not only the attributes of that organisation matter but its position inside the network relations with other organisations. In 1970 White published in Harvard "*Chains of Opportunity: System Models of Mobility in Organizations"*. But at that time White himself did not pay much attention to economic sociology. Later in the early 1980s, probably under the influence of his younger colleagues, he applied his network approach to the study of markets in economic sociology (White 1981, 2002). The mathematical language of White's economic sociology was not so easy to understand (when once I visited White's presentation in Moscow after the first model shown in the presentation the general sense of his paper suddenly disappeared). That is why the works of his former students became much more popular than White's original writings. Mark Granovetter was among them and soon he became the most demanded author in economic sociology for his network analysis in contemporary economic sociology.

In 1970 Granovetter defended under White's supervision his doctorate "Changing Jobs: Channels of Mobility Information in a Suburban Population" in Harvard. Later he published two major works on that theme: "*The Strength of Weak Ties*" (Granovetter 1983) and "*Getting A Job: A Study of Contacts and Careers"*. (Granovetter 1974) . His interpretations of White's ideas were much easier to understand and hence became much more popular in the sociological world. The main idea of Granovetter is that the social networks matter in the explanation of micro-macro relations in sociology. Networking is an essential part of the social structure and network analysis is an indispensable method in sociology in order to connect individual actions and social structures, networks of relationships can be seen as "micro-macro bridges", as he puts it. The paradox is that "weak ties" in an individual structural network could be more useful and significant than "strong ties". It can be illustrated with the example of an unemployed man in a labour market in the search of opportunities: in this case much more probable that the weak ties (e.g., the relationships with former colleagues) would work than the strong ties (e.g., the family connections and relatives). Supply and demand on the labour market can explain macro dynamics on that market but the structural analysis of that market reveals that it consists of a myriad of personal connections, the opportunities of a person on that market depends not only on the changes on macro level but at the same time on the position of that person in the network. Chances depend on well-connectedness, and ability to find necessary information about job vacancies. The better chances will be given to those who already had the opportunity to change their jobs because as usual such a person obtains a more developed network of personal ties and the probability of getting information on vacant positions is much higher. In that structural analysis of social ties and social networks in the labour market Granovetter did not yet position himself as an economic sociologist.

In 1985 Granovetter published his article "*Economic Action and Social Structure: The Problem of Embeddedness",* in which he introduced network analysis and applied it to the study of economic phenomena. The success which followed was unbelievable; this article became the most popular and most cited in contemporary economic sociology and gave birth to the new tradition in economic sociology called later "The New Economic Sociology". How can such tremendous success of that article be explained?

First, Granovetter puts in that article the fundamental question of economic sociology: how to explain coexistence of individual economic action and social structure, how to find out the golden mean between the *oversocialized* approach of classical sociology and the *undersocialized* approach of Neoclassical economics. I would argue that it is also the same fundamental question of general sociology: how to integrate individual action into social structure. Durkheim, Weber and Parsons proposed their own answers to that question, and what is important is that Granovetter's answer was totally different, it was the new perspective for economic sociology and sociology in general. We can agree with that answer or criticise it but after that article it is not possible to ignore the network approach and the interpretation of that fundamental question of sociology given by Granovetter.

Second, Granovetter introduced to economic sociology the embeddedness approach by Polanyi which was practically unknown before. He claimed that the level of embeddedness of economy into societal structures now is much higher than Polanyi argued. Thus, Granovetter connected network theory and the embeddedness approach.

Third, Granovetter's strong side is in his persistent criticism of the new institutional economics, especially the "*Markets and Hierarchies*" approach by Oliver Williamson and Ronald Coase theory of firm, on one hand, and his criticism of mainstream economics, especially the atomization character of economic agents, on the other. It is for the first time in the history of economic sociology that economists and sociologists suddenly discovered that they speak a common language, they tried to listen to each other and tried to be heard. One of the major outcome of Granovetter's article is that economists (Rudolf Richter and other institutionalists) paid attention to economic sociology and took part in the discussion.

Fourth, Granovetter introduced to economic sociology the new issues which had never been studied before, for example, trust was for the first time studied from the viewpoint of economic sociology. In his later works "*Business Groups*" (Granovetter 1994) and "*A Theoretical Agenda for Economic Sociology"* (Granovetter 2002) Granovetter continued to elaborate his network approach to economic sociology.

Among White's students Granovetter was the most successful in economic sociology, "Mark Granovetter …by many is seen as *the* quintessential economic sociologist", as Swedberg characterises him (Swedberg 2004, p. 3), but he was not the only one. White's other former student Michael Schwartz from the University of Chicago developed in the 1980-s network analysis from the Marxist viewpoint and applied it to the study of American business, (Schwartz, Mintz 1985),(Schwartz, Romo 1995). One of Scwartz's colleagues in Chicago, Mark Mizruchi, also successfully applied the structural and network approach to the historical study of business and corporate networks. (Mizruchi, Schwartz 1987). From that time the social structure of markets, business and corporations became one of the most popular thematic trends in the American new economic sociology. Wayne Baker in the early 1980s contributed to that theme, his doctoral dissertation defended in 1981 was titled "*Markets as Networks: A Multimethod Study of Trading in a Securities Market.*" (Baker1984). Ronald Burt from the 1980-s studied social networks from a different viewpoint, the nature of competition was in his focus and to study it he developed a "structural holes" concept. Burt claims that beside the models of perfect competition and the models of monopolistic competition there is a network model of competition, according to it in the process of economic competition usually *tertius gaudens*. Neither the richest nor the most efficient wins but the third one. Who? The structural entrepreneur was Burt's answer. It means that the amount of capital or lowest prices matter, but only to a certain level, beyond that level the structural entrepreneur takes over because of the specific "hole effect"(Burt 1992).

This effect means that there are holes in the structure (e.g., broken connections) and only those who can fill the gap or successfully connect broken social and economic ties in the network will win in the competitive struggle. Why? He answers: "….people who stand near the holes in a social structure are at a higher chance of having good ideas. The argument is that opinion and behaviour are more homogeneous within groups than between them, so people connected across groups are more familiar with alternative ways of thinking and behaving, which gives them more options to select from and synthesize. New ideas emerge from selection and synthesis across the structural holes between groups. Some fraction of those new ideas are good" (Burt 2004, p. 349)

In 1992 Granovetter together with Richard Swedberg published a book titled *"The Sociology of Economic Life"* as a manifesto of the new economic sociology. Some classical texts by Polanyi, Ronald Dore, Alexander Gershenkron and others were included in that book. Granovetter presented two of his famous papers, and together with Swedberg they wrote a programmatic introduction where the profile of the new economic sociology was briefly sketched. Swedberg himself is no less an outstanding figure than Granovetter in the contemporary economic sociology because of his industriousness and long commitment to economic sociology since the early 1980s to the present. As one of the scientific leaders in the field he attracted many newcomers to economic sociology, and as an editor he published several works that became contemporary classics in economic sociology: *Economics and Sociology: On Redefining Their Boundaries* (Swedberg 1990). It is a book of interviews, where are Gary Becker, Amartya Sen, Kenneth Arrow, and Albert O. Hirschman among the interviewed economists; the sociologists include Daniel Bell, Harrison White, James Coleman, and Mark Granovetter; *Explorations in Economic Sociology* (Swedberg 1993); *The Handbook of Economic Sociology* (Swedberg, Smelser 1994, 2005); *The Economic Sociology of Capitalism* (Swedberg, Nee 2005). In his programmatic book "*Principles of Economic Sociology"*(Swedberg 1993) he studies such topics as economic organisation, sociology of firm, sociological approaches to market, the economy is viewed in its relation to other societal systems: politics and the economy, law and the economy, culture and economic development. What I would like to underline is not his ideas on social structure of markets, sociology of capitalism, or the concept of interest in economic sociology, but his specific and continued interest in the history of economic sociology. In 1987 he published *Economic Sociology: Past and Present* (Swedberg 1987), it was the first systematic study where the development of the ideas of economic sociology were traced from the 19th century to our days and the logic of that science was explained. It means that to the mid-1980-s economic sociology entered the process of reflective understanding, and economic sociology (due to Swedberg's efforts) tried to explain itself, its origins, its development and its current situation. Later Swedberg contributed to the history of economic sociology with his special works focused on Max Weber, Joseph Schumpeter and Alexis Tocqueville and their role in economic sociology, (Swedberg 1998, Swedberg 1991, Swedberg 2009). But not only Swedberg was interested in the history of economic sociology, Robert Holton and Bryan S. Turner, an Anglo-Australian team, published in 1986 and 1989 special studies on Parsons' and Weber's economic sociology (Holton, Turner,eds. 1986; Holton, Turner 1989) "Talcott Parsons on Economy and Society", "Max Weber on Economy and Society", and in 1992 Holton published his own version of "Economy and Society". In that book he considered the process of differentiation of economy from society and introduced his *culture-inclusive approach* to economic sociology (Holton 1992). French economic sociologists Jean-Jaques Gislain and Philippe Steiner also contributed to the study of the history of French economic sociology (Gislain, Steiner 1995; Steiner 1995, pp. 175-195)

In "*The Sociology of Economic Life*" published by Swedberg and Granovetter, among the contributors one name played a substantial role in the development of culture oriented economic sociology, that of Viviana Zelizer. She represents a different methodological direction in the new economic sociology which has nothing in common with Harrison White's network approach. From the mid-1970-s Zelizer worked on the general theme that can be described as *Morals and Markets,* in 1979 she published *Morals and Markets: The Development of Life Insurance in the United States*, (Zelizer 1979) and in 1985 *Pricing the Priceless Child: The Changing Social Value of Children* (Zelizer 1985). Her interest was mainly focused on the historical process of commoditization and economization of moral and cultural values of human life and death, intimate relations, and attitudes to children. It is worth mentioning among all her studies the brilliant sociological work on money, published in Princeton, 1994 (Zelizer 1994). In my opinion, she was the first among economic sociologists after Simmel' with his *Philosophy of Money* who explained the sociological character of money in a brand new way, as multiple monies, as magical money, as sacred money, as profane money, as domestic money, like "pin money", etc. The major argument in her writings is that culture overwhelmingly influences money, that money can be understood only from its social context. If Simmel claimed the unification function of money, it meant that everything can be expressed in monetary terms and thus can be compared within the same monetary scale. Each and every human goal has only one universal mean, money; money depersonalizes social relationships and distracts social character from human relationships. Instead of it Zelizer argued that special monies correspond to every specific social situation and are used in a culture-determined way. Simmel acclaimed that quality of money is only in its quantity, Zelizer revealed distinctive social characters on money and its specific social qualities. But not only Zelizer contributed in the new economic sociology to the study of social character of money, Bruce Carruthers (Northwestern University, Chicago), Geoffrey Ingham (University of Cambridge), Nigel Dodd (London School of Economics), Christoph Deutschmann (University of Tübingen) and Wayne Baker (University of Michigan) contributed to the further development of the sociology of money, banking and credit. (Baker, 1987; Carruthers, Ariovich 2010; Dodd 1994; Ingham 2004; Deutschmann 1997). Beside Zelizer the cultural approach in the new economic sociology was represented also by Paul Di Maggio, Princeton University, (DiMaggio 1994) and Mitchell Abolafia (University at Albany/ SUNY) (Abolafia 1996, 1998).

One of the key figures in the contemporary American economic sociology is Neil Fligstein, University of California, Berkeley. He introduced into economic sociology the so-called political-cultural approach based on the idea to understand *markets as politics*. It means that markets even in their competitive and non regulative form represent the structure of power relations, there are those who dominate and those who are dominated. Institutions as rules, norms and organisations are constructed by and in favour of more powerful agents. The dominated are always trying to rearrange the rules of the game in their favour, thus, markets can be understood as political structures with constant and repetitive fighting for a dominant position. Later in his book *"Architecture of Markets"* published in 2001 Fligstein introduces the field approach to reveal the social structure of markets. "Field" is understood as organised social space with shared common understanding where local cultures determine social relations between economic agents. It is a system of domination as well (that is why the name "political cultural approach" is used). As you see there is a different understanding of the term "field", it is very far from what is understood as organisational field in economic sociology of organisations. According to that organisational approach field is not more than a number of similar or related organisations in the specific area of production (e.g., branch of industry) or exchange. Such approach is represented in the book *The New Institutionalism in Organizational Analysis* (Powell, DiMaggio, eds. 1991). As Harrison White puts it, organisations in the production market are constantly watching what others do, supervising each other, or at least take into account what are the current trends in the market. Fligstein in his understanding of fields is more close to Pierre Bourdieu's concept when he treats field as a system of symbolic domination (domination is reproduced in latent form which could be not even reflected by dominated), as an arena for transformation of different forms of capital (political, economic, symbolic). Fligstein claims that the dominating agents can implant into the field their concepts of control, i.e. a symbolic power to impose the specific view of the economic world. The concept of control could exist in the form of direct control of competition through trusts or cartels (i.e., through organisational forms of business) or through price mechanism, or through the control of share of the market. And the concept of control as an institutional form could be far from the most effective form of institution. In this point Fligstein criticises The New Institutional Economics in its willingness to consider only effective institutions (as if ineffective ones do not exist at all). He doubts that many institutions at work are the most efficient ones. The most powerful economic and political agent on the market is the state, so Fligstein reveals how the state establishes its own concept of control; his study of the Silicon Valley case is of much interest. Fligstein claims that it was the US state which played a central role in organising soft and hardware computer markets and internet communications which is often seen as an independent self sufficient market with small companies dominating on the base of intellectual capital (Fligstein 1996, 2001).

In the same way Frank Dobbin, University of Harvard, claims that political institutions shape the economy and market according to the dominating political cultures. In his early work "*Forging industrial policy: the United States, Britain, and France in the railway age*" Dobbin considered railway policies in the US, Britain and France from 1825 to 1920 and discovered that economic policies of these countries and industrial cultures were quite different, with no direct signs of convergence (Dobbin 1994). It is interesting that governments formed economic policies and economic institutions as paralleled with political institutions. In the US with its relatively weak federal state and strong sovereignty of local communities during the 19th century economic functions of the state were limited to juridical functions, the state was not more than referee for a free market development. In the opposite way French regulationism came from the political understanding that only a powerful central state is able to integrate the nation as a whole. In Britain the sovereignty was located in elite individuals and individual firms to protect them from the free market and the Crown as well. Dobbin argues that there are no universal economic laws and the only one utility maximizing model of economic behaviour does not exist. The economic policies and industrial cultures could be different in some countries while the rates of growth could be relatively the same (e.g., compare Sweden, Japan and GB with approximately the same rates of economic growth but different models of economic and industrial policies). Later in 2004 Dobbin published as an editor "*The Sociology of the Economy*" (Dobbin, ed. 2004); in that book he and his colleagues continued to study how the state and political institutions shape markets, how ideas and cultures shape the economy. In his latest book "*Inventing Equal Opportunity*" (Dobbin 2009) he studies from the historical and sociological viewpoint the problem of discrimination in economic and organisational life and gender issues such as feminization of HR and others.

The discrimination problems inside the informal economy are also studied by American-Cuban sociologist Alejandro Portes (University of Princeton) in his Economic Sociology of Immigration (Portes, ed. 1995). His most interesting analysis deals with the experiences and economic activity of Latin American immigrants, especially Cubans, Dominicans, Mexicans. Not only immigration and discrimination are in the focus of his study but also ethnic entrepreneurship, community networks, "bounded solidarity" and "enforced trust" in ethnic enclaves (Portes, Sassen 1987, pp.30-61). The other side of discrimination studied by the new economic sociology deals with gender discrimination. The gender segregation at work and discrimination in paid employment, unequal distribution of the household work are discussed in the writings of Paula England (England 1992).

Among new and very challenging fields of research in American economic sociology I would mention the sociology of economic knowledge. In 2009 Marion Fourcade-Gourinchas published her book *Economists and Societies.* It is a comparative study of how different traditions of economic thought were developed in US, Britain and France; what is much more interesting is that economic knowledge is deeply intertwined with politics (Fourcade-Gourinchas 2009). In a rather different way the theme of the sociology of economic knowledge was studied in European economic sociology by Philippe Steiner (Steiner 2001). But contemporary European economic sociology is a different story.

Contemporary European Economic Sociology

If American New Economic Sociology is a more or less integrated field with the community of researches, with its own traditions, organisational forms (around ASA, American Sociological Association, and its newsletter) and shared understanding, European economic sociology is to a high degree a fragmented field of research. It partly consists of so called professional economic sociologists (those who are engaged in the academic world and teach economic sociology), others study exactly economic sociology but they do not identify themselves with economic sociology. Those who identify themselves with economic sociology are more or less organised around ESA and its section *The Economic Sociology Research Network* and around the electronic journal "*Economic Sociology. European Newsletter*", founded by Jens Beckert, Johan Heilbron, Ton Korver and Richard Swedberg in 1999. I will only make a brief sketch on French, German and English traditions in contemporary economic sociology.

In contemporary French tradition of economic sociology I would underline names of Philippe Steiner, who studied history of French economic sociology and Durkheimian school; Frédéric Lebaron, who was inspired by the works of Bourdieu, elaborated his "Sociology of Economic Belief" (Lebaron 2002, 2000) and French school of economic conventions, headed by Laurent Thévenot and Olivier Favereau (Thévenot 2001, 2001, 2012). For more on contemporary French economic sociology see: Johan Heilbron *Economic Sociology in France* (Heilbron 2001, 41-67) and *Economic Sociology in France: Interview with Philippe Steiner* (Steiner 2009, 29-44)

The German tradition of economic sociology is represented now by Jens Beckert, Christoph Deutschmann, Karin Knorr Cetina, (Beckert 1996, 2002), (Knorr Cetina, Preda, Eds., 2005; Knorr Cetina 2007, 4-11), (Deutschmann 2011, 17-21).

In Britain, where the position of industrial sociology competing with economic sociology is very strong, I would mark out three directions of economic sociology researches that seems to me very important: first, the English version of Science and Technology Studies (STS) represented by John Law (Law 1991; Law, Hassard, Eds., 1999) and colleagues (MacKenzie 1996); second, sociology of money (Geoffrey Ingham, University of Cambridge, and Nigel Dodd, London School of Economics and Political Science, already mentioned above in this article); and thirdly the most challenging version of economic sociology studying innovations and its ecological impact (Mark Harvey, The Centre for Research in Economic Sociology and Innovation (CRESI), based at the Department of Sociology at the University of Essex) (Harvey 2000) For more on British economic sociology see *Economic Sociology in the UK* by Nigel Dodd (Dodd 2000, 3-13).

As I mentioned above there is a latent European economic sociology, which includes those who do not identify themselves with economic sociology tradition. It is, in my opinion, the most interesting part of European economic sociology. Mostly they belong to French sociology and philosophy: Jean Baudrillard (*Le système des objets, 1968; La société de consommation: ses mythes et ses structures, 1970; Pour une critique de l'économie politique du signe, 1972*); Pierre Bourdieu (*Distinction: a Social Critique of the Judgment of Taste, 1979; The Social Structures of the Economy, 2000*); Luc Boltanski (*The New Spirit of Capitalism, 1999,* co-authored with Ève Chiapello); Michel Callon (*The Laws of the Markets*, 1998, editor) Bruno Latour (*When Things Strike Back: a Possible Contribution of Science Studies to the Social Sciences,* 1999; *Mixing Humans with Non-Humans: Sociology of a Door-Closer,* 1988; *Reassembling the Social* 2005); It seems these intellectuals influenced European economic sociology most of all because they introduced totally new methodology which is used in contemporary economic sociology studies. Baudrillard developed a structuralist approach to the study of economic phenomena to reveal its symbolic meanings and representations. For instance, consumption in his view is more the manipulation of signs than a consumption of material goods or services, people are oriented to buy trademarks as indicators of their social statuses, thus the process consumption is transformed into the form of a text as a mean of social communication. Bourdieu added to that understanding of consumption, the idea of taste and habitus that gives the social classes the possibility to represent itself in social milieu. In his understanding, classes are a relative construction when one class differentiates itself in relation to the other. Bourdieu himself was not a plain structuralist, instead he introduced *structural constructivism or genetic structuralism* as the methodology of social studies. All his ideas of fields and forms of capital are widely used by economic sociologists, not only in Europe but in the US by Fligstein and others. Boltanski and Thevenot introduced the ideas of justification and orders of worth, and later Boltanski and Chiapello applied this idea to the study of the contemporary capitalism, its ideology, critical capacities and social approval. The new spirit of capitalism does not change the principles of domination and exploitation, but its forms changed in the contemporary world.

The most popular, the most essential and demanded new approach in the contemporary economic sociology is actor-network theory (ANT) by Callon and Latour. Not only human actors are included into the social network (as usually assumed by the network approach) but also non-human actants as technical devices or biological organisms are involved. Callon and Latour revealed that sociology goes too fast in transforming individual actions into the social structures, the middle range structures as objects and spaces are missing. It is a narrow viewpoint to look only at the relation of one agent to another, material objects are also connected to each other and to human beings and constitute a broader network. If one thing relates to another, it is necessary to describe it. Latour labelled that kind of relation between material objects as *interobjectivit*y instead of *intersubjectivity* proclaimed by the phenomenological sociology. Economic sociologists obviously were charmed with ANT and STS (Science and Technology Studies), in 2008 the joint project of economic sociology and STS was made under the title "*Living in a Material World: Economic Sociology Meets Science and Technology Studies*" (Pinch, Swedberg, Eds. 2008). (When I came across that title it came to my mind that exactly that title was used by George Harrison for his song and album in 1973 "Living in the material world", but actually it happened that the title came from another song by Madonna "I am a material girl, living in a material world").

Callon and his colleagues introduced the idea of performativity, it means that economic knowledge becomes more or less like a self-fulfilled prophecy, what is written in economics then is performed in the real world, and hence social relations are not embedded in the economy but embedded in economics. According to that idea of performativity Callon proposed the new focus of economic sociology, it studies the process how economics (economic knowledge) influences economic and social life (Callon, Méadel, et al. 2002). Here it is a totally new understanding of what economic sociology is and what economic sociologists should do. It seems that it is not at least the only focus of economic sociology, meanwhile the performativity thesis is of much importance to economic sociology.

Concluding remarks

It goes without saying that economic sociology is very active nowadays, what I would like to underline is that today it is more different than ever. It looks like a patchwork cover, a bit of this and bit of that, but we can call it normal for a science with multi-paradigmal status. As Philippe Steiner puts it: "My general comment is that economic sociology is now entering into a 'normal' state of functioning, normal in the Kuhnian sense of 'normal science': there is now a stable set of approaches, enigma, etc., according to which scholars may organize their work in this very active field (Steiner 2004, p.23). At the same time I can agree also with Richard Swedberg that today economic sociology to some degree is mirroring general sociology: "….economic sociology does not have a core of basic concepts and ideas, welded together over a long period of time. Instead economic sociology, mirroring sociology itself, consists of a number of competing perspectives, some more coherent than others. Many economic sociologists, for example, draw on a social constructivist perspective, others on a Weberian perspective; some follow Mark Granovetter in emphasizing embeddedness, others Pierre Bourdieu in approaching the analysis of the economy with the concepts of field, habitus and different types of capital." (Swedberg 2004, p.3). What is absent in the contemporary economic sociology is middle-range theories that would connect grand theories with empirical researches. As Alejandro Portes argued in his "*Economic Sociology: A Systematic Inquiry*" "…to move us forward, empirical evidence should coalesce around a discrete set of midrange concepts" (Portes 2010, p.6).

As usual we economic sociologists, look at economic sociology from inside. We have witnessed the dramatic revival of economic sociology from the 1980s and its vigorous invasion into the domain of sociology. Nevertheless the image of the economic sociology from the viewpoint of economists is totally different. For example Gary Becker, Nobel Prize winner in Economics (1992), agrees that the idea to study economic sociology sounds good, meanwhile, he continues, economic sociology is a comparatively small scientific community, obviously limited in resources. Not more than two or three universities in the USA, Netherlands, and Germany are seriously doing researches in that field. The section of economic sociology in ASA is also very small, and, in his opinion, after James Coleman with his Rational Choice Sociology nothing significant happened in economic sociology. (Becker, 2010, p.10). I think Becker's view of what is going on in economic sociology is not very far from the common position of economists looking at economic sociology as something insignificant in scale and influence. By no means is it a type of hostile reaction but mostly economists simply do not mention what economic sociologists are doing. Nevertheless step by step the situation is changing. Especially due to The New Economic Sociology and its critique of the New Institutional Economics the voice of economic sociologists was heard, and at least some economists suddenly discovered to them that economic sociology does exist. I have already mentioned above the institutional economist Rudolf Richter's reaction on Granovetter's article; also Viviana Zelizer pointed out what Robert Gibbons (Gibbons 2005, 3-7) thinks on economic sociology (*What is Economic Sociology and Should any Economists Care)*. So it seems that dialogue between economists and sociologists could be well organised, nevertheless, and economic sociologists should be more open to such a communication. At least the common ground is defined already, the next step is to find out the common language.

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The Puzzling Sociology of Money for the 21st Century

Abstract: The paper is devoted to the recent discussion within the field of economic sociology about the nature of money in its purely theoretical manner. Multiple circumstances and fundamental ideas of sociological discourse which included works of Bruce Carruthers, Nigel Dodd, Viviana Zelizer, Geoffrey Ingham, and Costas Lapavitsas, were analyzed. In the first part of the paper the author particularly reviews the original sources of theoretical contradictions among modern sociologists of money. Ontological, epistemological, methodological as well as political and ideological issues were included. The second part discusses the core polemics and the demarcation of the leading trends in the field. The author finally concludes with the recognition of major options for the future sociological investigations of money.

Key words: credit, currency, finance, sociology of money, value, payment.

Introduction.[*]

The World had been waiting for the Millennium with a special rare feeling of vague expectancy. Something had to happen. And with this feeling the results of the previous historical stage – no matter century or decade or else – had been summed up and evaluated. Humanity was trying to turn over the essential and colourful page to start a new one. Mystery and magnetic force of such calendar schemes captured not only the Philistine, but the Intelligence as well. Sociological community occurred within this trend. Finding balance has included numerous problems and approaches to them. It was a time of refreshing and revitalizing plenty of ever-discussed issues of sociological discourse. No wonder that the concept of money happened to be among these problems too.

Today one can hardly imagine human life without money, but only as an aspect of social life, of society as a whole. Life without money can take place in a very limited and relative sense when we speak about capitalist society. The very fact of money's ubiquity lies right on the surface of everyday life under capitalism. Astute sociologists

[*] The author is indebted to his student Anastasia Oreliovich for her invaluable help in preparing this paper.

intend to consider such a fact in their conceptualizations. Investigation of money meets a twofold problem. People know money from everyday practices; people appreciate to be right in their knowledge about money; the common meaning of what money is seems to be simple. But any scholar who starts to explain money begins with the acknowledgment of money's mystery, of its unsolved secret.

Despite the obvious need to include the concept of money within the core of sociology, theorizing on money remains to be not the strongest aspect of contemporary sociological thought. Or at least it remains so before today. As Geoffrey Ingham inferred, "although money should be seen as having "social" conditions of existence, sociology, with the notable exceptions of Weber and Simmel, has contributed very little directly to the study of the actual social production of money as *a system of social relations, sui generis*" (Ingham, 1996: 509). Sociologists accept this shortcoming, although recognize the necessity to challenge. But rather constantly refreshing debates within the taken-for-granted framework takes place.

Intellectual capital of money's sociological conceptualization has been reduced to the brilliant works of Karl Marx (Marx, 1867) and Georg Simmel (Simmel, 1900). Today sociologists use this bequest not just because of Marx's and Simmel's well structured and comprehensive concepts of money but due to their profound theoretical basis for such conceptualization. It means that deep inside the situation with money the theory reflects the situation with the society theory in general. And it includes ontological, epistemological and methodological elaborations. Paradoxically, not a single contemporary sociologist properly has put the conceptualization of money at the background of a general social theory.

Sociologists cannot move forward in analyzing money without perfect knowledge of Marx and Simmel, or at least some knowledge of Marx and Simmel. But on the other hand, if you have a plan to use just century-old theories to cope with the problems of the third millennium, you'll never get away with it. In the late 1980s Heiner Ganssman consented that "[a]fter Simmel and Weber, sociological theory did not have much to say on money" (Ganssman, 1988: 285). Analyzing what was done in the field by the most erudite scholars, like Parsons, Habermas, and Luhmann, explaining money as a means of communication within the social system, he came to the conclusion that nevertheless future sociologists could learn more from Marx, Simmel, and Weber (Ganssman, 1988: 311). There was an unfavourable diagnosis.

Actually recent sociological works on money drive their strength in the developments and changes of their object of study – society. It includes problems of financial crisis, unification of Europe, collapse of socialism, monetization of economic policy, introduction of e-money and multiple local currencies, etc. The life of money becomes much more complex than at the time of sociological classics. Therefore theorists of our epoch are forced to go further, to understand more and better. True intellectuals never surrender.

At the starting line of the debates.

The main purpose of the paper is to hold an inquiry into the puzzle that ongoing sociological disputes on money have assembled. Precisely the term "puzzle" mirrors today the widely shared attitude of sociologists to the current situation within their community in this issue. Let us show just a few examples. Viviana Zelizer honestly said in "The Social Meanings of Money": "The increased use of money in house-holds, gift exchanges, and charities raised particularly delicate and contested puzzles" (Zelizer, 1994: 33). After two years Geoffrey Ingham explicitly wrote at the beginning of his article that "[m]oney is a puzzle" (Ingham, 1996: 507), and repeated five years later that money "has always been a puzzle" (Ingham, 2001: 304). Later in his book "The Nature of Money" he even mentioned this point in the subtitle "Money's Puzzles and Paradoxes" (Ingham, 2004). Ingham's focus and compelling brevity were appreciated by Jens Beckert who has noticed in the book review for the *American Journal of Sociology*: "That the puzzle of money is still unresolved is the starting point of Geoffrey Ingham's book" (Beckert, 2004: 1227). Moreover Beckert agreed in the very first sentence that "[f]or centuries money has puzzled economists, social scientists, and historians alike" (Beckert, 2004: 1227).

At the same moment Lapavitsas was convinced that Ingham had been puzzled by the Marxist approach to money (Lapavitsas, 2005: 400). But Dodd also continued to use the term "puzzle" in connection to Ingham, saying that Simmel's concept of money appeared to be puzzling for Ingham (Dodd, 2007: 289). It looks like Ingham emphasized the idea of puzzle so dashingly that other scholars thought of him as having certain problems with analyzing money. But certainly he signals not about his headache but about the problems of modern sociology of money. We can start our paper with the conclusion that Geoffrey Ingham reflexively accosted the term "puzzle" within the current discourse of sociology of money and sociological community supported it to be characteristic for the state of affairs with the monetary issue. Following this suit we decided to use an idea of puzzle in the title of our paper.

A new wave of solving money's puzzles has been provoked by the remarkable historical research of Viviana Zelizer on "fundamental transformations in the earmarking of money in the United States" during the last quarter of the 19th century and the first quarter of the 20th century (Zelizer, 1994: 30). Before her book the leading players at the Ring were sociologists Bruce Carruthers, Nigel Dodd, and Geoffrey Ingham. By that time money was still generally out of favour among sociological theorists. Empirical researches were more appropriate but lacked the satisfied sociological conceptualization of money and monetary relations. During the whole 20th century this theorizing about money was usurped by economists. As a result most sociologists humbly consented to follow the pure economic ideas. Unfortunately – but perhaps fortunately for the sociology of money – the flourishing economic mainstream missed the problem of the social nature of money. With the rise of so-called economic imperialism, its sociological product – rational choice theory – gently inherited economic inability to find the social reality of money. One of the most famous theorists of this sort, James Coleman, gave a perfect example of how it can be possible to analyze the usage of money without explanation of underlying monetary social relations (Coleman, 1990).

In fact, it is not easy to mark up the boundaries between sociologists and economists on the money issue. Both fields have multiple methodological traditions with different, sometimes rival views of the society and economy as well as money. And even if we accept that the *differentia specifica* of sociology is the question of money's social nature, many economists show us their huge contribution in solving this question (Marx, Knapp, Keynes, etc.). On the other hand, there are many social scholars from the other fields, like Marcel Moss and Karl Polanyi, who have enriched our recent sociological knowledge of money. So it is important to conclude that by the time of the mid-1990s sociological understanding of money was cultivated within the fragmented space of multiple social sciences. But due to the methodology, only sociologists had a strong and durably hidden demand to investigate the social puzzle of money.

We made a short digression off the situation in which Zelizer launched her project on money to make clear that being narrow and occupied by just a few players the Ring of monetary sociology was constantly and fruitfully attacked from the outside of the discipline. An essential feature of the mid-1990s appeared as an unprecedented discussion among sociologists themselves on the better vision of money. This was vital for the internal unity of sociology to get more independence of their own research project on money relations. Although the well-done and significant book of Nigel Dodd (Dodd, 1994) was published the same year as Zelizer's book, the latter occurred to be more provocative for starting the discussion. This fact doesn't undermine the importance of the former but shows the way of thinking among sociologists. Zelizer's revolt against the economic dominance in the monetary field was much more striking than in the case of Dodd's book.

Leaving aside Zelizer's research intentions, logic and specific historical findings about domestic, gift and charitable money that everyone can find sufficiently in her book, we would prefer to concentrate on the disciplinary results of her work, particularly on the influence that Zelizer has had for the further debates among sociologists. She quite clearly sent a signal to her colleagues by saying: "Social scientists treat money paradoxically: although money is considered a basic element of modern society, as a sociological category it remains unanalyzed" (Zelizer, 1994: 4). In those words she attracted our attention to the lack of good sociological conceptualization of money. As we will see in the paper, the reaction to this alarm moved to the direction that she didn't fully predict. But it turned to be important for improving the theoretical foundations of future monetary researches.

Zelizer's second "gospel" to sociologists had sounded to be more concrete and challenging: "Contemporary sociology still clings to the view of money as an absolutely fungible, qualitatively neutral, infinitely divisible, entirely homogeneous medium of market exchange" (Zelizer, 1994: 10). In those words she had pertly torn up with the numerous attempts – specifically at the economist's domain – to build a general concept of money as a cornerstone for investigating the monetary processes and institutions. This idea became the mostly debated piece of her pioneering book. She attacked the dominant understanding of money which she compared with ideology: "It is a powerful ideology of our time that money is a single, interchangeable, absolutely impersonal instrument – the very essence of our rationalizing modern civilization" (Zelizer, 1994: 1).

Zelizer has proposed the concept of multiple monies that mean an absolute rejection of an abstract general feature – no matter what they are - shared by all kinds of money. Consequently this rejection leads to the denial of theoretical generalizations about money so widely represented through the conceptualization of money's functions (measure of value, medium of exchange, means of payment, hoarding, and universal money). Her attempt to formulate an anti-functionalist slogan, which could be welcomed by the sociological community, appeared to be too radical.

It is not surprising that the first reaction to Zelizer's ideas was rather negative. Debra Friedman in her book review for the *American Journal of Sociology* concisely and impartially summarized: "For those interested in a descriptive social history of gifts, charity and debated over the form of public assistance, this is a fine book", but not for those readers "with serious theoretical interests" to social relations of money (Friedman, 1995: 518). Friedman brightly captured the weakness of Zelizer's work, which is rooted in her approach to deny generalizations about money. What is an instrument to differ multiple economic earmarking practices from monetary activities? Zelizer has no idea, and didn't go this way. Stressing specificity and multiplicity of concrete monetary practices both in households and public settings she missed those characteristics of the social system that turned money to be money. Therefore money as an object of her research project has a tendency to disappear. Friedman noted it by saying: "Zelizer fails to get past her own conceptual approaches and thus misses what is centrally important about money and earmarking. It is not the money that is earmarked; it is about the self" (Friedman, 1995: 516).

But the radical choice of Zelizer was in concord with the tendencies in sociology of the end of the 20^{th} century. A new fashion of heterodox thinking, searching for alternative theoretical solutions has grown up. At the same year as the Zelizer book, an encyclopaedic "The Handbook of Economic Sociology" edited by Neil Smelser and Richard Swedberg provided a durable summation of recent sociological ideas about economic life (Smelser and Swedberg, 1994). This volume included an article by Mark Mizruchi and Linda Stearns "Money, Banking, and Financial Markets" in which together with a brief survey of money studies the authors characterized recent sociological research as being developed in two alternative directions: the cultural model of Zelizer, and the structural model of Baker. Both attempted to explain economic processes by pure sociological tools.

The social context of economic action and meaningful social relations became the keys in approaching economic sociology of Mitchell Abolafia, Nicolle Biggart, Paul DiMaggio, Frank Dobbin, Neil Fligstein, Mark Granovetter, and the like. Their works have inspired Zelizer so much. But those ideas prepared auspicious conditions for understanding and accepting Zelizer's book about money. Economic sociologists were more positive in their comments on the book. For instance, Bruce Carruthers and Sarah

Babb in their historical research of monetary practices in "postbellum United States" appreciated her concerns on how money had acquired meaning and the influence that culture and social structure had had upon it (Carruthers and Babb, 1996: 1559). Acknowledging that they share Zelizer's interest in the cultural context of money Carruthers and Babb softly marked a borderline by including the national level of investigation in research agenda. On this ground, they called their own approach "macrocultural", whether Zelizer's method they interpreted as "microcultural".

Geoffrey Ingham, who published three detailed articles on sociology of money in the late 1990s, initially didn't pay attention to Zelizer's ideas. In his articles "Money is Social Relation" for the *Review of Social Economy* (Ingham, 1996) and "Capitalism, Money and Banking: a Critique of Recent Historical Sociology" for *British Journal of Sociology* (Ingham, 1999) he found no space for mentioning her challenging work. This is curious but Ingham, like Zelizer few years earlier, specifically emphasized fundamental flaws of economists' theories of money. Only in the round-up paper about the current state of sociological investigation of money, "On the Underdevelopment of the "Sociology of Money"" for *Acta Sociologica,* he was pretty laconic about Zelizer (Ingham, 1998). Her name only twice appeared in the text; both to illustrate the sociologist's interest to cultural meanings of money. But those sentences were enough to understand that was clearly censorious to such "cultural" focus (Ingham, 1998: 3, 14).

For perfect vision of the starting line for the sociological debates on money it is necessary to look deep inside the writings of Ingham at the end of the 1990s. If we can characterize the job done by Zelizer as a radical challenge to traditional economic theorizing on money, three of Ingham's articles of late 1990s thoroughly marked up the recent state of sociological conceptualization of money in general. The idea of "puzzling money" has entered through this door.

Zelizer's own positive program of what money socially is seems to be relatively poor for building a sociological concept of money. Ingham wrote: "Revival of the sociology of money must move beyond a tendency to theorize the specifically non-economic aspects of money, which is to be found, for example, in the emphasis placed upon the importance of "trust", money's effects on social relations, or its different social meanings and uses" (Ingham, 1998: 4). Nevertheless Ingham launched his research project from the criticism similar to Zelizer. Mainstream economics has been attacked because of its concern with money as a cost-reducing medium of exchange for the individual. Here money is just a sort of technical device to facilitate economic transactions. Ingham characterized money, performing the medium of exchange function, as a neutral lubricant of exchanges. Those scholars to follow such approach, according to Ingham's view, are radically ahistorical and asocial[1]. They reduce a complex social phenomenon to "purely abstract exchange relations between rational maximizing agents" (Ingham, 1996: 512). Following his logic, since money is characterized through its function as a medium of exchange, it can be seen as something socially produced but never as a social relation itself. But Ingham suggests that the example of this function is not an exclusion but most colourful and common. Any other attempts to present the function of money as a version of its essential characteristics turns out to be a functional mistake absolutely bereft of the qualities of purely sociological thinking.

Ingham believed that methodological assumptions of an economist's thinking, precisely the mainstream neoclassical economics, were not able to grasp the main features of money. From Ingham's point of view there was no ontological theory of money at all in the mainstream domain. Unlike Zelizer he intended to catch the sociological reality of money which he had conceptualized as a specific kind of social relations. According to his understanding, sociologists basically failed to explain money as social relations and this goal has to be achieved by the current generation of scholars. He argued that "the difficulty in accounting for the existence of money and its role in actually existing economic systems is the result of the absence of anything resembling an adequate specification of its social structural conditions of existence" (Ingham, 1996: 508-509).

The truth is that sociologists silently agreed with Ingham's criticism of mainstream economic methods of conceptualizing money. But the same censure of other traditions of economic thinking usually inconsistent with methodological individualism and a rational choice approach looks to be less convincing. Ingham had equalized them due to the fact that both ultimately derived a functionalist approach from the commodity theory of money, which is commonly related to the labour theory of value. He likes to quote Marx's words that gold can serve as a measure of value only because it is itself a product of labour (see, Ingham, 1998: 6; Ingham 1999: 78). And Ingham alleged that Marx deduced monetary function of precious metals from the

[1] It is curious that Fine and Lapavitsas will castigate Zelizer by the same words for the absence of a clear definition of money (see: Fine and Lapavitsas, 2000: 376).

embodied labour necessary for their mining and minting. Would Marx avow such interpretation? Our guess is no way. Therefore such a position has disturbed negative reaction of those sociologists who shared some principal ideas of criticized traditions, precisely Marxism. And before speaking about the Marxist reaction on Ingham's ideas, it seems important to clarify the positive part of his project on sociology of money.

In the first of three papers in the late 1990s Ingham broached the subject with the following consideration:

"Obviously, money is socially produced in the sense that it does not occur naturally, and it also mediates and symbolizes social relations – for example, capital-wage labour. However, I wish to go further and argue that money itself is a social relation. By this I mean that "money" can only be sensibly seen as being constituted by social relations. I have already hinted that this claim is most obviously sustained in the case of credit money as "promises" to pay; but I shall argue that all forms of money *are* social relations and consequently, for example, the conventional textbook distinction between "money" and "credit" is not merely anachronistic, but is based on conceptual confusion" (Ingham, 1996: 510).

It was not just the sociological approach to be represented as the key for solving money's ontological problem, but the social nature of money has to be interpreted as social relations. Ingham was convinced that there is only one particular social relationship which becomes money. Social relationship of money has been constituted by producing the promise to pay or acknowledgement of debt. Payment promise expressed in a money of account can emerge in specific social relations that are complex and structured. "[T]he monetary relationship is not primarily the economic exchange between transactions, but between the transactions and monetary community which establishes its liquidity" (Ingham, 1998: 12). Relations of "promise to pay" are mediated by the underlying social system. And this mediation is of central importance in understanding the social nature of money.

Developing the explanation of the social nature of money Ingham wrote:

"As promises, money is not a "commodity" which stands in a relatively stable relationship to other commodities, nor is it *merely* a reflection, symbolic representation, or signifier of an underlying existing "reality" of economic relations. Rather it is a social relation based upon definite and particular social structural conditions of existence involving, among other things, an institutionalized banking practice and constitutional legitimacy of the political authority in which the promises of banks and the state to pay gradually become currency. The fundamental general social structural change that underpinned this critical step was the establishment, in custom and law, of the fungibility (transferability) of debt. This involved a second level of detachment in the transformation of social relations into "money"" (Ingham 1996: 523).

The type of proposed sociological approach to money by Ingham represents relational conceptualization. But there are several alternatives of sociological relationism. Different options can be revealed in relational understanding of money. In Ingham's theory social structure of monetary relations involves twofold social positioning – the party who supplies money and the party who demands or uses money. Besides, social relations of money manifest as collective representations or mental schemes codified in values and norms. Such collective representations include abstract systems of accounting for value or monetary calculation that makes possible price lists and the recording of debt. Consequently, Ingham has interpreted money as an abstract measuring system which is ontologically virtual. "Money is a conceptual scheme for the measurement of value, which lies behind any particular *form* that it might take as a means of payment" (Ingham, 1998: 9).

Ingham's theorizing has resulted in a monistic solution when money appeared to be a means of establishing and recording the value in price-lists and debts. "[E]mphasis on the concept of money of account for the recording of the debts and contracts is a necessary step towards a "credit theory of money", and the acknowledgement that money is best understood as a particular structure of social relations, and not merely an "object" that mediates between other "objects"" (Ingham, 1998: 10). They are not only socially constructed but constantly re-negotiated.

On the other hand, Ingham continued the tradition of Knapp and Keynes in a more sociological direction. But he has inherited their point of view on the state as a major condition of money's existence. According to this view, the institution of state has a social capacity to create "mobile" money in a form that integrated the new "private" bill and note credit money of the banker-traders with the existing forms of "public" coinage currencies.

Finally, Ingham considered that "[m]oney is not a neutral facilitator of "real" economic exchanges – whether or not these involve "spot" or deferred payment; it is rather a transformative power. And, as we shall see, this change in the *mode* of producing money was of crucial significance in the rise of capitalism" (Ingham, 1999: 80). Therefore credit money may be considered as a force of production. Credit money is created in the form of liquid promises to pay and involves the capacity for the creation of future value. "Money relations are social relations, consequently all forms of money have a *fiduciary* character" (Ingham, 1996: 567).

As a matter of fact, both Zelizer and Ingham reject the theorizing of money by orthodox neoclassical economics. Both proclaim anti-functionalist slogans and stay for sociological explanation of money. They have tried to formulate their own positive programs for sociology of money, but both attempts gave rise to severe critical reaction in sociological community and above.

Shaping the style of prospective sociological theory of money

The challenge of provocative works on money in the 1990s was very welcomed by the wide sociological community; and not only sociological. At the centuries' junction a group of leading economists in the sphere of money's research published a compendium on interdisciplinary conceptualizations of recent money theories. Edited by John Smithin it has a title-instruction for the contributors to this volume: "What is Money?" (Smithin, 2000). Circumlocutory authors intended to show the potential of political economy in providing a suitable sociological conceptualization of money. The question of money's nature concurred with the issue of the role which money plays in the economy. The way of answering the former demonstrated an intrinsic economist's problem: to deduce it from their attitude to the latter. This volume showed that economists were cognizant of the sociological challenge and have included sociological findings in their discourse, or at least are conciliatorily ready to do so.

Revered sociologist Immanuel Wallerstein in his Presidential address at the 14th World Congress of Sociology in 1998 discovered a paradox of sociological culture, which is definitely essential for understanding the current trends in sociological conceptualization of money. He attempted to persuade that "the only perspective we have that is plausible and rewarding is to create a new open culture, this time not of sociology but of social science, and (most importantly) one that is located within an epistemologically reunified world of knowledge" (Wallerstein, 1999: 1). He cogently warned that the historical period of completely divided social sciences when it was suitable to disprove some ideas by the statement that they were not sociological, passed. Looking forward to the 21st century Wallerstein insisted on unavoidable interdisciplinary of social knowledge while the separated specific fields like sociology, economics, political science, or anthropology had ceased to represent obviously different studies with different methods, producing mythical boundaries. He believed that the future was constructed by scholarly communities, debating within particular networks, and argued "that the culture of sociology is recent and vigorous, but also fragile and that it can continue to thrive only if it is transformed" (Wallerstein, 1999: 3).

Consonant to Wallerstein in some sense, Dodd in his paper "What is "Sociological" about the Euro?" for *European Societies* put that "[t]he reasoning behind this widening of focus is paradoxical: the more deeply we examine the intricacies of how the euro really works, the greater (or more "sociological") our breadth of focus will need to be" (Dodd, 2001: 25). Significant that the sociology in this paper was seen not in wider economic and structural processes but in cultural differences of values, expectations, standards of lifestyles. In conclusion he sagely clarified the "[t]he outstanding "sociological" feature of the single currency might turn out to be that it is not "singular" after all" (Dodd, 2001: 36). Corollary of this claim will be shown up in his following works on money and finance.

Wallerstein's logic applied to the social research of money has a lot of acumen. It explains not only current communications of sociology with other social sciences, specifically economics, not only rebuilding the methodology of monetary researches, but shaping the style of the recent community of scholars, generated by the culture of sociology. In this case a sociological approach plays a role of the cosy but temporary port for casting-off the vessel of money's cognition. Although scholars of the current debates try to identify themselves as sociologists, they are moving to the general social science in which the borderlines of its antecedents, including sociology of money, will absolutely disappear. In the case of money's knowledge the basis for the sociological approach within the interdisciplinary discourse can be produced by the social nature of money, if it ever exists. Sooner or later we have to appeal to the essence of debates – the issue of money's ontology.

The first round of discussion has occurred in the pages of *Economy and Society*. Ben Fine and Costas Lapavitsas in their article "Markets and Money in Social Theory: what Role of Economics?" gave a critical assessment of Zelizer's ideas from the Marxist position (Fine and Lapavitsas, 2000). We are interested only in the part that gives sociological conceptualization of money. Formally showing their initial sympathy to Zelizer's work, Fine and Lapavitsas noticed that money is essentially commodities, representing generalized purchasing power, and that abstract labour being general, featureless and homogeneous provides the social substance of commodities and money.

“For Zelizer, money is bound by social factors and customs; hence it is heterogeneous in nature. We argue instead that, precisely because it possesses a homogeneous aspect, money can fluidly express a variety of social relations. The same aspect, moreover, enables money to exercise considerable influence over the social relations that it expresses, without necessarily determining these” (Fine and Lapavitsas, 2000: 360).

The homogeneous aspect of money according to Fine and Lapavitsas is universal equivalent or exchangeability. Money monopolizes exchangeability and therefore can function as measure of value, means of hoarding and payment, and world money. “[T]he broader aspects and meanings of social relations that are expressed through money find themselves trapped within the featurelessness of universal exchangeability” (Fine and Lapavitsas, 2000: 367). “Precisely because it is a universal equivalent, money can serve as the material through which a variety of social relations are expressed; for the same reason, it is incapable of projecting refined differentiation among these relations” (Fine and Lapavitsas, 2000: 368).

Critical assessment of Zelizer’s work Fine and Lapavitsas reduced to *four* charges[1]. They have concerned both market and money’s conceptualizations. Keeping in mind that one can hardly exclude connections between market and money, striving for categorical discussion of money’s social reality we focus on those charges or those sides of them, which can be useful in such discussion. Owing to the fact that Zelizer gave an immediate rejoinder at the same issue of *Economy and Society*, it looks better to combine critical comments with reciprocal objections.

Actually Zelizer vigorously rejected any corrections of her ideas made by Fine and Lapavitsas. Zelizer saw pivotal disagreement within the issue of money’s homogeneity or heterogeneity. Although this issue has not been central to initial critical remarks of her contradictors, she truly pinpointed the matter of dispute. Accepting the dual nature of money, i.e. general and local circuits, Zelizer refused to recognize after her contestants that general properties allow for local heterogeneity (Zelizer, 2000: 386). In other words, if Fine and Lapavitsas proposed to explain multiple social properties of money by the main general feature, which is the universal equivalent, Zelizer insisted that proper understanding of each particular case would be possible without recourse to such an abstract feature.

Close to the central disagreement are some other points of discussion. Charged

[1] Keeping calm Zelizer educed and answered *five* issues that she had grasped as major points of reprehension in Fine’s and Lapavitsas’s article (Zelizer, 2000).

with ahistorical and asocial approach Zelizer tortuously rejoined by approaching her preferences over elementary didacticism. Fine and Lapavitsas linked this charge with Zelizer's inability to give a clear definition of money. But Zelizer disarticulated their logic and replied separately. She responded to the opponents' disregard to her definitions due to their neglect of her style of expansive descriptions. Consequently Zelizer also responded to inculpation of being free from discussion of capital and concentrated on secondary or exceptional phenomenon of monetary practices like life insurances. A similar conviction that stayed unprotected was about Zelizer's ignorance of exchange value and preoccupied with use value. But she didn't acknowledge these as a weakness but a merit of her research. Zelizer identified herself with those sociologists who had proposed an alternative to general theories of money by focusing on fragmentary meaningful social relations.

A momentous result of Zelizer's rejoinder appeared to be conceptual demarcation with those who attempted to recognize any general social features of money common to all concrete monies. The task of constructing and establishing generalizations often had been interpreted as of small relevance in social sciences; and Zelizer was close to supporting such a position on money. At least she was convinced on limited cognitive validity of generalized money. Flatness of her concept caused collateral impulse to the dispute. At this stage Geoffrey Ingham and Nigel Dodd have ranged the disputants, increasing its depth and preciosity.

In his pointed article for *Economy and Society* Ingham salaamed anti-orthodox proposals of Zelizer and Fine with Lapavitsas. The inability of mainstream economics to provide an adequate theory of money needed no extra proof. But both sides "Marxian" (Fine, Lapavitsas) and "Sociological" (Zelizer) showed a common confusion, ignoring significance of accounting money's nature. "[T]he continuous stability of the abstract ratios over the very long periods of time and the existence of abstract purchasing power, *regardless of the precious metal content of any coinage*, is the most telling evidence for the fact that, in the first instance, money is a "token" value established by an abstract money of account" (Ingham, 2001: 310).

Contrary to Zelizer who denied the general theory of money, Ingham supported Fine and Lapavitsas by notice that multiple forms of money-stuff have corresponded to abstraction of money. The worse thing, according to Ingham, is that Zelizer missed that generalization of money is a pure sociological problem, i.e. the problem to be solved sociologically. "Sociology has a good deal more to say about money than the analysis of its contextualized social meanings" (Ingham, 2001: 314). Sociological solution concerns generalized or systematic social relations. Micro-foundations are a fragile basis for appropriate sociological conceptualization of money. "Money is "essentially a social fact" primarily because it is the product of the social relations of states and banks, not primarily because its use is given multiple social meanings" (Ingham, 2001: 314).

Sociological interpretation of money sundered Ingham from Fine and Lapavitsas. Cleavage in regard to views was bilateral. On the one hand Ingham didn't agree that the universal social nature of money had been generated by exchange relation; rather the source of money's sociality is payment promises. "[T]hese *promises* are constituted by *the means of accounting for value (money of account)* and the *various means or forms of the representation of abstract value* (abstract purchasing power that is accepted as a means of settlement of debt" (Ingham, 2001: 307). In other words money is a token claim against goods and payment of debts: as such money means consisted in the promise to pay. This social nature of money was generated by the capitalist society that had produced a network of claims backed by banks' and states' promises entwined into a unique system of hierarchical credibility. Under capitalism money has a specific form substantially different from pre-capitalist forms of money. "[C]apitalist credit-money was produced by qualitative transformation in *the social relations of the mode of monetary production*" (Ingham, 2001: 311). The capitalist system is rested on a complex structure of institutionalized debtor-creditor relations, but not capital-labour relations like Marxists think.

On the other hand, Ingham disagreed with the Marxism of Fine and Lapavitsas. Marx was charged for labour theory of value; but Fine and Lapavitsas were accused for misinterpretation of Marx. First, since Ingham traced a social essence of money in debtor-creditor relations, he condemned Marx and his followers for favouring exchange relations as money's social nature. Causality between money and commodity Ingham characterized as pretty fragile. Autonomy of money-finance processes for economic production supposed to be underestimated by Marx. Besides, as it was mentioned earlier Ingham found a mistake in explicating money through the gold from the labour. Secondly, from Ingham's point of view Fine and Lapavitsas were wrong in trying to reconcile Marx's theory of money with recent capitalist processes brightly manifested in financial spheres, especially when they addressed the kind of Hegelian methods for generic validating of money as a universal equivalent.

Thus, Ingham injected one additional sociological version of money being ignored at the earlier stage of discussion, but harmonious with palpitating interests of today capitalist society. In the light of the later global financial crisis, conceptualization of credit money looks to be clairvoyant or at least well-timed. But we can see that Lapavitsas has commented on Ingham intervening in the debates, and made the picture of money's dispute more multicoloured.

The positive reply of Lapavitsas had emphasized mutual aspects between Ingham and himself; it is a focus on a general concept of money as social phenomena and on admitting social relations to be the social construct of money. But contrary to Ingham, Lapavitsas accepted social relations of money to be not a promise to pay or credit-debt ones but social substance of value, i.e. dualism of relative and equivalent parties of exchange relation. His basic assumption is the correlation of two anonymous individuals without pre-existing social ties and who aim at obtaining an equivalent for goods they offer. So, the social nature of money is derived from the request for exchange. The nature of this logic lies in duality of value's substance and form. "The distinction between form and substance of value is fundamental to establishing the economic content of "money in general". It is undeniable that commodities possess the form of value, that is, they always exhibit quantitative equivalences with each other – they have exchange value" (Lapavitsas, 2005: 391). Money had emerged with the development of the form of value. But historical pre-existence of the form of money prior to the substance of money means that they can be separated. For instance some commodities may acquire the form of value, i.e. money prices, not being a substance, i.e. abstract labour.

On the other hand, Lapavitsas put that although money is fundamentally a universal equivalent, it is not essentially a commodity. "[N]one of money's forms has exclusive rights to representing money's essence. Rather, in all its forms, the universal equivalent remains the monopolist of the ability to buy, this being the thread that binds its forms together" (Lapavitsas, 2005: 400). Not a system of payment of debts but of universal equivalents has been denominated to be a generic social relationship according to Lapavitsas.

Like Ingham, Lapavitsas specified that capitalism had changed the monetary relations dramatically. But as opposed to Ingham, Lapavitsas noted that capitalist processes had intensified the tie between the form and the substance of value. Therefore they differently looked at the modern credit and financial system, albeit both stressed its vital importance for conceptualization of capitalist money. As Lapavitsas marked “credit money remains a form of the universal equivalent, sharing in common the character of “money in general” that is associated with the social relations of commodity exchange” (Lapavitsas, 2005: 401). He argued that means of account in history always appeared to be functioned as means of exchange. On the contrary history proves that states were able to create their standards of price because those societies have already had a measure of value. And the state’s ability to impose on society its own units of accounting money rests on the socially conventional essence of the standard of price.

The most pointed words of Lapavitsas about Ingham were that “his claims are a caricature of Marxist theory of credit money” (Lapavitsas, 2005: 394). But detailed proof goes out of the purpose of our article.

Unless Dodd joined the dispute, its sociological basis was incomplete, since significant ideas of Simmel – supported by Dodd - were not properly engaged. Stating the dual tendency of modern money – homogenization, rooted in currency internationalization and substitution, and diversification, being spawned by non-state specialized payment networks – Dodd had turned to the vital problem of distinction between money and currency. He blamed both Zelizer and Ingham for missing this issue. Ingham’s work showed to him the necessity to avoid “treating money as synonymous with currency” (Dodd, 2005a: 561). And Zelizer’s analysis “works on two different levels: in relation to multiple meanings attached to currency by its users and in respect of the multiplicity of monetary forms themselves. Only the second level is directly pertinent to our understanding of the diversification of money. This is because it enables us to separate state-issued currency from other forms of money” (Dodd, 2005a: 563). While Ingham connected money’s definition with the source of money, Zelizer linked it with money’s users. Thus, the former has a monistic approach, and the latter – pluralistic. But later Dodd blamed Ingham for providing an unconvincing definition of money and for defining currency only, and Zelizer - for too slippery vocabulary.

Dodd prefers to divide money as a generic conceptualization, and currency as an empirical entity. Therefore some monies are not currencies but all currencies are forms of money. Currencies are issued by states, managed by central banks, and mean a legal tender within clearly defined geopolitical space. Dodd wrote that “instead of regarding some forms of money as more complete than others, it would be more accurate to say that the various forms of money in circulation – some currencies, others not – are *different* in some sociologically revealing ways. The key test for sociologists is to understand differences, not to theorize them out of sight" (Dodd, 2005a: 562).

Dodd has segregated different circuits, in that each one has its own form of money; and in doing so he returned to the issue of dualism of essence and nature of money. Such a step hinted at the validity of German philosophical tradition of dialectic methodology, but precisely he applied for the help of Simmel. Dodd noticed that "both Ingham and Zelizer misconstrue an approach to the analysis of money that comes as close to anything to providing a generic conceptualization of money, namely that of Simmel. Their misconstrual stems from an identical cause: they conflate his generic concept of money with an empirical entity, namely currency" (Dodd, 2005a: 572).

Dodd's Castalia is the birth of new multiple monetary forms by states, corporations and local communities. He characterized the current process of monetary diversification as deterritorialization of money or decline of pure territorial money. His focus is on causal inheritance of money. That is why he passionately preaches generic conceptualization of money that is interpreted as essentially fictional. But generic doesn't mean for him general. Concerning sociological dispute on money, Dodd affirmed that "now, perhaps for the first time, some scholars are suggesting that there is no feasible definition of money, which can embrace the diversity of monetary forms in circulation. It seems that the problem today is not that we cannot agree on a definition of money, but rather that no single definition of money will suffice. "Money", it would appear, is disintegrating. The terms of the present debate suggest that any attempt to build a coherent theoretical conception of money is bound to fail" (Dodd, 2005b: 387).

It was in 2005 when Dodd proposed his vision of recent sociological discussion on money's conceptualization in two contiguous articles: "Reinventing Monies in Europe" for *Economy and Society*, and "Laundering "Money": on the Need for Conceptual Clarity within the Sociology of Money" for the *European Journal of Sociology*. The first article was published together with laconic rejoinder by Zelizer. And two years later Ingham publicly replied to the second one, moving the dispute deeper in the subject.

Cheering Dodd for critique of traditional economic vision of money and for keeping up a "healthy trend within economic sociology" when analyzing the euro within the range of contemporary monies, Zelizer condemned him for "slighting the social relations and practices that inform people's actual uses of money, and therefore the distinctions built on relations and practices" (Zelizer, 2005: 584). According to

Zelizer, Dodd had missed one crucial element of the distinguished sociological approach which is money's relational differentiation. This means that Dodd overlooked interpersonal transactions which Zelizer interpreted as an important level of money's properties. Two other levels, that Dodd accentuated, are those properties that depend on individual choices within the social communications involved. As for his general arguments, Zelizer had identified them to be important contributions in her own style of conceptualizing money.

Ingham pointed out that using such locutions as diverse nature of "money", different "kinds" of money, or different monetary "forms" Dodd differentiated just the issuers and not money itself. This is a main source of uncertainty about money's nature, manifested in failing to make a clear distinction between money and currency. Ontological inconsistencies of Dodd's theory are at the heart of Ingham's criticism. "In short, Dodd is plagued by the category error that has been present in monetary theory from the very earliest days that is to say, the inability to make a clear and secure distinction between essence and form, or genus and species, or genotype and phenotype, and so on. The ontological question of the nature of money is distinct, but not separate, from that of the changing forms of monetary media and transmission. Moreover, an unambiguous conception of the former is necessary before the second set of questions can be tackled" (Ingham, 2007: 267).

Ingham affirmed that money is an abstract value which is socially constructed. Abstract value had been identified with the abstract money of account. But contrary to Dodd he insisted on the ability to explain from this approach various complementary means of exchange and payment. He believed that the universal measure of value can emerge not as a result of spontaneous barter exchange, but as an effect of state coercive monopoly to define the carrier of abstract value, or money of account to be used for payments of tax obligations. And social life of all other money or currencies introduced by non-state agencies is feasible because of existence of state monetary and financial practices.

Disputing their previous disagreements with Dodd, Ingham provided his insight of money with focusing on its factitious nature. This is an essential issue. The difference is that Dodd from the thesis on fictional nature of money concluded that they have never existed empirically, and Ingham claimed that some stuff can empirically exist as money only because of such socially constructed fiction. Ingham supposed this fiction of money to be rested on the authority and legitimacy procured solely by state apparatus. Therefore he concluded that Dodd doesn't clearly differentiate conceptualization of ontological specificity of money and empirical existence of the accepted transmitter of abstractly denominated value.

Dodd didn't veil comments about Zelizer and Ingham. Similar to Lapavitsas being sheltered by Marx, Dodd has been shielded by Simmel. He didn't pay much attention to Zelizer's disagreement with his critique since she has constructively responded to his proposal to build a conceptual framework for sociology of money considering different analytical schemes. But Dodd gave a detailed response to Ingham because of the earlier negative reaction of the latter. Dodd avowed that the need to construct a coherent theoretical understanding of money is really the one which they have concurred with. The other way around he confessed that the key differences between them appeared to concern on epistemological status of a coherent sociological concept of money. He wrote: "Ingham's approach treats money as a "working fiction" maintained by a sovereign authority that can be (but is not always) a state. Our approach, following Simmel, is viewing money as a fiction that can never empirically exist. This is perhaps the most fundamental difference between Ingham's position and my own. It is a difference that yields contrasting futures for the sociology of money" (Dodd, 2007: 275).

On the other hand, Dodd was severe upon Ingham's interpretation of Simmel in his "Philosophy of Money". Understanding of Simmel, according to Dodd, rests on a clear distinction between substance money, i.e. money that gets its value from the substance of the medium that represent it) and function money, i.e. pure token money that has no intrinsic value. Simmel had demonstrated a tendency of increasing predominance of function money over substance money throughout history. Logical equation between total supply of goods and total supply of money seems to be of central importance in this conceptualization. "The key point is that *proportions* are being compared, and that such a comparison is made possible by an *a priori* assumption we all make that the *total* supply of money is equivalent to the *total* supply of goods" (Dodd, 2007: 279). The system of measurement which is money appears to be relative.

Another essential idea of Simmel's which has been emphasized by Dodd contains the nature of social ideal. Dodd put it: "Economic exchange is a specific kind of sociation, suggesting that to understand Simmel's argument that pure token money could only be possible in the ideal social order, what he says about *sociation* and its relationship to *society* needs further investigation" (Dodd, 2007: 280). Dodd pointed at the congruence between a "conceptually perfect" society and "conceptually correct" money. Both have never empirically existed. But as a mental synthesis both are preconditions of corresponding social reality.

"Regarding money, the synthesizing acts carried out by individuals consist of exchange, which Simmel describes as a special case of sociation. It is through such acts that "value" is synthesized as a "third term" beyond subject and object… Simmel suggests that by entering into social relations (by sociating), each of us believes that we *could* find – or even, are *destined* to find – our unique location in the social whole" (Dodd, 2007: 282). Entering into social relations people have presupposed some conceptually perfect social order. Entering into economic exchange they have presupposed equation between money and goods that made measuring the value possible. So "the idea of conceptually correct money is a logical precondition for conceiving of a token money backed by a sovereign authority – or of any token money, for that matter. Pure token money is not, contra Ingham, reducible to the sovereign money of account. Pure token money is conceptual fiction, not an institutionalized working fiction" (Dodd, 2007: 286).

Relationism seems to be a premier corollary of the interest to Simmel's methodology. Recent trends show us the growing importance of relational methodology in sociology. In the most exponential work supporting the principles of relationism Mustafa Emirbayer has paraphrased the well-known Marxian slogan by saying in his "Manifesto for a Relational Sociology": "Entities of the World—Relate!" (Emirbayer, 1997: 312). Despite the fact that a relational idea can be materialized in a several ways, Simmel's heritage keeps counting for. Not the only one, and definitely not an absolute truth, his approach drives as a necessary understanding of money as social relations. At the recent dispute Dodd gave his vision of a relationist approach, referring to the view that the meaning of something must be interpreted through its relationships with other things, but never in isolation, like mainstream economics happened to do. He noted that money showed its relational nature twofold: crystallizing the relativity of economic values, and gradually disclosing to us its real content. Therefore empirical or historical manifestations of money are always incomplete forms. According to Dodd, "[m]oney's central function – its representation of the relativity of value from a position outside the series of concrete values actually exchanged – will never be fully present in actual forms of money, but it suggests empirical forms of money will always be compromised to some degree by other functions and qualities" (Dodd, 2007: 287).

Fairly speaking, two simultaneously published articles by Ingham and Dodd in the *European Journal of Sociology* signified the termination of the most active stage of sociological dispute on money. Leading methodological traditions which have been presented in the discussion and their partisans have fully used their chances to show round comprehensive conceptualizations of money. The main disputants had been working their ways enriched by the fruitfully professional communication (Ingham, 2004, 2005; Lapavitsas, 2009; Zelizer 2005, 2010).

Conclusion

For almost twenty years the economic sociology has been trying to revitalize its research project on money. Born by opposition to economic imperialism conjoint with the limits of economists' theorizing about money, those attempts appeared to have been crystallized partially in a kind of sociological imperialism (Rojas, 2006). But such appeal was just a part of the current sociological movement. Therefore polemics on the core issue – the nature of money – turned to be rather more complex than just bilateral converse between two poles: economists and sociologists. The dispute had demonstrated that sociological community is more plural in money's investigation. Besides, the dispute had consolidated sociologists despite any sort of friction. They had recognized more clearly their abilities and forces in explaining money.

Mostly, disputants had acknowledged money to be multidimensional phenomena, a type of XD projection displaying our rising knowledge of the social world. Accordingly, proper investigation of money strongly needs multidisciplinary foundations, i.e. application of sociological, economic, political anthropological and other intellectual traditions. But even if for some analytical purposes we would isolate namely the sociological approach, it had to be too broad to contain just a single research model. The dispute had showed leastways two tendencies: specialization of models, and extraction of unified social model of money. The latter represents a more narrow relational approach as a core sociological interpretation of money. What is principal is that the dispute had resulted in the acceptance of several options of sociology of money to improve.

One has to take into consideration the crisis processes of the global finance that strengthened sociological interests to money but directed it in a practically dependent watercourse. For instance, the European electronic newsletter "Economic Sociology" presented an evident growth of publications on financial and monetary processes during the last years (see: Economic Sociology). The other significant tendency within sociological investigation of money consists of broadening research horizons (Leyshon and Thrift, 1997; Hart, 2000, Cohen, 2004). But the broad sociological community became more sophisticated in their insights on money and finance. In his later paper "Strange Money" Nigel Dodd turned to what he sees as a dualism of the monetary system, organized by modern state with amalgamation of public and private interests: between money as a socially different payment mechanism, and money as a means for funding national debt. He noticed the need for clear distinction between money and finance, between the international monetary system and the global financial system, between a secure store of value against uncertain future and proliferation of instruments that takes advantage of risk. "Money is distinguished by its high degree of liquidity and low degree of risk, corresponding to expectations that derive from its status as a "claim upon society" – a form of socialized debt" (Dodd, 2011: 175). His focus on the problem of derivatives provides us with an understanding of the kind of tendency sharply represented in recent works of Dick Bryan and Michael Rufferty (Bryan and Rufferty, 2007, 2013). It is about money as capital, which became vital for explaining the newest trends in a capitalist financial system. Moving towards this direction makes it necessary to develop a sociological vision of money's equivalent role.

Finally, the political matter of money has been recognized better and better. This is a goal of sociology of money to investigate and explain multiple connections among financial organizations with their societal consequences. Simone Polillo, being inspired by sociological discussion, showed that networks of currency producers have to care for the impact on both levels of society: micro and macro levels (Polillo, 2011). And summarizing recent debates Bruce Carruthers and Laura Ariovich acknowledged the rise of credit economy and thereby of changing money (Carruthers and Ariovich, 2010). They showed a turn to sociological explanation of ongoing processes within global and local financial organizations and their everyday practices and habits. When those processes hit the millions and enrich few, conceptualization of money becomes important in practice. But humans' practical achievement depends on a quality of our intellectual devices, namely conceptualization of money.

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Reproduction of Social Capital, Trust and Enterprise Networks: the Empirical Studies of the Small and Medium- sized Firms in the Ural Federal District (Russia) [1]

Abstract: The article deals with the modern theoretical and empirical research in the field of implementation of partnership relations and business- relations from the point of view of the practice of corporate networks and the theory of social capital. Such components as descriptions of obstacles to business, description of informal relationships, separate directions of corruption, and methods of overcoming of obstacles to business were studied as key parameters of the business network of the subjects of small and medium-sized firms. The reproduction of social capital and trust has been considered as the basic phenomenon of social «engrained» («embeddedness») in the modern economy of the corporate business network. Intercorrelations of business success as a resulting network description were studied along with other parameters of business by the functioning of the surveyed firms in the networks. Intercorrelations of business success and the other parameters of business were considered through the description of effectiveness of the operation of the surveyed firms. The article focuses on changes in the modern organizational mechanisms and institutional arrangements including property rights, governance structures, and inter-firm relationships. In particular, the verification of dilemma was done: what could promote efficiency of work of network structures – corruption charts and/or business-partnership.

Key words: social capital, business networks, modern business organization, the problem of embeddedness, personalized social capital, empirical study of entrepreneurial networks, small and average business, the Ural Federal District.

Empirical verification

The authors conducted a factor analysis of the empirical data obtained for the evaluation of the most effective ways of overcoming obstacles. We found that all the

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possible ways of solving these problems were reduced to three main ("large" according to V.A. Yadov) factors (the area of insignificant signs is shown above the third factor).

Analysis of the data by the method of the main components showed that the largest rotated factor loads a matrix of the variables "corruption" (0.557), the "people in power (authorities)" (0.672) and "blat" ("drag (profitable connections)" (0.688) are related to one basic ("large") first factor conditionally named *ties of corruption (corruption connections).* The variable "strong partnership" with factor load 0.769 refers to the second factor named *partnership*s (*partner connections*). Other variables were assigned to the third main ("big") factor (the "complaint" – 0.694, "visual propaganda" ("evident agitation") – 0.569, "mergers and acquisitions (absorptions)" – 0.416) which essentially uses the resources of social capital at the macro level. In its turn, this macro-level social capital acts as a specific characteristic of the institutional environment in the form of social norms, rules of conduct, which are common for all surveyed firms. The third macro factor was named *the social capital of the institutional environment*. Identified factors (corruption, partnerships and social capital of the institutional environment) talk about the use in business networks of personalized elements of social capital which being a general supply of resources of a certain economic entity (the certain managing subject) shall be recorded in the form of a long-term (strong) social connection with the bureaucrats, civil servants in power, by officials, competitors, clients, customers and various business partners.

Theoretical and empiric verification of the problem of embeddedness (engrain) personalized elements of social capital as the success of the business examined in the river-bed of paradigm «order of the "closed access"» (opposite to the order of "open access" in the theory of Douglass C. North, John Joseph Wallis and Barry R. Weingast (2009)); social embeddedness (engrain) in an economy is investigated also within the framework of conception of social capital (Brunie A., Bourdieu P., Coleman J., Putnam R.), "trust radiuses" (trust radii) (Auer-Rizzi W., Bjørnskov Ch., Endreß M. Fukuyama F.); we have studied the practice of "immoral family", "double standard", "double morality" (on the basis of the ideas of F. Fukuyama's).

Research aim: verification of the reproduction of mechanisms of partner networks and corruption connections by the forms of embeddedness of the personalized social capital in the systems of social co-operations in entrepreneurship.

Research methods: theoretical re-interpretation of modern conceptions of social capital in business-organizations, of their operationalization and verification.

Empiric part of project is presented by representative sociological research within the framework of study of problems of embeddedness and functioning of the enterprise networks to order of "VCIOM-Ural" by the interview method of the impressive territorial sample: 1003 respondents in Ural Federal district; from them: owners of business – 14%; heads of business – 22%; heads of structural divisions of business – 24%; managers of an average link – 40%.

The content description of research. The concept of the social capital by F. Fukuyama underlies the empirical opinion and distinctly enough operationalizations and approaches for Russia. From the point of view of F. Fukuyama the social capital is a set of informal social norms and the values divided by members of the group entering into a social network and promoting effective cooperation inside and out of it. Thus «trust radiuses» (*trust radii*) are a matter between members of a network. Applying the concept of the social capital «across Fukuyama» in relation to enterprise networks in Russia the attention has been focused on its following qualitative signs that makes in aggregate the *hypotheses* of our research: (1) Radiuses of trust are narrowed and their price increases; (2) Immoral experts within the limits of a paradigm of "immoral domesticity", "double standards", "double morals", social norms "friends and foes", insider/outsider distinction ("ins and outs") within the data network of solidarity and network of cooperation matter; (3) As a consequence the social capital of such quality is transformed to the monetary capital, including in a form of corruption; (4) Circulation of the financial capital provides the stability and development in these social networks under the scheme of positive feedback: the more is the social capital in a context of a paradigm of immoral domesticity "friends and foes": the more is corruption – the more is successful business; (5) Some small firms and moderate-sized firms are just scraping by in this economy to survive; these small firms and moderate-sized firms are built in corruption network schemes with use of an administrative resource; (6) The return thesis is also true: the unsuccessful small firms and moderate-sized firms aren't built in corruption network schemes with use of an administrative resource.

Intermediate results. The attempt of verification of issues of the day of enterprise networks is produced on the basis of conception of social capital. As key parameters of an enterprise network were chosen such components as business descriptions (key characteristics of business), descriptions (characteristics) of obstacles to business, the separate directions of corruption as one of the descriptions of informal network; methods of overcoming of obstacles to business; corruption as the engrained phenomenon is in enterprise networks (meaningful parameters of corruption); "strong partnership" / "partner connections", business success as a resulting network description (as key characteristics of business); the safety of entrepreneurial activity as ontological definitions.

General conclusions are presented in 13 points (below in this text).

Theoretical approaches. The problem of social capital as it applies to the business, to the free enterprise was put by Karl Marx quite clearly. He discovered that social relations can become "a commodity": they can be sold. Karl Marx set that system of capitalism which mediates social relations and relationships of production such as among workers and between workers and capitalists through capitals and commodities, including labour, that are bought and sold on the market. This idea about "marketability" of social relations Émile Durkheim transformed in its own way. He stated that a social asset and social capital are related to the people and to the organizations of people pursuing collective aims. Therefore social capital in religion plays the role of both in the function of maintenance of social unity of community and in the methods of realization of "the solidarity" and "the moral community" (Durkheim 1995: 268). (However, his controversial beliefs that social capital in religion and "moral community" could be explained in terms purely of social interaction and social capital earned him many critics). Social capital considered in the context of height of his cost, including to the cost "religious", too is a certain commodity, and is "an asset" ("the resource").

The term "social capital" in a modern scientific turn was entered by Pierre Bourdieu (Bourdieu 2002, Bourdieu 1992), James Coleman (Coleman 2001, Coleman 1988, Coleman 1990), Robert Putnam (Putnam 1993, Putnam 1996, Putnam 2000), Francis Fukuyama (Fukuyama 2002, Fukuyama 2006), who found this concept is a valuable and promising tool of socio-economic analysis. Social capital is one of the rare resources P. Bourdieu treated on an equal basis with other forms of capital: economic, symbolic, cultural, which can easily be converted to any, including in the form of money. The specificity of social capital P. Bourdieu found in the relations of reciprocity – the expectations of mutual exchange, supported by the markets and culture, which are impossible without at least a minimum level of trust; therefore, the social capital is "the aggregate of the actual or potential resources which are linked to the presence of strong networks, more or less institutionalized relationships of mutual acquaintance and recognition" (Bourdieu 2002: 65). The sources of social capital were considered by means of the creation and use of the individual networks of more or less institutionalized relationships between people who "know and recognize each other". A fundamental basis of an individual is his belonging to one group or another. In this case, the stronger a well-developed social network of personal relations, whom the individual creates by constant work on their relationship and to which he may refer, the higher the chances of his reproduction of social capital.

J. Coleman believed that social capital is productive, like other forms of capital, since it facilitates the achievement of these purposes, in the absence of which it would be impossible. They identified three forms of social capital: "the obligations that depend on the soundness of the social environment", "expectations, which depend on the soundness of the social environment", "the ability of the social structure to the transfer of information flows and norms accompanied by sanctions (Coleman 2001: 138) that allowed V.V. Radaev to make a re-interpretation of the true approach of J. Coleman in a short aphoristic phrase: "Social capital is the set of relations, which are connected with the expectations of what the other agents will fulfil their obligations without the application of sanctions"; and "the simultaneous concentration of expectations and obligations expressed generalizing concept of the trust (доверие)" (Radaev 2008: 129). R. Putnam is a scientist that set "the drive" of modern discussion about social capital. He counted a necessity to "apply especially sociological concepts during the quantitative study of some social and economic phenomena" (Putnam 1993: 3). Social capital he defined as "descriptions of social life are *networks, norms and trust*, that induce participants to the more effective united action on the achievement of general aims" (Putnam 1996: 66). The more obligations and expectations are accumulated in this association, converted in corresponding social networks, norms and levels of trust, the more and the higher for the members of concrete network their faith in reciprocity and, consequently, the more, the better and the higher level of social capital.

The disciples of R. Putnam are increasingly turning to the concept of "social trust", considering it one of the most important components of those initially unified in content plan of the term "social capital". «The more recent literature has stressed the need to separate the constituent elements of Putnam's social capital concept, and in particular emphasizes the role of social trust. This is in turn is defined as the confidence people have that strangers, i.e. fellow citizens on whom they have no specific information, will not take advantage of them» (Bjørnskov 2008: 271). The "climate of trust" on any territory matters for development of business.

Leaning against data of the *World values survey*, containing, in particular, a question: "Do you consider that most people can trust?", Christian Bjørnskov concluded that social capital and social trust are in any case conditioned by the next factors: by the level of national economic development; by quality of life and degree of subjective satisfaction by her; by character of legislative and executive power in a country; by availability of education; by the level of corruption and criminality (Bjørnskov 2008: 271-272). In matters that both descriptions of social capital and descriptions of social trust are different enough for every country of the world, especially specifically for Russia. «Using the answers to the *World Values Survey* question ''In general, do you think that most people can be trusted?'', the by now quite substantial literature has found that social trust is associated with a set of different outcomes: economic growth, the rule of law and overall quality of governance, corruption, education, the extent of violent crime, and subjective well-being are all associated with the propensity of people within any nation to trust each other» (Bjørnskov 2008: 274-275).

Modern analysts are assured that the strongest determinant of the level of social trust in the context of dividing society into groups in accordance with the level of profits (to the unevenness of profits) and social status that comes forward as public and intra-national societal fractionalization. Ch. Bjørnskov takes a closer look at the importance of the concept of the fractionalization for the understanding of the parameters of the social trust. He argues that the determinants of the trust can be divided into two categories: those affecting *individuals' trust radii* and those affecting *social polarization*. These effects differ systematically across countries, questioning standard interpretations of the influence of fractionalization on trust (Bjørnskov 2008: 271). The investment of F. Fukuyama in the conception of social capital consisting of what he considered social capital as a factor assisting an ascent to welfare and competitiveness of country (nations), and bound the concept of social capital to the social norms and "*radius of trust*" *("trust radii")*. Fukuyama accented as elements of social capital formed in the process of communion and co-operation of the general systems of the social norms, the values, the aims and the utilitarian benefit. Fukuyama expounded his conception of "radius of trust", proving a hypothesis that efficiency of the economy of a country depends inherently on one or another society of "radius of trust"; if it is small, it is limited to mainly family and friendly connections, then economic relations in a country are not so effective, as would be (Fukuyama 2006: 179-181). For Russia and Ukraine, in terms of Fukuyama, the radius of trust narrows, and the cost of it increases

(Fukuyama 2006: 449).

Determining social capital as a set of the informal norms and values, divided by the members of a group and assisting co-operation into it, Francis Fukuyama linked the level of social capital in society and collective social memory. Studying the "radiuses of trust" between businessmen in one or other countries Francis Fukuyama proved that the "radius of trust" had directly contacted with economic development of the country, and that the economic constituent of this country is better. All of it is shown on facts: as Japan, Germany, USA, India, China and other countries, differentiate exactly on the sign of *"trust radii",* including Russia, Ukraine, and countries of Eastern Europe. "Societies of subzero trust" (Russia and Ukraine are taken) are characterized not by absence of trust on the whole, and strong, depending on a situation, but by amoral practices. A social capital exists within bounds of every such separate amoral practice - within the framework of "nepotism - amoral nepotism", and "double standards". The examples of negative influence of ambivalent morals (distinctions between an internal and external moral, between internal and external norms and values) are educed "it and stranger" on social co-operation and solidarity. As examples of negative influence on a management and economy corruption and bribery are examined. Using empiric data and attracting statistical materials from the national and international different sources of Ch. Bjørnskov extended the empiric base of verifiable hypothesis of "trust radii" not simply substantially, but on the grounded theoretical distinction of individual "radiuses of trust" in a context of social fractionalization or distancing within the framework of the national states (Bjørnskov 2008: 271). In addition, the functioning of elements of social capital, as well as different forms of trust is examined in the context of interlacing (linking) of the formal and informal economy. D. Gambetta develops this theme, which has revealed the formation mechanisms of solidarity and trust in the social capital by the example of the Sicilian mafia, emphasizing the high importance of the conceptual separation of trust and reliability (Gambetta 1993, Gambetta 2000, Gambetta 2000). As researches of social capital show in activity of organizations and in management what are especially clear is the desynchronization (errors) of the values reveals interpersonality forms and network forms of trust (Auer-Rizzi 2007).

The methodological productivity of conception of social capital for the empiric analysis of social networks for business consists of, on the one hand, the modern context of interpretations of "social capital" that reflects hard logic in particular, and on the other it will mobilize the adaptive resources of vital functions (Brunie 2009). In scientific and practical plans development of the conception of operating trust is important, or trust as action (Endress 2002, Endress 2004). V. Radaev believes rightly that embeddedness connections (in contrast to random connections) arise when they take into account the status of the counterpart, the past experience of working with him, his reputation, recommendations of third parties, personal acquaintance or kinship, belonging to one social group (education, ethnicity, etc.) and, finally, the subjective preferences. These connections arise from the selective affinity partners (elective affinity) (Radaev 2011: 70).

So, considerable theoretical and empiric material takes place testifying to the utility of conception of social capital for business and for social networks to be accumulated in modern scientific literature.

Verification of mechanisms of reproduction of social co-operations and work of enterprise networks. This procedure was conducted on the basis: (1) descriptions of business size and pattern of ownership; (2) descriptions of obstacles to business (efficiency is not efficiency of government control, business capture by public agents, burdensomeness of mechanism of grafts, payment to the crime, individual approach of officials, administrative obstacles); (3) separate directions of corruption as description of informal network (of subornation supervisory organs; fight against "ambages" (the creation of unnecessary barriers: "bureaucratic acrimony"); the use of power in competitive activity; affecting legislative level); (4) methods of overcoming of obstacles to business (strong partnership, "people" in power, complaints, protection; associations, "evident agitation"); (5) exposure of signs of corruption as the social phenomenon in enterprise networks (character of corruption, volume of graft, frequency of grafts); (6) fixing of business success resulting in a description of network (of term of existence or experience at the market, economic constituents of success: of income, volumes of sales, profitability, recoupment); (7) safety of entrepreneurial activity as ontological description of social network.

General conclusions on given analysis at this stage is possible to take to the following:

(1) A hypothesis was confirmed, that as a measuring device of stability of a network a sign can be used "experience of work on the market" (Table 1; Fig. 1).

Table 1

Descriptive statistics: Number of years on the market (the answer to the question: ("How many years is your enterprise on the market?"; April 2011, the sample for small and medium-sized firms UFD - 1003 people)

Number of years on the market	All	Arithmetic average	Median	Mode	Standard deviation	Min	Max	25%	50%	75%
Average	1003	10.6	7	5	12.5	0	93	4	7	13

Source: author's research materials.

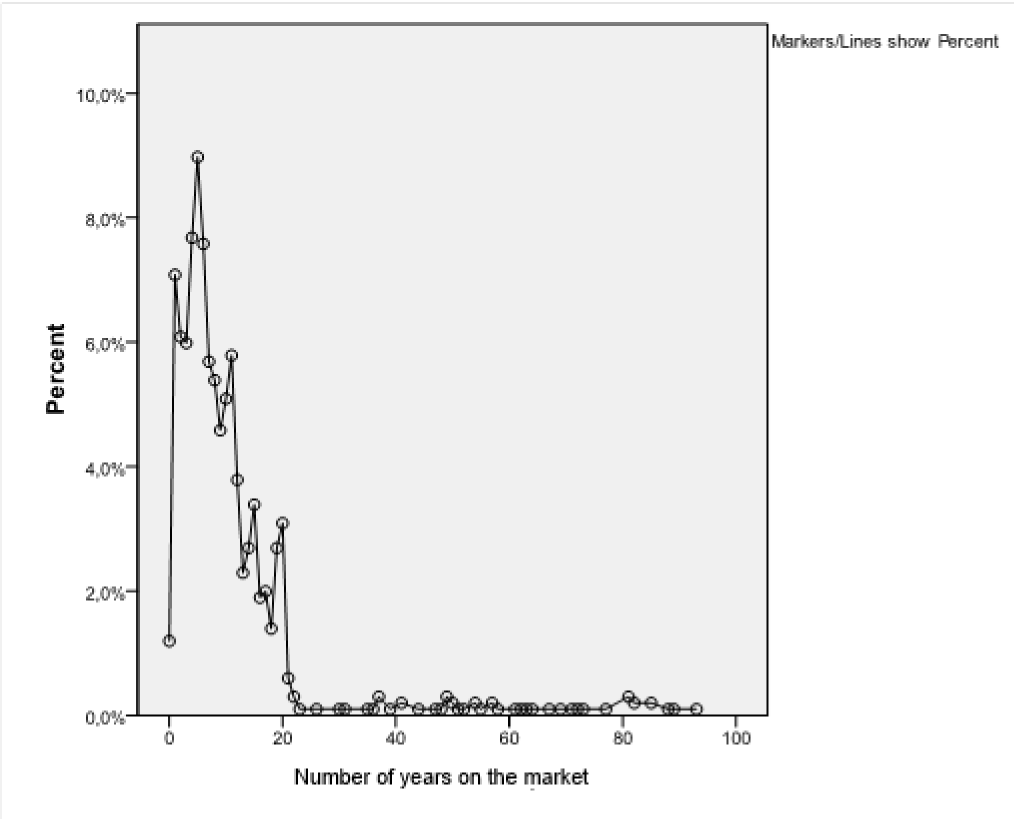

Fig. 1**.** *Distribution of companies experience of work on the market (duration (number) of years on the market)*

Source: author's research materials.

Confirmed the hypothesis that as a measure of the sustainability of the network a sign of "the duration (number) of years on the market" can be used. However, this situation revealed "the problem of the account": the fact that small and medium-sized enterprises (SMEs) have a high "ontological volatility", that is they quite often appear (registered) and quite often die. Nevertheless, it was revealed on small and medium-sized enterprises (SMEs): 5% of the firms in the market have been more than 20 years;

20% of the firms on the market from 13 to 20 years; 60% of the firms on the market from 1 to 12 years; 15% of the firms less than one year. The average period of work in the market of the enterprise was 10.6 years - with a standard deviation of 12.5 years. The most frequent answer amounted to 5 years, and a median of 7 years (that is, half of the enterprises have less than 7 years); the share of other insignificant (less than 5% of the total) (Fig. 1, table. 2). Distribution of firms on experience of work at the market gives strong reasons to conclude that, not looking on political declarations that functioning of networks of small and midsize businesses on the whole not "steadily" - actually not quite so.

(2) Success of business is interconnected today first of all with the size of firm (on the test of ANOVA - F of statistician 25.7 (F - a criterion is a size, characterizing correlation of dispersions of two distributions, value F- criterion more than 10 specifies on the substantial exceeding to intergroup dispersion above within cells), meaningfully depends on the sphere of activity and mildly related to the region of registration. At the same time business success with Ural Federal District is poorly enough related to the level of competition at the market. Namely: business success with an enterprise environment is first of all determined by availability of credit resources, but not the level of competition at the market, that talks about not very strong development of market relations. Competition markets in Ural Federal District are trade (including retail); transport and connection; educational services.

(3) The Cross-correlation analysis showed that among different parties of business directly bound by strong cross-correlation dependence: availability of business information ($r=0.709$ at an error less than 0.0001); competitiveness and business ($r=0.655$) success; availability of resources of connection and communication ($r=0.565$), that also make basic descriptions of social capital.

(4) It was educed, that the quality of enterprise environment is high enough in Ural Federal District (on the sign of availability of services in contiguous industries): 57% entrepreneur of small and midsize businesses consider that to find such services "easily enough"; 33% that finding such services is "always possible at the expense of a minimum of efforts"; total 90%. It means that the real business is easily enough oriented in the enterprise space, and if it admits to overcome different obstacles and bureaucratic hurdles then it will manage quickly enough and easily to develop practically in any industry of national economy.

(5) The hierarchy of threats is as follows: the competition has increased

significantly - 40% find it difficult to find the necessary qualifications of workers - 35% find it difficult to find the necessary financial resources for business - 32% because of tense situation on the labour market - 24%; summed providers (subcontractors) - 22% of consumers do not pay on time (not acted) - 16%, low level of demand for our products - 15% the administrative burden - 13% find it difficult to find qualified management personnel - 9%, there were debts to subcontractors - 4%, it is difficult to find the necessary property - 3%, there were debts to the banks - 3%, the cases of raids - 1%; illegal actions of law enforcement officials - less than 1%.

(6) Hierarchy of threats from the perspective of a possible financial loss: the instability of the environment - 61% (main threat), the inefficiency of government regulation - 39%, administrative barriers - 20%, qualified staff - 15%, capture of business competitors - 12%, narrower (underdeveloped) market - 10%; personalized officials - 7%; burdensome mechanism for bribes - 7%; business capture by the authorities - 6%; criminals pay - 1%.

(7) How entrepreneurs choose to overcome the obstacles? This rating is as follows: a strong partnership - 59% (this fact reflects the importance of social capital and cohesion in business networks), visual propaganda - 22%, "his people" in power - 18.4%; Association (M & A) - 17.7%; “blat” - 12% corruption - 7%; complaints - 5% (the most legitimate ways to overcome obstacles to effective complaints say 5% - of the respondents few can afford to complain because it's pointless).

(8) A very important point is for the theory and practice of social capital: what does it mean to sign a "strong partnership", which is one of the priorities of the ways to overcome obstacles ranked first in the corresponding hierarchy (it is considered the most efficient way to 59%) reflects the fact of unity in business networks. What affects the "strong partnership"? A strong partnership helps to overcome the first market risk (Spearman pro = 0.154 **) and the risk of errors and miscalculations in the design of projects (Spearman pro = 0.152 **), helps to informally negotiate with the rules of competition in the market (Spearman's pro = 0.123 **). The other methods referred to as "informal, shadow," implying some degree of legitimate, direct methods of resistance. This is "our people in power," "cronyism" and "corruption", the third, fifth and sixth place in the ranking.

(9) The most dangerous threats for the entrepreneurs are market risk, socio-political and institutional changes, the risk of errors and miscalculations in the design of projects: what is called "unstable environment" for business, mainly caused by powerful

(«power – property») resource.

(10) It was found that the socio-political and institutional changes are most significant (with an error less than 0.001) associated with payments to crime (Spearman pro = 192**) and estimates of business success (Spearman pro = 0.127**) and to overcome these obstacles preferably by "his people in power" (Spearman pro = 0.156**). The instability of the external business environment is overcome by the three methods.

(11) *Factor analysis of the data.*

In assessing the most effective ways to overcome obstacles a factor analysis was conducted, by which all possible solutions to problems brought to the three major factors (area shows insignificant signs above the third factor). The study of the rotated component matrix revealed that the largest factor loadings of the variables of "corruption" (0.557), "his people in power" (0.672) and "pull" (0.688) refer to a single factor, provisionally named "corrupt communication". Chance of a "strong partnership" with the load factor 0.769 refers to another factor, called "partnerships". All other variables are assigned to the third factor (complaint - 0.694, visual propaganda - 0.569, M & A - 0.416). More clearly the grouping variables on the factors shown in Fig. 2 in the component diagram.

Thus, *the first factor* - *the corruption* and *the second factor* - *the partnership* as a whole have a correlation (closely related) with the use of personalized social capital represents a defined entity of a stock of resources which is a form of social capital in the form of stable social relationships between the entrepreneur with government officials, with competitors and with their partners.

The *third factor* in Fig. 2 component diagram of factors in the rotated space uses essentially the macro-level of the social capital. In turn, this macro-level social capital acts as a specific characteristic of the institutional environment in the form of norms, rules of conduct that are common to all businesses.

Factor analysis showed that all the possible ways of solving these problems were reduced to three major ("the great" by V.A. Yadov) factors (area signs insignificant above the third factor).

In turn, the macro-level social capital acts as a specific characteristic of the institutional environment in the form of social norms, rules of conduct, which are common for all surveyed firms. The third macro factor was named as the social capital of the institutional environment. Identified factors (corruption, partnerships and social capital of the institutional environment) talk about the use of personalized elements of social capital which are a general supply of resources of a certain economic entity (the certain managing subject) shall be recorded in the form of a long-term (strong) social connection with the bureaucrats, civil servants in power, officials, competitors, clients, customers and the various business partners.

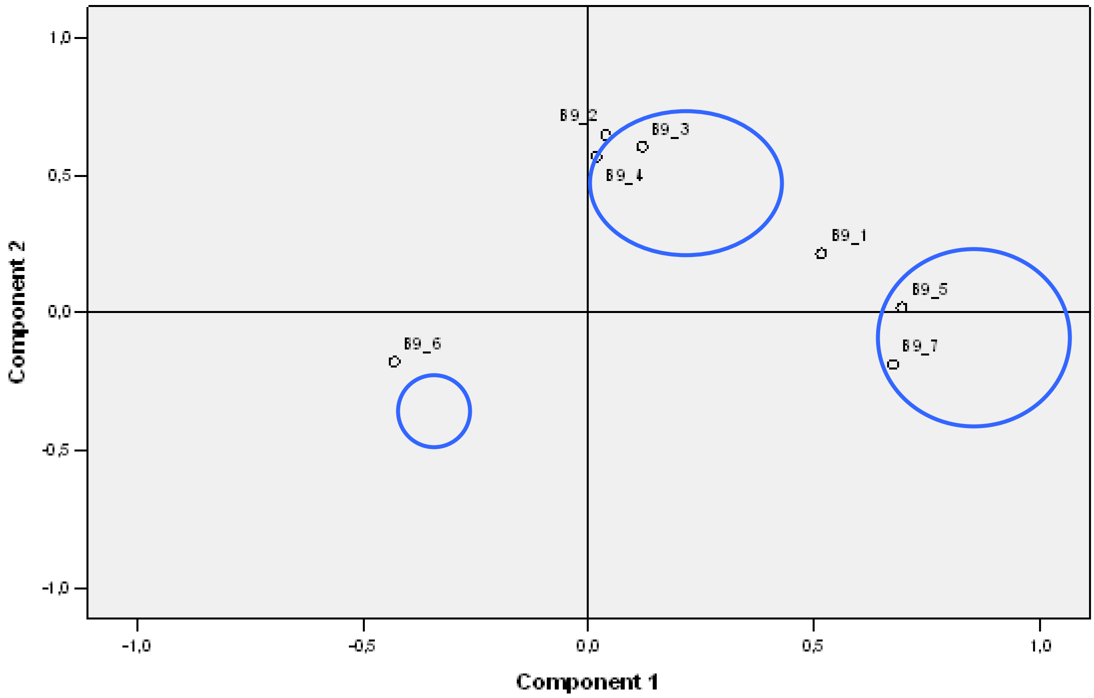

Fig. 2. *Component diagram is rotated in space.*

Factor analysis of the data obtained in the component diagram: factor 1 - "corruption"; factor 2 - "partnerships"; factor of 3 is "the social capital of the institutional environment".

Source: author's research materials.

(12) *Clustering of respondents in the four groups of entrepreneurs.*

Based on the identified strategies for the use of social capital and social networks, on the basis of the "how to act in order to overcome the obstacles in the business" by placing respondents in clusters, as a result of which four groups of entrepreneurs were formed(see Fig. 3).

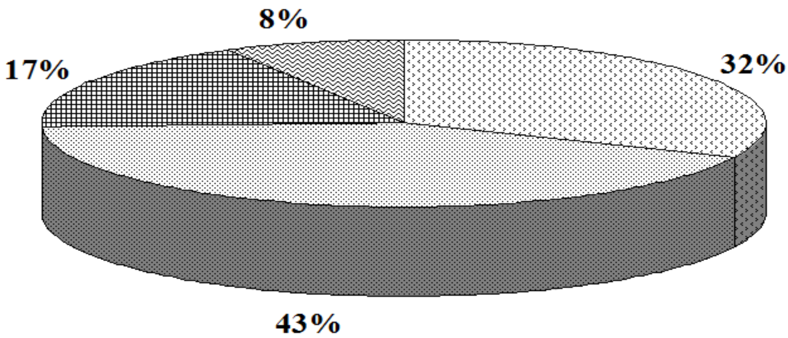

Fig. 3. *Distribution of respondents by cluster groups (% of respondents), 2011, April; n = 1003.*
1st group: 8% - the corruption connections and partnerships are used;
2nd group: 17% - mostly corrupt communications are used;
3rd group: 32% - do not use the connections;
4th group: 43% - primarily partnerships are used.
Source: author's research materials.

The first group consists of those who use approximately in equal measure corruption and partnerships - such was 8% of all entrepreneurs and owners of small and medium-sized firms participating in our survey. It can be assumed that they are trying to use the “clean partnership" and corrupt connections depending on the situation and circumstances. *The second group* consists of those who primarily used corruption - these were 17% of our sample. It can be assumed that they seek to solve their problems, mainly through corrupt connections and corrupt partnership. *The third group* includes those who do not "use" any connections, they were 32% of our sample. It can be assumed that they are only at the institutional level of social capital, without the use of any of their own social networks. *The fourth group* includes those who use mainly partnerships - these were 43% of our sample. It can be assumed that they just always focused exclusively on partnership relations, are in the business "without the help of corruption".

These digital conclusions seem to be quite paradoxical, if we take into account the fact of mass ideological obsession with power and the totality of the modern Russian corruption. They require, of course, a strong rethink, re-surveys and comparison with data obtained by other sociological services thought for the same (still better than similar) method of the interview.

(13) *Assessment of the use / non-use of links is reflected in the business of the employer*. In conclusion of the article, we examine how the use or not use of those or other relations is reflected in the success of the business of the employer. In the survey

of small and medium-sized firms entrepreneurs were asked about how they evaluate different aspects of the business: business success, competitiveness, access to credit resources, information, etc. To test the significance of the differences of these parameters in the cluster groups was used the nonparametric test of Kruskal and Wallace for the few independent examples. It was found, that on a number of parameters in the assessments of the business statistically significant differences between the cluster groups is observed (Sig. > 0,05). And therefore, the use of the links does not give special benefits in enhancing the competitiveness of the company, its opportunities for business, political information. This is another rather paradoxical conclusion of our empirical research. There were marked statistically significant differences in assessments of the success of the business (Sig. = 0.001), the simplicity of the search services related to the business sectors (Sig. = 0.005 > 0.001, but <0.01) and the availability of credit resources (Sig. = 0.039 > 0.01, but <a 0.05) (table 2).

Table 2

The results of the nonparametric Kruskal and Wallis test, April 2011;n = 1003

	Measuring the success of your business (from 1 low to 5 high)	If necessary, how easy or hard to find services related to your business industry? (from 1 to 5 impossible-easy)	How do you access the credit? (from 1 low to 5 high)
	Average rank	Average rank	Average rank
do not use the connections (32%)	464.39	494.92	465.25
used primarily partnerships (43%)	**540.05**	**531.54**	518.04
used mostly corrupt communications (17%)	470.10	464.65	515.50
used corruption connections and partnerships (8%)	516.47	454.20	**531.96**
Chi-Square	16.756	12.551	8.355
Asymp. Sig.	**0.001**	**0.005**	**0.039**

1st group: 8% - used corruption connections and partnerships;
2nd group: 17% - used mostly corrupt communications;
3rd group: 32% - do not use the connections;
4th group: 43% - used primarily partnerships.

Source: author's research materials.

These three parameters, which are in fact the main factors for business development, most of all are determined by the nature of social relations used by the employer. These three parameters, in fact, are basic for the development of business, the most heavily depend on the nature of the social relations, as used by the employer. As we can see from table 2, business success and ease of search services in related industries is significantly higher when using partnerships. Strange as it may seem, but in this case, the use of corruption relations does not give special advantages for successful business.

Those entrepreneurs, who use the entire arsenal of relations (corruption and partnership) evaluate their opportunities higher only when assessing the availability of credit resources.

Thus, undoubtedly, the use of social relations gives certain advantages to the entrepreneur, first of all, expanding its access to resources. But the success of the business is more attributable to its inclusion in the affiliate network structures, than to the climate of corruption, based on personal acquaintances of the owner of the business (owners in 1.5 times more often demonstrate orientation on the corruption scheme, than hired managers). Thus, 47% of those who, to overcome the obstacles in the business mainly use corruption, note that the average amount of bribes is "very high" or "medium, but burdensome for business". This fact testifies to the fact that in some cases employers are involved in the corruption scheme not on their own initiative. Bribery, search for "their people" is used by small and medium-sized business not so much for the development and increasing of their success (for example, access to resources, exclusive information, access to new markets, etc. but are more typical for the large enterprise, to overcome the rising of administrative barriers). In this case, we must conclude that the relatively low level of social capital as a public good strongly limits the possibilities of use of the institutional environment for the decision of business problems. So, apparently not trusting any law enforcement authorities or the courts, the employer is faced with the extortion of controlling bodies, prefers to give a bribe to the right person, and not turn with the complaint to the relevant authorities.

So, we can make a general conclusion that the use by entrepreneurs of the personified social capital enhances its success in the market, and especially where it concerns the development of a strong partnership between owners, managers and representatives of small and medium-sized firms. Involvement in the corruption scheme for small and medium business does not give distinct advantages, but it replaces the lack of development of the institutional environment. Finally, a relatively low general social trust in the Russian society, lack of social norms and values of market interaction, i.e. social capital as a private resource of interpersonal relationships will compensate the lack of social capital as a public good.

Business success and ease of search services in related industries is significantly higher when using partnerships. The use of corruption relations does not give special advantages for successful business in our case, that is, in the Urals Federal District. Those entrepreneurs, which use the entire arsenal of business network (and corruption and partnership) evaluate their opportunities only when assessing the availability of credit resources.

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Formation and Maintenance of Partnerships in the Retail Sector[1]

Abstract: The paper deals with characterization of the relationship between the leading market-players involved in the retail sector. It presents an analysis of expert interviews conducted in supplier companies and retail chains of Tyumen and analysis of questionnaire survey of the city population. The dynamics of market interactions in the last 5 years, the average number of business partners in the market, the characteristics of the process of contracting, the challenges faced by market participants and conditions of contractual agreements, as well as the dynamics of their changes are given. The paper shows the level of interest of business partners in mutual cooperation, partnership characteristics in terms of strength and stability, as well as the hierarchy of retail chains and supplier companies in the regional market. The criteria of business partner selection, conflicts between participants of market interactions, their causes, and ways to resolve, and brief characteristics of consumer behaviour at Tyumen region are also described.
Keywords: consumer behaviour, market interaction, partnership, retail, retail formats, supplier companies, trade retail chains.

The retail market is one of the fastest growing sectors of the economy in Russia as well as abroad. Retailers and suppliers are the key players in the retail sector. Increasing competition in the retail market leads to the need for a deeper analysis of the environment in which they operate. In the analysis of market interactions it is more effective to consider the market as a social structure, which includes a stable recurring interaction between the agents. Thus, the social bonds between players in the market, their configuration and characteristics, as well as the rules which govern these players at fulfilment of certain actions are the main elements to be considered (Radaev, 2003: 33).

Analysis of the relationship between retailers and suppliers begins with the first stage of cooperation - the choice of business partners and finishes with conflicts which arise in the course of the interaction of market participants and the termination of the partnership. In disclosing the specifics of market interactions it is absolutely necessary

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to consider the size of the market participants and the positions they occupy.

This paper deals with analysis of the expert survey carried out at supplier companies and retail chains of food and consumer electronics of the city of Tyumen - 30 managers of suppliers and managers of retail chains were interviewed. The study used the results of a similar study carried out in 2007 and 2010 in five Russian cities: Moscow, St. Petersburg, Yekaterinburg, Novosibirsk and Tyumen for comparison[1]. We thank Prof. Vadim V. Radaev for the opportunity to use the basic elements of his method in our research. The purpose of research is to characterize relations between suppliers and retailers at the Tyumen consumer market.

The supplier companies and retail chains in Tyumen involved in the food sector and consumer electronics are the object of the study.

The studying of building and maintaining of partnership in the cooperation of suppliers and retailers is the aim of the research.

Under the partnership we mean a system of interactions based on a clear prescription of the rights and responsibilities of the parties, as well as a system of fines and compensation in case of violation of the agreements (Solntseva 2010).

Three hypotheses were formulated in the course of the research.

First, the leading market participants collaborate with each other. They prefer to resolve emerging conflicts through negotiations rather than be brought before a third party.

Second, partnerships are more likely emerge from the companies of equal scale of operation; otherwise the partnership will have a dominant character from the side of a larger agent.

Finally, we decided to examine the relationship of leading market participants with the government and suggested that the size of the company influences the interaction between suppliers, retailers and the municipal government. Thus, the smaller the company, the more neutral character its relations with the municipal authorities will

[1] In 2007 in Moscow were interviewed 115 respondents, in Yekaterinburg and Tyumen - 100 in St. Petersburg - 88, in Novosibirsk - 98. In the four cities (except Tyumen) the survey was conducted by Yuri Levada Center, the staff of the Department of Economic Sociology at Tyumen State University (Head – Vladimir A. Davydenko) conducted in Tyumen. The work was done within the framework of the research project "The Power and discrimination in consumer markets; the relationship between retailers and their suppliers in modern Russia" (director – Vadim V. Radaev). The project was realized with the support of innovative educational program of the National Research University - Higher School of Economics in the National Priority Project "Education". Field studies conducted by Yuri Levada Analytical Center and the team of sociologists, Tyumen State University. We thank the participants of the project Z. Kotelnikova (Moscow), A. Veyher (St. Petersburg), V. Davydenko (Tyumen) and A. Bushinova (Moscow) for fruitful cooperation, E. Artyukhov for organizational support (Radaev, 2009).

have.

In addition, the researches of the market interactions cannot ignore the consumers, because consumer behaviour has a major impact on the activities of the market participants. This paper also deals with the results of the questionnaire, the research "Socio-cultural portrait of Russian region". 1,270 residents of Tyumen and south of Tyumen region were surveyed.

According to the survey of market participants, they have an average of 10 business partners at the same time. Respondents were asked about the changes that have occurred in the number of business partners for the past 5 years to trace the dynamics of the relationship. More than half of the experts pointed out the recent increase in the number of business partners. This trend is observed in both types of companies, suppliers and retailers having relationships with retail chains are more stable. About half of the experts pointed out that the number of retail chains, which have concluded agreements of cooperation during the past 5 years have remained unchanged, but the number of individual stores decreased or, on the contrary, increased, according to the company's strategic goals. These trends are more intense in the food sector than in the electronics and home appliances sector.

The situation is easily explained by the opinion of the experts. The food sector is actively developed and there are a lot of new market participants: manufacturers, distributors, foreign retailers. Growth of electronics and home appliances sector is slower. The reason is the fact that only a limited number of companies implements direct deliveries, which is common in this sector.

The majority of the experts pointed out that the process of contracting is quite simple. In this case, the following trends can be identified. Few of the market participants could work with major western trade networks or suppliers in our region. And those who cooperate, as a rule large company, noted that entering into a contractual relationship with them is very difficult. Experts note that these kinds of partners exhibit their terms of cooperation and do not seek to discuss them. It is also possible to trace a direct correlation between the characteristics of the process of entering into contractual relations and the size of the company. The smaller the supplier company, the more difficult it is to cooperate with trade retail chains' formats. As reasons for this phenomenon, experts point to the inability to provide the required quantity of goods in chain stores, because, as a rule, trade retail chains tend to provide full product lines in all outlets. However, the process of concluding the contractual relationship for the trade retail chains and for individual stores is quite simple as a rule.

According to experts, there are a lot of companies interested in supplying their goods to markets and individual shops in the Tyumen region.

Based on these data we can conclude that, first of all, suppliers are interested in working with retailers and their interest in the partnership is much stronger. Experts working in supplier companies, often mention the difficulties of working with retail chains, but at the same time seek to work with them for several reasons. Firstly, it is large amounts of supplies and, secondly, the expansion of the territory in which the product will be presented.

To characterize the strength and stability of partnerships in the market, experts were asked whether they will agree to change their established business partners for new ones that will be able to offer more favourable terms and conditions. Work with new and old partners simultaneously is impossible in this case. Most of the experts mentioned that they would rather continue to work with their regular partners, underscoring the value of stability of market interactions among the participants. The desire for stability of market interactions in the retail trade can be traced in previous studies (Fig.1).

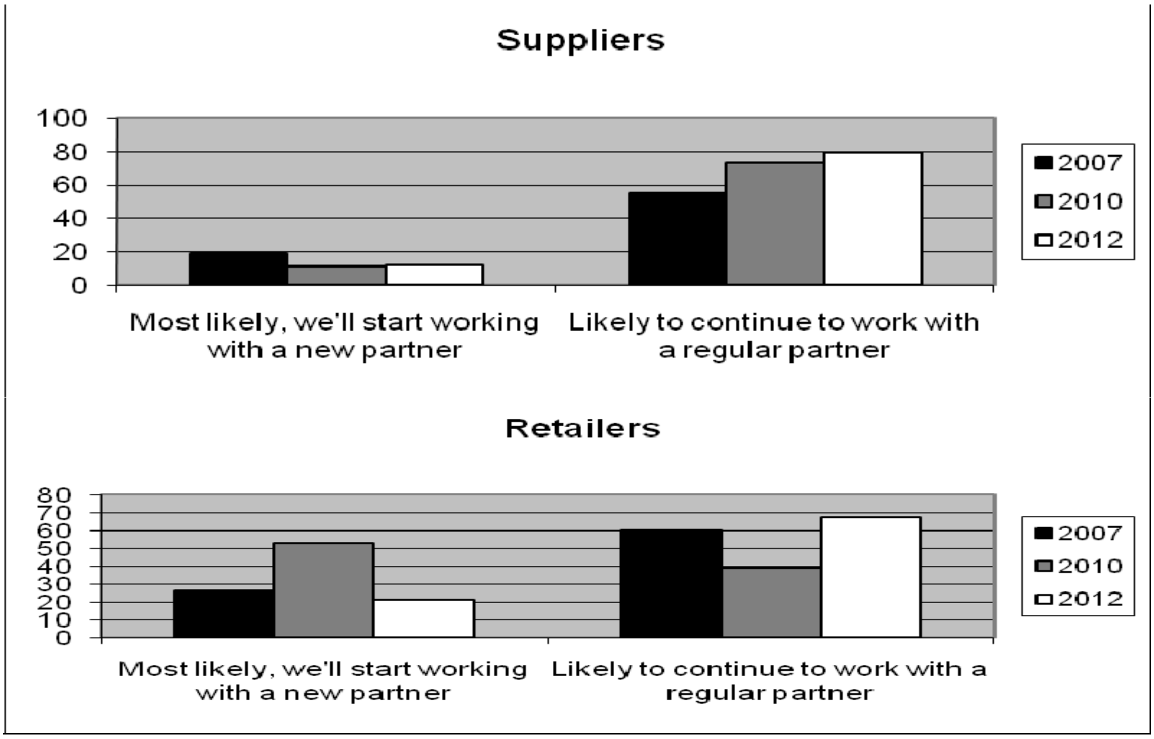

Fig. 1. *Emergence of a new business partner in the market*
Source: author's research materials.

In addition, the stability of the relationship between market participants confirmed by the low number of partners with whom relations have ended for the year. The experts were asked to determine the proportion of business partners with whom relations were broken in 2012. As a result, the most popular answer was 0%. Experts pointed out that they cooperate with all those who have signed a contract in 2011, or 90% of them. Thus, on the average, about 10% of partners were related to the number of unfair partners. This figure is quite low, which may indicate the stability and reliability of partnership in the consumer market. Also, on the average, 50-60% percent of the business partner relationship continues for more than 5 years, both from retailers and from the suppliers.

Experts were asked to choose from the list the conditions that must be considered when choosing a supplier or retail agent to determine the conditions of the contractual relationship, which are considered when selecting business partners (Fig.2, 3).

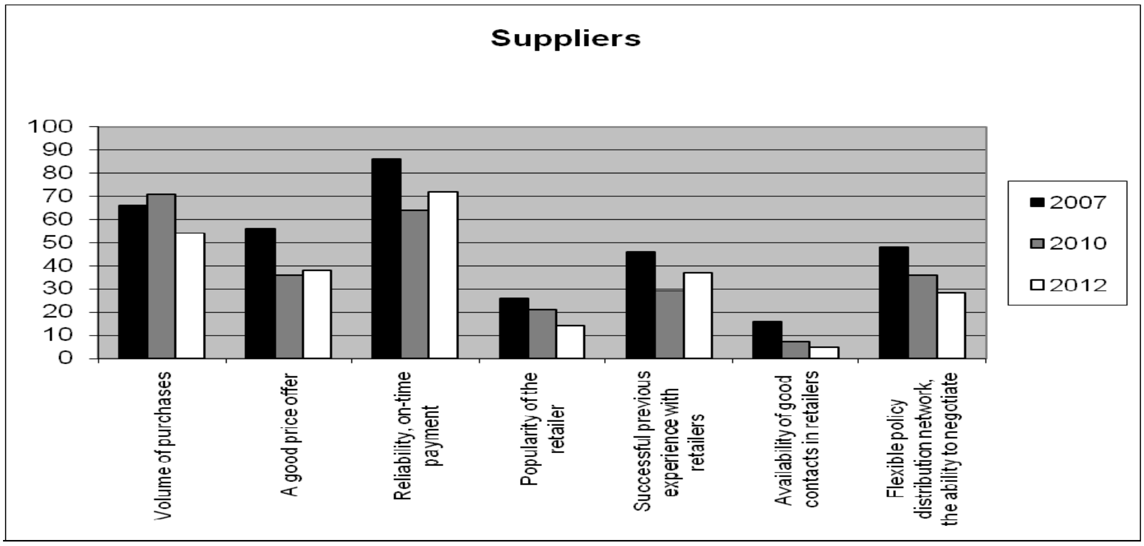

Fig. 2. *Conditions of choice of business partners for the companies suppliers*
Source: author's research materials.

Obviously, the supplier companies pay attention to the reliability of the partners, volume of purchases and flexible policy of the distribution chain (Fig. 2).

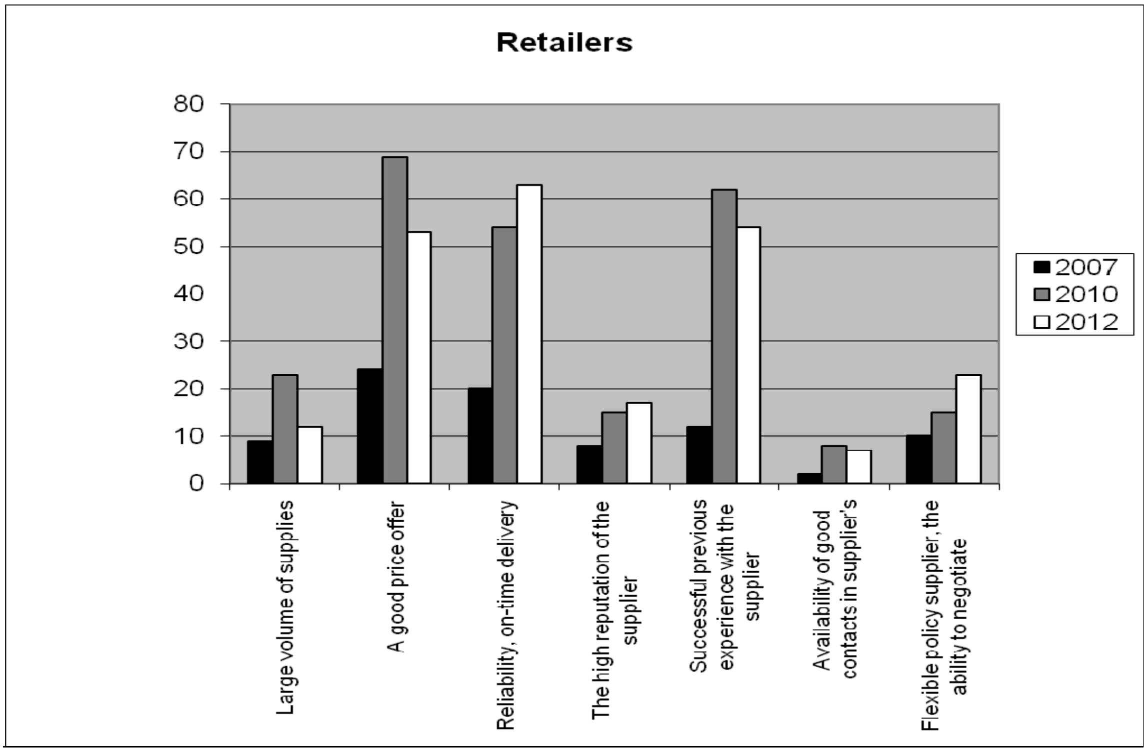

Fig. 3. *Conditions of choice of business partners for the retail trade chains*
Source: author's research materials.

Representatives of various retail formats allocate the same conditions. It is worth noting that experts working in retail prefer the previous successful experience with a business partner to flexible policy of the supplier retailers (Fig. 3).

It is an interesting fact that the favourable conditions of purchase are not so important a criterion for the selection of business partners to suppliers. Representatives of supplier companies mentioned that they are interested in supplying on favourable terms, but in cooperation with retailers, especially large, it's just impossible. In their view, all contracts entered into with the trade retail chains have very strict conditions for pricing, payment terms and penal liabilities. Accordingly, suppliers do not consider them profitable. At the same time, they note: retailers are the major players in the consumer market, and they simply cannot cooperate with them. The large volume is also important, but not everyone can provide it.

Based on these findings, it is possible to emphasize that the purchase price of the goods is not the determining factor in the retail interaction. Reliability of the business partner is also important for the participants of the consumer market. The presence of informal networks, that is, good friends among the employees of partner companies was mentioned by only a few experts. Most likely, this is a positive trend, like a professionalism of market participants.

What is obvious is the fact that the dominance of retail chains over the activities of suppliers exists. As the consumer market is developing dynamically, the terms and conditions of partnership must change as well. In this regard, experts were asked how the conditions have changed with the conclusion of contracts with business partners in the market over the past few years. As a whole the experts working in retail noted that the conditions have not changed, in fact, many believe that the terms of cooperation with small suppliers have become easier. In answering this question the representatives of supplier companies talked about the difficulties of working with large retail chains, due to the fact that they often push their demands, refusing to make any concessions, thereby establishing their own "rules of the game" in the market. Thus, the question is not so much about the complicated conditions for contracts, but about conditions of business as a whole. Moreover, in the course of the expert survey, it became clear that even the largest companies supplying products may not participate in the negotiations on the conditions of the contract on equal terms with retailers. Most often, manufacturers and distributors have to make not always favourable working conditions because in practice they show greater interest in cooperation, rather than retailers. Representatives of retail chains emphasized that business partnership in the market should be voluntary. The results do not support one of the hypotheses formulated earlier. Size of companies does not have a significant effect on the desire to maintain partnerships. So representatives of supplier companies regardless of the scale of its activities talked about the difficulties of working with retail networks. Representatives of retailers, in turn, noted the equal partnership with the partner supplier companies regardless of whether they are large or small manufacturers' distributors.

The fact is that the manufacturing companies work in the territory of the region, thus, the management and coordination of issues relating to contractual relations is solved locally. This can also be attributed to the small retail formats, such as separate stores. The same can be said about the large trade retail networks, which for a long time have been working in the market and whose management is usually carried out remotely. Thus, the solution of many problems either takes time or is subject to standardization. Also supplier companies point out that when working with individual stores or other small retail formats they often have more valuable personal contacts, many issues can be addressed individually.

It is worth noting that when asked how big is the share of suppliers working without breach, expert estimates ranged on the average from 70% to 90%. This is a positive trend also.

The experts were asked to rate how often in the contracts the various obligations of partners are prescribed when entering into the contractual relationship. In the retail chains payments deferral and penalties are more. Managers of the trade retail chains also mentioned payments for sales among the most frequent contractual obligations.

In many research projects partners' relationship between market participants are characterized by parameters of the phenomenon of trust, such as equal consideration of interests by business partners, fulfilment of informal agreements and formal rules of business, maintaining open communication and timely feedback. Lack of trust is a serious threat to market participants. Firstly, it may be due to a breach of business agreements, which, in its turn, leads to multiple charges. The costs associated with the collection of additional information on current or potential partners and the damages resulting from wrong strategies or misallocation of resources are incurred. The risk of loss making activities leads to the scanning and continuous updating of business information.

Supplier companies and retailers seek to reach the most precisely described paragraphs of the contract about mutual obligations. However, market participants noted that it is not always possible, in connection with which it is often necessary to enter into informal agreements.

The concept of social capital has been introduced by Pierre Bourdieu. According to contemporary economic sociology, it describes the leading market participants and is formed through the establishment and maintenance of relationships with their business partners. These networks are based on the assumption that other agents will fulfil their commitments without sanctions. The actual contractual partnerships between market participants tend to have incomplete negotiated agreements and contracts. This is due, first of all, to the fact that it is impossible or costly for market participants to cover all terms and conditions of contracts. As a result, the formal rules and agreements are often ineffective. In this case the trust complements them. In making decisions on transactions market participants are using their own past experience, and are more likely to enter into partnerships with those who they have already dealt with earlier, ensuring their reliability (Radaev, 2003: 35).

Discussing the conflicts that arise in the market, experts note that the conflicts with partners exist, but, as a rule, they have a working character and resolved through negotiations. According to the survey, the violation of terms of delivery is the main reason for the appearance of tensions between business partners (Fig. 4). In addition, representatives of retail chains often talked about claims to supply companies associated with the commodity assortment and the quality of the goods. Managers of the supply companies noted that retailers did not always execute an agreement to place the goods on the store shelves, sometimes it is not there at all, which is a contradiction to the correct execution of obligations on the delivery and execution of documents; the incorrect registration of accompanying documentation or certifications, for example.

Fig. 4. *The causes of conflict situations in the market*
Source: author's research materials.

The causes of these conflicts are differences in interests that pursue business partners. For example, the supplier companies seek to present the entire range of goods on the shelves of stores and retail chains. And those, in turn, would like to work with only those product categories that are in demand by consumers. Most experts involved in the study note that the supplier seeking to cooperate with the trade retail chains offers them the best-known product or the most expensive product. However, they did not take into account that retailers operate in various formats, and the products that they sell, must meet certain requirements, such as trade network pricing, for example.

However, the experts unanimously mentioned the best way of resolving disputes was through negotiations with their business partners (Fig. 5). As alternatives were identified application of penalties and non-renewal of a contract to supply after it expires.

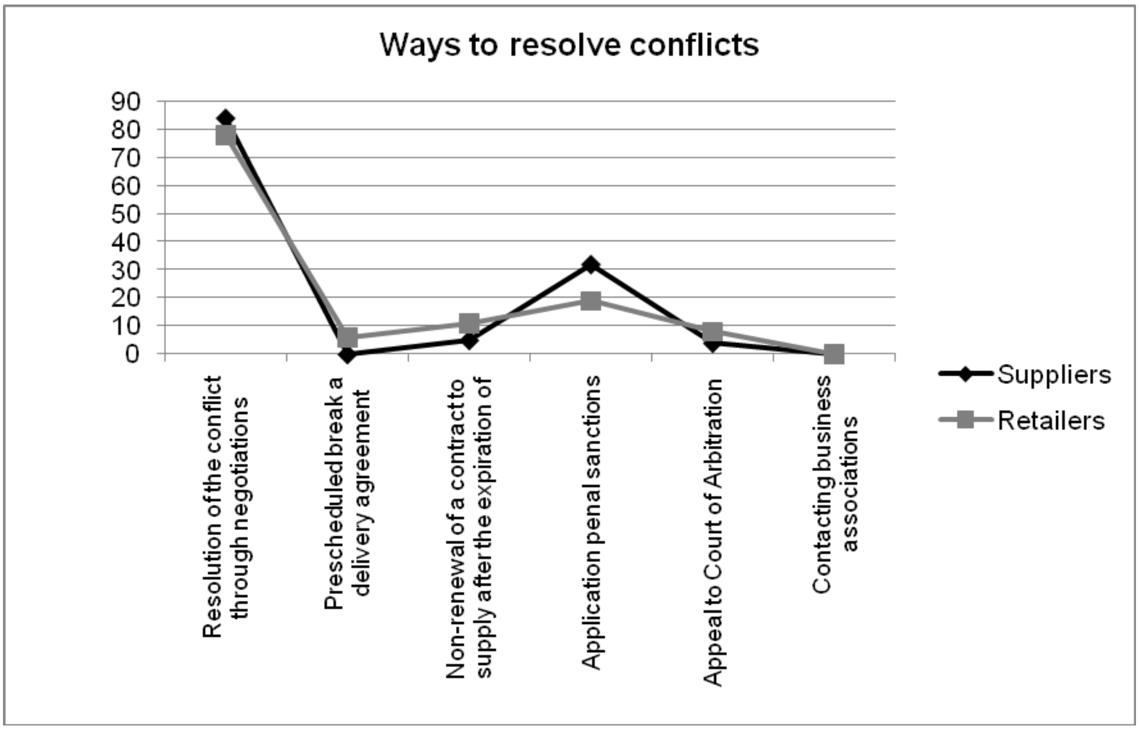

Fig. 5. *Ways of conflict resolution in the market*

Source: author's research materials.

The results confirm the hypothesis formulated earlier about the origin and the resolution of conflicts. On the basis of the expert survey we really can make a conclusion that the supplier companies and retail chains, one way or another, seek to maintain a stable partnership. Partners classified most of the conflict situations to the category of "working issues" and preferred to settle them through negotiations.

Most experts noted a high or medium level of competition in assessing the competitive situation in the market. About 80% of respondents believe that it is constantly growing. In this regard, many professionals have resorted to gathering information on the activities of their competitors. The most common method is the regular collection of information through monitoring the activities of their competitors, as well as an overview of the available analytical sources.

To verify the third hypothesis, we analyze the relationship of leading market participants with the municipal government. Experts interviewed were brief in their comments and unanimously commented on the neutrality of the relationship. There also were sharp statements about the need for non-interference in the market functioning by the municipality in the region. The results disprove the hypothesis formulated earlier. There is no direct correlation between the size of company and the assessment of the nature of relationship with the municipal government.

Finally, we turned to the characterization of the consumer behaviour of the Tyumen region. In particular, respondents were asked questions about how much they are satisfied with the performance of retail chains and local producers, as well as which retail formats are more popular in the food sector and consumer electronics. Several hypotheses have been formulated. We hypothesized that the level of satisfaction with the quality of the consumer retail trade is influenced by where it typically makes purchases, namely, in what trade formats. It was also assumed that the frequency of purchases of local products is directly proportional to the level of satisfaction with the quality of the consumer retail trade in the region.

According to the survey of consumers, they as a whole are satisfied with the quality of retailers. 76% of consumers responded positively with regard to the assessment of local producers, 40% of consumers surveyed are trying to buy only the goods of local food producers, 38% of respondents often acquire local products, but in some cases prefer imported products, 17% of respondents believe that local products are very expensive or poor quality. These results indicate a positive trend in retail trade, consumers as a whole are satisfied with the quality of retail services. Also, consumers estimate highly the work of local producers. About 80% of respondents somehow acquire goods of regional production. In this case, the direct dependence of the frequency of purchases on the level of satisfaction with the quality of retail trade was revealed (Pearson's correlation coefficient is 0.378), which contradicts the hypothesis formulated earlier.

As for the preferred retail formats, they consist mainly of such organizational forms as hypermarkets, supermarkets, cash & carry, discounters, stores Close-To-Home, markets, kiosks, pavilions, and online shops, which are still not widespread, but surely gaining pace. In order to distinguish between existing retail formats they will try to consolidate the information collected by the analysts of the retail market (Tab. 1).

Table 1.

Characteristics of the main retail formats

	Sales area, sq. m.	Number of items in assortment, thou.	Staff	Price Level Market	Own manufacturing plant
Hypermarkets (Auchan, Carousel, Lenta)	4000 – 10000	25 – 50	to 900	Special Pricing	Widely available
Supermarkets (Carrefour, Seventh Continent)	700 – 3000	7 – 30	50 – 200	Above average	Available in most supermarkets
Cash&Carry (Metro)	10000 – 20000	30 – 50	to 1000	Average	Rather available
Discounters (Pyaterochka, Kopeika)	450 – 800	1 – 2,5	30 – 50	Below average	None
Shops Close-To-Home	300 – 400	0,5 – 1	to 50	High	None

Source: Retail formats, http://www.artkmv.ru/

Respondents were asked, in what formats they prefer shopping to buy food and household appliances and electronics (Fig. 6).

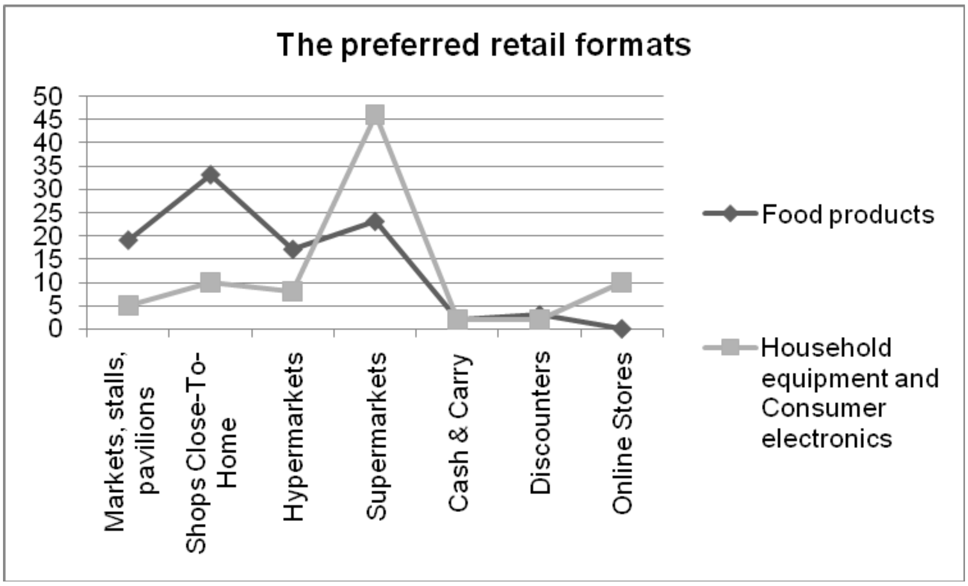

Fig. 6. *Retail formats popular among consumers*

Source: author's research materials.

Consumers appreciate the job of leading market participants, both retailers and production companies. Consumers prefer traditional retail formats namely, shops Close-

To-Home (33%), markets, kiosks, pavilions (19%) for purchasing food. This is one of the reasons for the interest of production companies in the supply of goods of own production to the markets and individual stores. Same consumers prefer to buy appliances and electronics at the modern shopping formats namely supermarkets (46%). For comparison, 23% of respondents prefer to buy food at supermarkets that is less twice (Fig. 6). Most likely, this is due to the fact that the main motive of shopping for consumers is territorial location of the outlet and the cost of the goods. Since appliances are classified as long-term use goods, the purchase of which is usually planned in advance, consumers tend to shop in more comfortable conditions and be sure to provide warranty service. We also noted the low level of online stores' sales in these product segments. The format of online retailers has not yet managed to establish itself on the regional market. For e-commerce it is quite hard to compete with traditional retail formats in the segment of consumer goods. A large number of supermarkets and hypermarkets operate in town. They attract the consumers by their pricing strategies. An advantage of shops Close-To-Home is usually a convenient location. With regard to household appliances and electronics, consumers consciously relate to their choice and plan to purchase in advance, usually. Online shops have successfully adapted to the needs of customers in this segment. Their advantage is the ability to compare an unlimited number of products on the functional characteristics, a lot of customer reviews and, as a rule, free shipping.

Finally, the choice of retail formats for purchases does not significantly affect the level of satisfaction with the retail trade (correlation coefficient - 0.002). Most likely, such comparisons are possible within specific retail formats, but not between them, which also refutes the suggestion formulated earlier. So it is possible to characterize the preferences of consumers as the leading market players in the retail sector.

Summarizing, we can say that the relations between retailers and suppliers are affected by many factors. The key factors in choosing a business partner are reliability of partners, company's policy flexibility and the ability to negotiate. Market participants appreciate the stability of the business relationship and are in no hurry to start working with new companies offering favourable terms, breaking the old connection. Most businesses work together for more than a year. However, suppliers show greater interest in cooperation compared to retail chains.

Generally, the conclusion of supply contracts does not cause difficulties for market participants and the number of business partners increases steadily.

Experts point out that the relationship between market participants are more of a partnership, rather than conflict, and all questions are categorized as "working points" that can be solved through negotiations. Thus, the contradiction is usually not destroying the business relationship. Contractual obligations are performed conscientiously by business partners.

In this case, retailers occupy a dominant position; company-suppliers, in turn, are forced to accept the terms of retailers as the main broker in the sale of products, since the bulk of sales is being held through large distributors. As a whole, it is worth noting that the size of the company has a direct impact on the experts' responses, which is understandable. The smaller the business partners, the more difficult it is to defend their positions at the conclusion of contracts of goods supply.

Further studies will help characterize the current state of the retail sector and analyze the specifics of the relationship between the key actors in the market, which is a necessary condition in making recommendations for their regulation.

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Analysis and Evaluation Imbalances in the Development of EU Regions (1995 - 2011)

Abstract: This article analyzes the theoretical and methodological aspects of the convergence of development levels of regions in the framework of the integration process in the EU between 1995 and 2011. It outlines the concept of convergence in the application of these processes, the main types of convergence and evaluation methods, and provides a review of empirical studies of these processes in the EU.

Key words: convergence, divergence, the region, the European Union

Increased stability and cohesion of the Member Countries of the European Union (EU) is an important aspect of the process of European integration and consolidation. At the same time, the question remains of how this policy is effective for the regions at different levels? Whether in the EU there is a convergence of regions at all levels or is it selective and has particular qualities among regions at different levels?

The aim of the analysis in this chapter is to evaluate the process of convergence of regions NUTS-1, -2, -3 in the period from 1995 to 2011. To achieve this aim we have set the following objectives: based on the review of the basic tenets of the theory of convergence, suggest methods of the evaluation of the types of convergence viewed in the paper; based on previous experience of empirical studies of convergence in the EU, perform an empirical analysis of convergence of EU regions at three levels - NUTS 1, NUTS 2 and NUTS 3[1].

First of all, we note that under the regions in this paper we understand the

[1] Nomenclature of Territorial Units for Statistics (Fr. *nomenclature des unités territoriales statistiques, NUTS*) - standard territorial division of the European Union for statistical purposes. The standard defines three levels of NUTS-units. NUTS-units can meet the administrative-territorial units of countries, but in some cases there is no match.

statistical regions of the EU, defined on the basis of Regulation 2003 of the European Parliament [Regulation (EC), 2003]. The main criterion for distinguishing the levels of regions in the EU is the number of the population. Thus, the following division into regions is adopted: for the level of NUTS 1 – from 3 to 7 million people (reflects the national level for all the territory of EU Member States); for NUTS 2 level - from 800 thousand to 3 million people (reflecting the level of sub-regions that are members in each EU country, with an exception only in Lithuania, Latvia and Estonia, where NUTS 1 level coincides with the level of NUTS 2); for the level of NUTS 3 - from 150 thousand to 800 thousand people (this is the level of small regions within sub-regions). In the EU as of 31.12.2011 there are 97 regions of NUTS 1 level, 271 regions of NUTS 2 level and 1303 of NUTS 3 level.

Basics of the theory of convergence. "Convergence" (Lat. "*converge*") in the social sciences represents rapprochement, cohesion of similar but not identical objects. In the second half of the 20th century under the convergence they understood the convergence of capitalism and socialism as two types of industrial society based on similar technology (J. Galbraith, D. Bell, and others). To date, the theoretical content and the practical meaning of the term "convergence" in the social sciences have lost the political aspect and expanded because of the deepening differentiation of branches of sociological and economic sciences. Sociologists (experts in economic and regional sociology), economists (experts in econometrics and regional economy) are actively using this term in the research of uneven socio-economic development of the territories, territorial differentiation and integration of regions for the convenience of their cohesion and strengthening (consolidation). The consolidation of the territories is analyzed based on different concepts of convergence. The following types of convergence are distinguished: interregional and cross-country, convergence in terms of growth rate or income level, absolute and conditional, club, β-convergence and σ-convergence (Zverev, Kolomak, 2010). Thus, in the Russian science, the terms "convergence", "cohesion", "bridging the gap", "alignment", "rapprochement" are usually used interchangeably and as their opposites - "discrepancy", "differentiation", "polarization", "stratification", "divergence". In studies of European sociologists and economists the terms "convergence" and "divergence" have settled. The authors follow this tradition, using the Russian terms where it is justified. We interpret the term as follows: *convergence - is a process of rapprochement of economic parameters of regions to a certain level*.

Cross-country convergence is based on indicators of the differences between countries; interregional convergence considers this process within a single country. Convergence in terms of the growth rate is defined as the alignment of various economies to a single trajectory of growth. This approach is based on the assumptions of the neoclassical theory of growth (Solow, 2000). Conditional convergence implies the existence of fundamental differences and irresistible heterogeneity in the studied objects, which leads to different trajectories of economic growth. Absolute convergence suggests the homogeneity of objects and the presence of a single trajectory of growth for all economies. Club convergence, as opposed to absolute suggests that the economies of countries and regions are not the same for all growth trajectories but a unified within a group of similar economies on the initial level of development and other characteristics.

β-convergence determines the presence of a negative correlation between the growth rate and the initial level of economic development. It is conceptualized as a process of "replenishment" in which poor countries or regions have higher rates of economic growth. σ-convergence is a more general case and implies a reduction in the time of variation of characteristics of studied objects in the sample of countries or regions. In the scientific literature the studies of β-convergence and σ-convergence are the most prevalent (Barro, Sala-i-Martin, 2004: 50-51; Le Pen, 1997: 715-756). In the term "β-convergence" the first letter denotes the coefficient at the initial GDP per capita in the estimated equation (Barro, Sala-i-Martin, 1990; Barro, 1998). Hypotheses of β-convergence and σ-convergence are related, but not equivalent. σ-convergence does not follow absolute β-convergence directly (Barro, Sala-i-Martin, 2004: 50-51). Scientists have been proposed interpretation of the relationship between absolute β-convergence and σ-convergence (Henin, Le Pen, 1995). The first one points to the existence of a trend to reduce the gap in GDP per capita. At the same time, the random shocks affecting the economy of the regions, can counteract this trend and temporarily increase the dispersion of the distribution of GDP per capita.

More than forty years ago, British economist John Williamson found that national development contributes to regional differences in the early stages. At the same time, in the later stages the economic growth creates rapprochement of regional levels, i.e., regional convergence resulting in the inverted U-shaped curve (Williamson, 1965: 1-84). The main argument in the approval of J. Williamson is that in the early stages in the region there are several growth poles, in which the capital and skilled workers are concentrated. As a result of a rapid increase in productivity, the economy growth is accelerated in these poles and results in an increase in regional differences (divergence). In the later stages of development the wages grow in the areas of growth poles, so the capital is likely to move to other regions with lower labour costs. This, together with the effects of a uniform distribution of knowledge can increase the reallocation of productive factors across sectors and regions, leading to the convergence of their regional development. The starting point for the analysis of alignment is the model of "β-convergence", based on the neoclassical growth theory by R.Solow (Solow, 1957: 312-320). In this theory, the rate of economic growth positively correlates with the gap of GRP per capita of the given region, and GRP per capita of the region in the state of a sustainable growth, which is characterized by constant growth. Consequently, the weaker regions should develop faster than stronger ones, and in the long run there will be the alignment of regional economic development levels. Thus, the theory of β-convergence shows that the relatively weak regions in the initial period of development are characterized by higher rates of growth. To estimate β-convergence the models of "growth-initial level regressions" are used, in which the dependent variable is the rate of growth, and independent - the initial level of the indicator. Simple regression of this type takes the form: $\boldsymbol{y_i = a + \beta \ln(x_{it-T}) + e}$, where x_{it-T} - the indicator at a time preceding the current time t by T periods (typically, the initial integration period or other time significant for development of integration group), β - the coefficient to be estimated, y_i - the average growth rate in the *i*-th country over *T* periods, calculated as $\ln(y_{it})/\ln(y_{it-T})$, e - random deviation (Liebman, 2006: 58 -73). Indicator of the presence of convergence is the sign of β. If β <0, the high level of the indicator at the initial time is correlated with relatively lower growth.

In contrast to β-convergence, σ-convergence shows a decrease with time of indicators characterizing smoothing divergence between regions. β-convergence not always implies σ-convergence. In a situation where a group of stronger and weaker regions is constantly changing (due to the worsening economic situation in stronger and improvement in weaker), but overall the gap between stronger and weaker regions is constant - then there is no σ-convergence (Barro, Sala-i-Martin, 1995; Sala-i-Martin, 1996a: 1325-1352; Sala-i-Martin, 1996b: 1019-1036).

To determine σ-convergence in the presence of a trend in the time series can be used such an indicator as dispersion or relative indicators of variation: the coefficient of range (K_R) and the coefficient of variation (V_σ). Increasing of the range and variation coefficients directly indicates an increase in the variation of variable in the studied aggregate. Thus, analyzing the dynamics of these factors on the key parameters, we can give qualitative and quantitative characteristics of the process of the growth of the existing differences by GRP per capita in the regions of the EU.

Another indicator to determine σ-convergence is the normalized Theil index (Theil, 1967):

$T = \sum_{i=1}^{n} y_i \ln(y_i / p_i)$, where y – a share of GDP of the country in GDP of the whole EU, p – a share of population of the country in the population of the EU. The index value is zero in the case of complete equality, and increased with increasing inequality. Thus, reducing the value of the index over time indicates the presence of convergence, an increase of the index indicates the process of divergence, i.e. growth of differences.

A review of studies of convergence in the EU. The EU territory has been classified by the area of the "periphery" and "core" based on the study of 12 countries (EU-15 with the exception of Austria, France and the UK) from 1989 to 1999 held by S. Dallerba and J. Le Gallo. The core includes the majority of developed EU countries. Significant convergence among countries of the periphery has been established, but they do not get the same result of the development as for the core. According to the researchers concluded, the benefits of investment projects of the EU Structural Funds are beyond doubt in the regions where they were directed to, but the effects of a uniform result from the impact of the EU Structural Funds are only present in the major regions (the core). A possible reason for this is that the core regions have the smaller territories, as well as being better connected to each other through a network of transport and trade. Researchers have noted two groups of countries: four - Greece, Portugal, Spain and Ireland - as less developed, and three - Germany, United Kingdom and Italy - as more developed countries. They found that there are multiple poles of growth, while other regions lag, which leads to increasing inequality (Dall'erba, Le Gallo, 2003).

Italian researchers examined 15 EU countries representing 140 regions of NUTS 2 level between 1980 and 1999 and found there significant convergence: an analysis of the distribution showed that the levels of income per 1 person in poorer countries tend to converge, i.e. the convergence process is more intense among the regions of low-income populations (Brasili, Gutierrez, 2004). Income Study (LIS) for the Czech

Republic (1992, 1996), Hungary (1991, 1994), Poland (1992, 1995, 1999) and Russia (1992, 1996) showed that regional income inequality within the countries of the CEE region increases, the leaders are the capitals and major urban areas. Perhaps, in the future, regional differences within individual EU countries would further exacerbate, particularly between large urban agglomerations and economic periphery of the "old" economic specialization. However, even good economic performance of some large peripheral regions will be achieved mainly through local points of growth (Förster, Jesuit, Smeeding, 2005).

The study of EU-25 and their 1214 regions of the level of NUTS 3 in the period 1995-2002 led to the conclusion that regions with lower GDP per capita developed at a higher speed during the 1995-2002 period. Convergence speed was higher for NUTS 3 regions in the EU-15 than for the NUTS 3 regions in the new EU countries. Within the regions of the EU-15 convergence was observed, while in the group of new EU Member States – it was not (Paas, Kuusk, Schlitte, 2004). These findings reveal a more serious problem: while smoothing inter-regional differences in the level of large regions the disparities in smaller regions are usually left out of the action mechanisms of regulation of territorial development. Even wealthy countries may have poor regions, which have nothing to expect. The EU regions of NUTS 3 level may be the subject of regional policy aimed at improving the competitiveness and employment, only under a number of criteria. Local administrative units are generally outside of the field of action of the regional programs of the EU.

Based on the analysis of 19 of the 27 EU member states in 1995-2004 (both at the national level and within each country at the level of NUTS 2) B. Szörfi has determined that the date of entry into the EU has an impact on the degree of regional differences. New EU Member States have a higher level of regional differences (Szörfi, 2007: 100-121). In a study of 10 new EU countries for the period 1995-2005 to identify convergence of economies by GDP (quarterly data on real GDP per capita during this period) the trend of alignment of these countries to the EU average level of GDP was defined (Ranjpour, Karimi, 2008: 157-166). Over the past 15 years, we observe the growing interest in the study of differences in the development of EU regions using different econometric methods. Most studies of convergence have focused on the analysis of β–convergence and σ - convergence (spatial convergence).

The above review shows that the results depend on the selected research methods, the study period, and a list of the regions under study. However, despite the fact that the authors of the studies reviewed used different measurement of convergence, their results are comparable and allow us to draw the following conclusions. For a quarter century there has been convergence of the level of development between the relatively poor and the rich countries of the EU. This convergence occurred in a period when the poorest EU countries were countries of southern Europe and Ireland (1980-1999), as well as at a time when the states of Central and Eastern Europe began to be treated as the poorest (1995-2005). Thus, the process of convergence at the level of individual regions (NUTS 2 and NUTS 3) was complex. If the Scandinavian countries and Italy were, in general, characterized by convergence and differences in economic development between regions decreased, while in other EU countries the process was controversial and convergence periods alternated with periods of divergence. Recent EU members from Central and Eastern Europe have a higher level of regional differences in comparison with the "old" EU countries. In this case, the disparity between large and small regions in many of the "new" EU countries increased due to the rapid development of metropolitan regions and large cities compared to others, especially small regions. Consider this in detail.

Evaluation of convergence of regions at NUTS 1 level. For the empirical analysis we used Eurostat data from 1995 to 2011. In the EU the GDP at PPP per capita in regions of NUTS 1 level in 2009 ranges from 44% of the average in the EU-27 (U.S.$10,300 at PPP per capita) in Bulgaria to 266% in Luxembourg (U.S.$62,500 at PPP per capita). Disparities of EU regions of NUTS 2 level are even more acute: the GDP at PPP per capita in 2009 ranged from 27% of the average for the EU-27 (U.S.$6,400 at PPP) in the North-West region of Bulgaria to 332% (U.S.$78,000 at PPP) in the Metropolitan area (Greater London), UK. In the "new countries" the leader is Prague (Czech Republic) - 175% (U.S.$41,200 at PPP per capita) and the region of Bratislava (Slovakia) - 178% (U.S.$41,800 at PPP) from the average for the EU-27. However, these two regions should be considered as an exception among the new states that joined in 2004. Followed by the most prosperous regions in the new member: Bucharest in Romania - 111% of the average for the EU-27 (U.S.$26,100 at PPP), Central Hungary (Hungary) - 109% (U.S.$25,500 at PPP), Western Slovenia (Slovenia) - 105% (U.S.$24,600 at PPP), Cyprus - 100% (U.S.$23,500 at PPP) from the average level for the EU-27. With the exception of the Mazowieckie voivodeship in Poland - 97% and Malta - 82%, all other regions of the new Member States have GDP at PPP per capita of 75% or less of the average level for the EU-27.

Increase in the level of GDP per capita in poor areas is the main task of the main directions of the EU regional policy - convergence. The basis for obtaining assistance is the development of less than 75% of GDP at PPP from the EU average. Inclusion of Central and Eastern European countries (CEEC) in the EU automatically decreased the amount of the EU average, so the less-developed regions of the "old" countries (East Germany and middle-income areas of Greece) will not be able to get this assistance. Increase the level of GDP per capita in poor areas of the EU by NUTS 1 criterion leads to a smoothing of disparities in GDP (The Regional Policy of the EU, 2009). G. Petrakos, A. Rodríguez-Pose and A. Rovolis analyzing this process in France, Great Britain, Italy, Portugal, Spain, Belgium, Greece, the Netherlands between 1981 and 1997 found that the long-term development processes tend to equalize the distribution of resources. Although, a more rapid growth of GDP leads to a more intense increase in regional inequalities. Regional differences at the national level in the EU are cyclical: they increase during periods of rapid GDP growth and decline in periods of slow (Petrakos, Rodríguez-Pose, Rovolis, 2005: 1837-1855).

The analysis of such indicators as GDP per capita shows that the level of differentiation between regions of NUTS 1 level that are members of the EU, has steadily declined throughout the period. The slow decline of differentiation characteristic for 1995-1999 gave way to rapid convergence in 2000-2009. The accession of ten new countries to the European Union in 2004 and two more countries (Bulgaria and Romania) in 2007 is likely to have a positive impact on the process of convergence, but the effect was relatively small and the rates of convergence were similar throughout the first decade of the 21st century. However, the economic crisis of 2008-2009 still had some influence on the process of convergence within the EU as a whole. Its rate declined slightly, in 2010 there was even slight divergence, but then again the processes of convergence began and in 2011 the Theil index returned almost to the level of 2009 (see Table 1).

Table 1

Changes of the Theil index in the EU (EU – 27), 1995-2009

Years	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Theil index	6.44	6.21	6.18	6.16	6.12	6.05	5.68	5.31	4.97	4.64	4.41	4.09	3.65	3.21	2.96	3.00	2.95

Source: Authors' calculations.
Note: The data for Slovenia, the Czech Republic, Slovakia, Hungary, Poland, Lithuania, Latvia, Estonia, Bulgaria, Romania, Cyprus and Malta were taken into account throughout the period, regardless of whether or not these countries at the time were members of the EU or not.

This rapid process of convergence in 1995-2009 primarily stemmed from contraction of differentiation between the "old" (EU-15) and "new" countries, which was caused both by a higher rate of GDP growth in the new countries, and a slower rate of population growth in them. GDP growth and the process of convergence in the EU are displayed as follows. GDP growth in the poorer new EU countries up to 2008 significantly exceeded the rate of economic growth in the EU-15. In some of the "new" countries (e.g. Latvia in 2005-2007) GDP growth rate reached 10% a year, while in most of the EU-15 the figure was only 3.2% (see Table 2).

Table 2

The growth rate of real GDP in the EU (1996-2010), in%

Countries	**1996**	**2000**	**2004**	**2008**	**2009**	**2010**	**2011**
EU -27	1.8	3.9	2.5	0.3	-4.3	2.1	1.6
EU-15	1.5	3.8	2.2	0.4	-4.4	2.0	1.4
Bulgaria	-9.0	5.7	6.7	6.2	-5.5	0.4	1.8
Czech Republic	4.5	4.2	4.7	3.1	-4.5	2.5	1.9
Estonia	5.9	9.7	6.3	-4.2	-14.1	3.3	8.3
Cyprus	1.8	5.0	4.2	3.6	-1.9	1.3	0.5
Latvia	4.3	5.7	8.9	-3.3	-17.7	-0.9	5.5
Lithuania	5.2	3.6	7.4	2.9	-14.8	1.5	5.9
Hungary	0.2	4.2	4.8	0.9	-6.8	1.3	1.6
Malta	:	:	-0,3	3,9	-2.6	2.9	1.7
Poland	6.2	4.3	5.3	5.1	1.6	3.9	4.5
Romania	3.2	2.4	8.5	7.3	-6.6	-1.1	2.2
Slovenia	3.6	4.3	4.4	3.4	-7.8	1.2	0.6
Slovakia	6.9	1.4	5.1	5.8	-4.9	4.4	3.2

Source: Eurostat, 1996-2011.

Such high differences in the pace of economic growth, of course, led to a reduction in the level of differentiation between "rich" and "poor" countries of the EU. Consider the hypothesis of σ-convergence of studied EU regions at NUTS 1 level by GDP at PPP per capita. It is believed that a necessary condition for the existence of σ-alignment is the existence of β-convergence (Sala-i-Martin, 1996a: 1325-1352; Sala-i-Martin, 1996b: 1019-1036; Arbia, Piras, 2005). When calculating the coefficients of variation and range it was established that in the period 1995-2009 "polarization" of EU regions at NUTS 1 by GDP per capita decreased, as evidenced by direct reduction in the coefficient of variation by 9%.

During this period, the growth of the standard deviation (σ) did not overtake the growth of the average European values by GDP per capita. Consequently, differences in GDP decreased and smoothed the differences in GDP at PPP per capita, which confirms the σ-convergence of regions of the EU by GDP per capita. The fact of fixed spatial convergence should follow and support the hypothesis of β-convergence of regions studied by GDP at PPP per capita (σ - convergence is followed by β-alignment) (Barro, Sala-i-Martin, 2004: 50-51). When building a regression of GDP growth from 1995 to 2004 at its initial level in 1995, in which the dependent variable is the growth rate, and independent - initial index level (y = a + βx, where y = ln (GDP 2004/GDP 1995), x = ln (GDP 1995)), it was found that the coefficient of initial GDP at PPP per capita is negative (β = -0,0000017 <0, Beta = 0,588 <0) and statistically significant (p = 0.001). Therefore, the assumption of β-convergence in the period 1995-2004 by GDP at PPP was correct.

When building a regression of GDP growth from 2004 to 2009 at its initial level in 2004 (y = a + βx, where y = ln (GDP 2009/GDP 2004), x = ln (GDP 2004)), we found that the coefficient is negative (β = -0,00000078 <0, Beta = -0,627 <0) and statistically significant (p = 0.000). Therefore, the assumption of β-convergence in the period 1995-2004 by GDP at PPP is also true. So, in the period from 1995 to 2009 there is σ-and β-convergence of regions of the EU at NUTS 1 level. Thus, the EU regions with weaker values of economic development increase it at a faster pace than the stronger ones.

In the period 2010-2011 in the EU regions of NUTS 1 both σ- , and β-convergence occurred. The fact of the spatial convergence between 2010 and 2011 was found, the variation coefficient decreased by more than 4% (see Table 3).

EU regions with weaker values of economic development continue to increase it at a faster rate than stronger regions: β-convergence (β = -0,004 <0, Beta = -0,491 <0, p = 0,009).

Comparing the above value to the data in the regions of Russia in the period 2010-2011 it can be noted as follows.

Table 3

Changing the coefficient of range and the coefficient of variation of GDP at PPP per capita in NUTS 1 regions in the period from 2010 to 2011

Indicators of variation	2010	2011
Coefficient of range, (K_R)	2.26	2.17
2010 = 100%	100%	95.96%
Coefficient of variation, (V_σ)	0.44	0.42
2010 = 100%	100%	96.49%

Source: authors' calculations.

The fact of σ-convergence of the districts of Russia in the period from 2010 to 2011 was found, the coefficient of variation decreased by 1.5% (see Table 4):

Table 4

Changing the coefficient of range and the coefficient of variation of GDP per capita in Federal Districts of Russia in the period from 2010 to 2011

Indicators of variation	2010	2011
Coefficient of range, (K_R)	1.27	1.25
2010 = 100%	100%	98.13%
Coefficient of variation, (V_σ)	0.43	0.42
2010 = 100%	100%	98.51%

Source: authors' calculations.

In 2010-2011 in the Federal Districts of Russia β-convergence tended, i.e. the Federal Districts of Russia with weaker values of economic development increased it faster than stronger regions (β = -0.006 <0, Beta = -0.627 <0, p = 0.096).

Exploring the same period for the regions of Russia we established the fact of their σ-convergence in the period from 2010 to 2011, the coefficient of variation decreased by 12% (see Table 5).

Table 5

Changing the coefficient of range and the coefficient of variation of GDP per capita in the regions of Russia in the period from 2010 to 2011

Indicators of variation	**2010**	**2011**
Coefficient of range, (K_R)	12.30	10.29
2010 = 100%	100%	83.66%
Coefficient of variation, (V_σ)	1.53	1.35
2010 = 100%	100%	88.12%

Source: authors' calculations.

In the regions of Russia in the same period we found the presence of β-convergence (β = -0.007 <0, Beta = -0.482 <0, p = 0.000).

According to the authors, the role of the Structural Funds of the European Union (Social Fund, Regional Development Fund, etc.) in the process of convergence is also an issue of great importance. Scientists agree that it is necessary to raise the level of income in the poorer regions, where its rate is less than 75% of the EU average. In the frameworks of endogenous theory the public policy plays an important role in determining the long-term growth: public infrastructure is a factor in the production function, and its increase raises the marginal product of private capital, which leads to an increase in capital accumulation and growth. In the framework of neoclassical theory, such a policy is also intended to accelerate the process of convergence, as the marginal product of private capital increases with the provision of public capital. To account for the role of EU funds, the right-hand side of the regression equation can be added with an additional factor - the proportion of investment of EU Structural Funds together with the co-financing of states in GDP (see Table 6).

Table 6

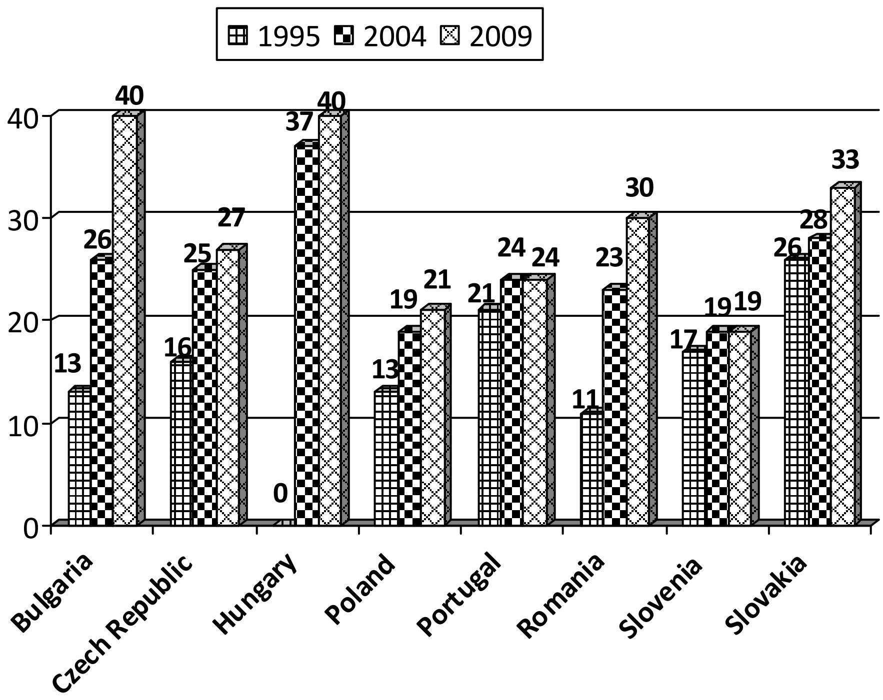
Evaluating ß-convergence of the regions of the EU to include the share of public investment in GDP, 2000-2010

Variable	**Coefficient**	**Standard error**	**t-statistics**	**p-value**
Constant β_0	0.129	0.016	7.809	0.000
Initial GDP per capita in 2000, logarithm	-0.027	0.003	-8.394	0.000
Public investments, share in GDP	0.002	0.001	1.253	0.222
Coefficient of determination, R^2				0.82
Standard error				0.006

Source: [Hotulev, 2012: 289-290]

The coefficient of the initial GDP per capita is negative and statistically significant (-0.027). But the coefficient of the variable characterizing the impact of public investment, while positive, is statistically insignificant. The results can be interpreted as evidence that within the EU between 2000 and 2010 the processes of convergence occurred, but the impact of the financial support of European Structural Funds in the integration process cannot be assessed unambiguously. The growth of public investment in less developed countries and regions of the EU through support of Structural Funds increased and, based on theoretical considerations, it should have a positive impact on the process of convergence. However, by using the proposed model it is not supported.

Evaluation of convergence of regions at NUTS 2 and NUTS 3 levels. Next we consider the problem of inequality in the old and new countries - EU Member States at the level of NUTS 3, compared with the level of NUTS 2 (see Figure 1).



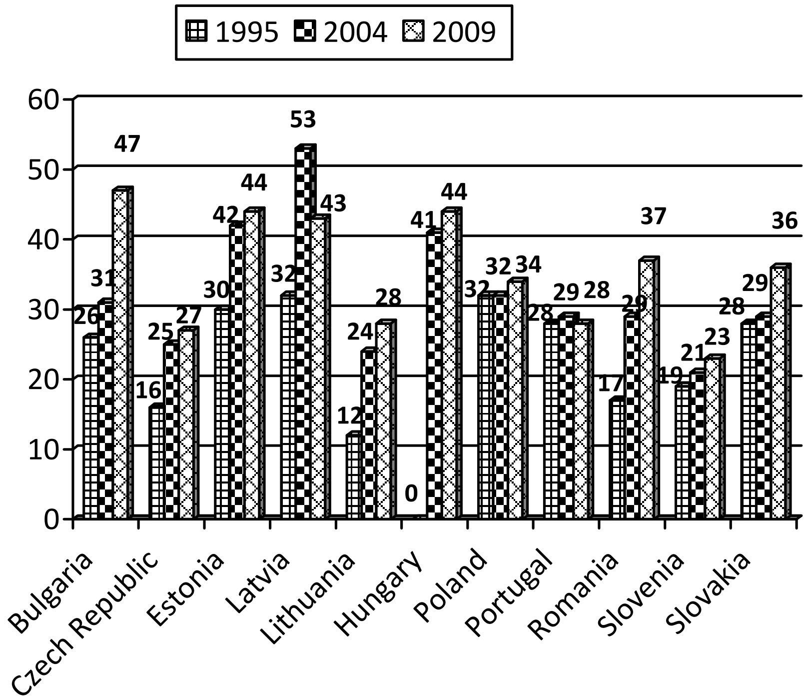


Fig. 1. *Dispersion in new countries of the EU at the level of NUTS 2 (top) and NUTS 3 (bottom) levels in the period 1995-2009, in %*
Source: Eurostat 1995-2009.

Disparities of EU regions at NUTS 3 level by GDP at PPP per capita in 2009 are the sharpest and range from 22% in the regions of Silistra and Sylvain (Bulgaria) and Vaslui (Romania) (U.S.$664 at PPP and U.S.$1,087 at PPP, respectively) to 596% in the region of London City-West in the UK (U.S.$156,661 at PPP). In the new EU countries a significant gap between the level of development of NUTS 3 regions mostly devoid of political colour and is associated with an exaggerated development of capitals, especially in the small Baltic countries.

The contrasts within the regions of the new EU countries at the level of NUTS 3 are even more acute. For example, in Bulgaria, the GDP per capita in the capital exceeded the Silistra and Silva GDP almost 5 times (105% to 22%). In 2009 in small Latvia the GDP per capita in Riga exceeded the Latgale GDP 3 times: 86% vs. 28% of the EU average, in Hungary the gap between Budapest and Nograd was almost 5 times (147% to 30%). In countries such as Romania and Poland differentiation is also significant. In Ilfov – a district that surrounds Bucharest – the GDP per capita is 115% of the average in the EU-27, while on the border with Moldova in Romanian Vaslui county - only 22% (a gap of more than 5.2-fold); in Poznan the same indicator reached

121% compared to 35% in the bordering with Belarus Bialski region (almost four times the gap). Significant historical and economic differences are important to consider when choosing the direction of funds from the EU Structural Funds for regional cohesion, while addressing the tough dilemma of market "efficiency - justice." For example, in Latvia it is fairer to allocate funds from the EU Structural Funds in the Latgale region, but the returns there will be only 100 LVL per unit of resource input. Therefore, it would be more efficient to send funds to the central Riga region, where the returns will be 200-300 LVL per unit of resource input, i.e. 2-3 times higher. In a market precedence - for efficiency, not for justice. In this case, the differentiation of large regions (NUTS 1 and NUTS 2 level) in the new EU countries are not as significant: by GDP per capita the most advanced in Poland Mazovia voivodeship surpassed Lublin only by 2.4 times (97% to 41%), and Metropolitan area in Romania is 3.8 times ahead of the North-West region of the country (111% to 29%). In Bulgaria, the gap between the regions of the South-West and North-West is 2.7 times (75% to 27%). This gap in some Western European countries - such as the UK and France - was more.

We make some **conclusions**. The study established the presence of processes of β- and σ-convergence in regions of the EU by GDP at PPP per capita at NUTS 1 level. In this case, for the past 15 years, the process of convergence in the EU was fast enough, especially at the level of individual countries. This was due to a higher rate of GDP growth in the new EU countries, as well as lower rates of population growth in them. In the "new" EU countries the gap in the development of individual regions on NUTS 2 and NUTS 3 levels is associated with an exaggerated development of the capitals, especially in small states. The entry of new countries into the EU significantly stimulated β- and σ-convergence in them. Therefore, the reduction of differences revealed by GDP at PPP per capita is in the interests of both "new" and "old" EU countries and therefore indicates fairly positive EU policy towards the development of regions of NUTS 1 level.

Convergence processes in the regions of the EU at the levels NUTS 1, NUTS 2 and NUTS 3 are ambiguous and suggest that the goal of achieving regional convergence, parity ("equality") and to maximize the total output of the product ("efficiency") in a market conditions are not always compatible. Under these conditions, the negative effect of the slowdown in the "core" regions of the EU will exceed the influence of positive effect of growth in the "periphery." Therefore, the GDP growth of EU regions at NUTS 1 and NUTS 2 levels can be provided, including, at the cost of deepening regional inequality (divergence) at NUTS 3 level.

The analysis showed that the larger EU regions (NUTS 1 and NUTS 2 levels), the shorter is the period of time to align their differences. Conversely, the lower regions of the EU (NUTS 3 level), the longer is the period of time for the same purpose. Therefore, when choosing objects of alignment, the priority to the regions of NUTS 3 level is preferred, a balanced policy of integration of regions also makes sense. The last remark is very important for many regions of the European part of Russia, where diversified production and clustering of the economy to equalize the levels of their development is necessary.

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Labour Culture in the Trap of Economic Globalization: View of Contemporary Economic Sociology[1]

Abstract: This article analyses the possibilities of transformation of labour culture in the context of economic globalization. The author describes the modern complex global economic processes and negative impact of the processes on social life and labour relations from the viewpoint of economic sociology. The article also contains the sociological analysis of the basic industrial conflicts in the modern global economic system. The author describes the main social contradictions in the global production system and represents the critique of the neoliberal views on the processes of economic globalization. The author pays special attention to issues of labour motivation in the context of economic globalization. In this article the author analyses also the main ways and forms of aestheticization of labour as a possibility of liberation from the rigid rules of work in many modern enterprises and production systems.

Key words: labour culture, economic globalization, neoliberal globalism, labour motivation, economic growth, poverty, unemployment, salary, economic sociology

Economic sociology is one of the most interesting and dynamic branches of contemporary social researches. Modern economic sociology studies the interaction of economy and society, economic and social institutions, the main problems and contradictions of this interaction. The subject of economic sociology is always updated by new themes and directions of researches. One of these themes is the study of labour culture. Sociology of labour and sociology of management are studying the organizational culture in order to successfully solve the problem of increasing productivity of the modern enterprises. The sociology of organizations is researching the corporate culture as a factor of the optimization of formal and informal relations within firms. A feature of all these approaches to study of corporate and labour culture is the intention to create the optimal conditions of manipulation of the social and economic communications within the modern companies. In the framework of these

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branches of social studies, scientists are trying to create the special social technologies of labour culture's control. In this case, however, is often overlooked the necessity of comprehension of the essence of labour culture as a system of informal norms, values and rules of conduct, in fact, defining features of social and economic communication within organizations, "embeddedness" of those communications in the overall structure of the informal social relations. After all, any organization is not a closed system. Any organization exists because it receives resources from the outside. The main resources of the modern (post)industrial system are the experience, labour motivation and intention effectively and creatively to solve production problems. But these are the external resources of organizations. The successful application of these resources depends on the socio-institutional context of economic activity. Transformation of the socio-institutional context of labour activity is the subject of contemporary economic sociology. The transformation of the social context of labour activity depends on the global economic processes.

The transformation of the labour relations is always based not only on the development of the means of production or total formalization of labour, but also on advanced technology and super-modern equipment or effective organization and legal institutions. The important conditions for the development of labour relations are the social motivation of labour, human attitudes towards labour and self-realization through the labour activity. All of this is part and parcel of the structure of labour culture and formed by labour aesthetics. Especially as technology could be considered as part of or derivative from the culture and aesthetics of labour, because all human life is formed by labour activity.

The features of the modern development of labour relations depend on the institutional conditions of this development. The dynamics of modern labour relations is based on institutional conditions of long-term global economic, political and social transformations. These long-term transformations are not always positive. Although during several decades the ideologists of neoliberal globalization tell us that all the global changes are positive *a priori* - it's very difficult to accept such a widespread point of view. An unbiased analysis shows that globalization creates more and more problems for ordinary workers and farmers in the world and for development of global and local labour relations. Globalization creates a lot of problems especially for labour motivation and labour culture.

Globalization, or rather, economic globalization is a very complex concept.

Globalization cannot be considered only one aspect — the progressive process of global unification and integration. Global transformation processes include a variety of contradictions. Therefore, globalization can be analyzed based on the theory of social conflicts. If we base our analysis on this theory, the globalization is the system of social and economic conflicts and contradictions. The main contradiction is between the abstract notions about globalization and the concrete manifestations of global transformations.

The abstract notions are in an ideological view on globalization. Globalization as an ideology is a system of myths about the progressive unification of social, economic and political relations. For example, the myth of the global spread of a single "civilized" style of life, although we know about the existence of many cultures and styles of life within these cultures, and all styles of life are civilized, though there are significant differences between the cultures. The concrete manifestations of globalization are a number of controversial structural economic processes. There are the processes such as intensification of global financial flows and investment activity, transnationalization, the global informatization, expansion and "liberalization" of world trade, global standardization and unification of the world economy, the spread of "mass culture" and the worldwide establishment of the global "consumer society". Interestingly, the experts talk a lot about the global capital and investment markets, but very little about the global labour market and global labour relations. According to the neoliberal ideological concept of globalization the capital is always global, but the labour is always local really. The global movement of capital should not be restricted by anything, the movement of labour is limited by the processes of global standardization and economies of production costs, because different forms of labour are still the main basis for the free global movement of capital. The artificial neoliberal localization of labour involves the emergence of new forms of exploitation of labour. Economic globalization involves the emergence of new forms of labour exploitation. These forms of exploitation are more complex and diverse than those which were in the 19th and 20th century. Such new forms are the exploitation of human attitudes towards labour, that is, immediately the local or national culture and aesthetics of labour. Labour culture and aesthetics are not only abstract, but also concrete concepts. They are associated with the concrete labour. Therefore, it is very important to analyse the transformation of material and mental basis of the concrete labour in conditions of economic globalization. Material basis is formed by advanced technologies, mental basis is formed by human attitudes towards labour. Both the technologies and the attitudes are formed and developed in the framework of labour culture. That is why the study of the transformation of labour culture is such an important issue for the development of the global economy and the economic systems of countries and, of course, an important topic for the contemporary economic sociology. How does the economic globalization change the socio-institutional conditions of labour activity? And how does it affect the labour culture?

Globalization has created the illusion of a global rise in living standards. Discussions on this issue go back more than twenty years. Many neoliberal economists were confident that globalization reduces poverty. Globalization provides global economic integration. The global economic integration is a good basis for sustainable economic growth — the great dream of all economists, especially supporters of neoclassical economic theory. But actually it turned out that global economic integration is not a synonym of economic growth. Global economic integration is not a synonym of increases in living standards. Unfortunately, it should be noted that globalization is a synonym of the deepening problems of global poverty. More and more experts come to such a conclusion. Inequality between countries is widening. The U.S., and Western European countries are 100 times richer than Ethiopia, Haiti, Nepal and many other countries now. If we abandon preconceived approaches to the study of poverty, one finds that in reality more than 4 billion poor people live in the world now [about the critics of the traditional approaches to the study of poverty, for example, see: (Chossudovsky 2003)]. Many of these people are the workers or farmers. Many of them have a job, but they do not get enough money for the job. These people want but can't effectively sell their labour. They sell their labour almost for nothing, because they need to solve the problem of poverty by any means of survival under conditions of economic globalization.

It is especially difficult to find a job and to profitably sell labour in the modern period of the cyclic economic crisis in the world economy. In terms of political economy the basis for this cyclic crisis is not in the sphere of global finance (as neoliberal economists assure us). Causes of the crisis are based in the organization of a capitalist system of production. The modern economic crisis is the typical overproduction crisis. Its cause is the pot-hunting of global financial and transnational corporations under conditions of the spread of global poverty. Global corporations seek the possibility to increase the production and sale of new goods and services to increase profits. But the global living standards lag behind the development of global production and consumption in rich countries. Economic globalization does not ensure steady growth of billions of people's incomes. In the best case their living standard does not change, and at worst their living standard declines. Of course, there are exceptions. For example, China for the last twenty years of reforms owing to the development of a market economy and realization of politics of creation of the harmonious society successfully solves the problem of poverty (Petrov 2011: 3). But such examples are few in the modern world economic system. Economic globalization can't solve the problem of global poverty. Moreover, economic globalization has exacerbated the problem of global poverty. Global poverty becomes stagnant. That is what creates the preconditions for global cyclic overproduction crises.

The phenomenon of global stagnant poverty is related to the modern global food crisis. This is a very important problem, because hundreds of millions of workers and farmers in the world spend their wages largely on buying food. In poor countries families spend on food from 40 to 80 per cent of the budget, while in the rich countries — only 15 - 25 per cent. According to the OECD/FAO, for example, in Bangladesh the average family spends 64.5 per cent of their income on food, Haiti and Kenya — about 50 per cent, Senegal — 40 per cent, while in Japan for food spends only 19 per cent of family budget, in Spain — 21.9 per cent, France — 16.3 per cent, Germany — 10.4 per cent, in the U.S. — 9.8 per cent and in the UK — 11.8 per cent (OECD-FAO Agricultural Outlook 2008 – 2017, p. 36). In addition, it should be noted that in the world constantly (during about last twenty years) about 16-17 per cent of the people are hungry (The State of Food Insecurity in the World 2008: 6-7). Experts note that the global situation with hunger remains stable despite the background of significant changes associated with an increase in global food production and consumption in the second half of the 20th – early 21st century. The modern global food crisis has deprived millions of workers and farmers hope of improving their living standards in the near future. One could agree with FAO experts: "it is also evident that economic growth, while essential, will not be sufficient in itself to eliminate hunger within an acceptable period of time". But "analysis of hunger during crisis and recovery brings to the fore the vulnerability to economic shocks of many poor countries. Lack of appropriate mechanisms to deal with the shocks or to protect the most vulnerable populations from their effects result in large swings in hunger following crises. Moreover, it should not be assumed that all the effects of crises on hunger disappear when the crisis is over.

Vulnerable households deal with shocks by selling assets, which are very difficult to rebuild, by reducing food consumption in terms of quantity and variety and by cutting down on health and education expenditures — coping mechanisms that all have long-term negative effects on quality of life and livelihoods" (The State of Food Insecurity in the World 2010: 4, 10). And such long-term negative effects on quality of life and livelihoods are related not so much with the consequences of the modern economic crisis as the long-term effects of economic globalization. As economic globalization not only creates possibilities for global production and trade "liberal" integration, but also destroys the possibility for the production and global distribution of cheap and quality food. After all, economic globalization is also a global spread of the neoliberal capitalist ideology of total profitability of all kinds of production, including agricultural production. But profitability (in the narrow-economic sense) is not synonymous with social efficiency of production activity. The idol of profitability may not be a symbol of harmonious society that provides opportunities for everyone to self-realization in labour activity.

Modern global economic crisis is accompanied by an increase in official unemployment and stagnation of wage growth. According to ILO data the number of unemployed stood at 205 million in 2010, essentially unchanged from the year earlier and 27.6 million higher than in 2007, with little hope for this figure to revert to precise levels in the near term. The global unemployment rate stood at 6.2 per cent in 2010, versus 6.3 per cent in 2009, but still well above the rate of 5.6 per cent in 2007 (Global Employment Trends 2011: ix-x). Unfortunately, the situation with the global unemployment has not changed over the last two years. According to ILO experts "the world enters the year 2012 facing a stark reality: one in three workers in the labour force is currently either unemployed or poor. That is, out of a global labour force of 3.3 billion, 200 million are unemployed and a further 900 million are living with their families below the US$2 a day poverty line. In fact, as these poverty estimates do not include the poor in developed economies, this estimate actually understates the extent of the decent work deficit. If current economic and labour market trends persist, there is a risk that the deficit will rise further. The ILO projects 400 million new entrants into labour markets over the next ten years. As a result, on top of the challenge of improving labour productivity in developing countries to lift the world's 900 million working poor out of poverty, 400 million new jobs will be needed simply to avoid a further increase in global unemployment. The situation is especially desperate for the world's youth: 75

million young people around the world are unemployed, with the highest youth unemployment rates observed in precisely those regions of the world facing the fastest growth in the labour force. A continuation of current trends risks further undermining the already dim prospects and aspirations of the world's youth, sowing the seeds for continued social unrest and further weakening global economic prospects" (Global Employment Trends 2012: 31).

Particularly acute is the problem of global unemployment facing young people aged 15 to 24 years. Youth is the future of the world labour relations. But would many young people have the good chance to find job in the modern "globalised" economy? We could agree with ILO experts who say about "crisis before the crisis". They say, that "across the world, young women and men face real and increasing difficulty in finding decent work. Over the last two decades, youth unemployment on average has remained at three times that of adult unemployment and, in some regions, this proportion is now as high as five times the adult rate" (The Youth Employment Crisis 2012: 1). It's really the most urgent issue because the decline in employment of young people is a long-term trend of the global economy. For twenty years, neoliberal globalists tried to convince everyone that global economic integration would create new jobs just for the young and mobile people. But the contemporary statistics demonstrates another situation. Since the 1990s the youth unemployment rate had held steadily at above 11 per cent. "The global financial crisis and the sluggish recovery that has followed it, dealt a major blow to youth unemployment", — ILO specialists claim. But the youth labour force participation rate decreased globally from 52.9 to 48.7 per cent between 2000 and 2011, the share of youth who are employed out of the total youth population fell from 46.2 to 42.6 per cent between 2000 and 2011 (The Youth Employment Crisis 2012: 9-10). Could we hope to increase the quality of the labour force in these difficult circumstances? Furthermore, existing in many countries, the organization of labour relations only enhances industrial and intergenerational conflicts, the basis of which is the lack of opportunities for upward social and labour mobility of young people. But the opportunities for upward labour mobility is one of the basic values of labour culture. Destruction or reduction of these opportunities has a negative effect on labour motivation. Particular social problems become a problem of continuity of generations at the level of enterprises and organizations, and at the level of the national economies of different countries (which may manifest itself in a general decline in the level of professionalism, reducing the quality of the human or intellectual capital, the increasing of industrial conflicts).

It is believed that human or intellectual capital is the main engine of growth in the modern industrial system. One of the main problems of labour motivation of young people is also a problem of access to quality education. The neoliberal globalists for years argued that economic globalization is expanding educational opportunities for youth and the application of new knowledge to find a good job at the new transnational enterprises. The global transformation processes create favourable conditions for the development of the global "knowledge economy". The main place in such "knowledge economy" must take the young people who have the creativity and high quality education. And the ideal for the modern young workers became yuppies. But how many young people have access to quality education in the modern conditions of economic globalization? How many young people have the opportunity to become, or at least to imitate the yuppie style in the modern world economy? And has yuppie opportunity in the current negative economic environment realized their creative labour potential? It is commonly thought that the sustainable economic growth of all countries in the "era" of globalization is based on the increase in the volume of intellectual capital and the process of intellectual capital involvement into the development of the modern production system. But have the majority of poor countries the possibility to spur investment in the development of national intellectual capital? Of course, they have not. Because neoliberal globalism orients the poor countries (and not only such countries) to reduce government spending for maintenance of macroeconomic stability. Such reduction can only be done by reducing government social spending, for example, by reducing the cost of higher education. According to the neoliberal economists the poor countries should know their place in the system of international division of labour and the global production chains. And their place depends on the export capacities and the possibilities of using cheap labour as the most important factor of the development of modern global production system. This means that poor countries do not need, for example, the quality education system, because they have the natural resources and cheap low-skilled labour as their main comparative advantages. Thus, we do not deal with the development of the "knowledge economy" in poor countries, and we deal with the development of the "economy of the resource curse". The "knowledge economy" is too expensive for poor countries in the face of economic globalization. Therefore economic globalization reduces opportunities for most young people throughout the world to get a quality education and to realize their creativity in the "global knowledge economy". It is also one of the major real contradictions of transformation of the labour culture in the conditions of economic globalization. In addition, the current global economic crisis has shown that the availability of education, even in rich countries, does not guarantee employment. ILO experts give us examples that show the absence of a direct close link between level of employment and level of education. They claim, that "more human capital development and higher levels of education do not automatically translate into improved labour market outcomes and more jobs. In many Sub-Saharan African countries higher educational attainment does not lead to lower unemployment rates. <…> Similarly, in many Latin American countries, unemployment rates are highest for those with secondary education (e.g. in Argentina, Bolivia, Brazil, Chile and Mexico) while those with primary and sometimes tertiary education show lower rates. <…> Furthermore, in Pakistan higher educational attainment has been shown to increase the likelihood of unemployment for both adults and youth. <…> In other words, the situation that youth in many developing countries are facing is such that education does not guarantee a decent job but such a job is very difficult to secure without education (Global Employment Trends for Youth 2012: 30)". We get another contradiction of the modern labour culture development. It is very difficult for young people to adapt to the demands of the global production system without education. But the high level of education is often not profitable, because in many countries it does not guarantee the quality of the workplace and employment in general.

And experts say that official unemployment, including hidden unemployment, may be much higher. ILO experts say, that among the most pressing issues "to be dealt with are rising wage inequality, the growing disconnect between wages and productivity, and the 330 million or so employees who are now amongst the low paid in their country". And "in the current context, one particular concern is that the economic crisis may lead to an increase in workers earning low wages, either in the short or the medium term. <…> And, while low-wage employment can represent a first stepping stone towards better paid employment, especially for young workers, it can also turn into a trap from which workers find it difficult to extricate themselves due to lack of opportunities for skills development and other factors. When the situation arises where a large proportion of people feel left behind, with little prospect of catching up with those in more remunerative work, the risk of increased social and political tensions increases" (Global Wage Report 2010/11: vi, xv-xvi). Low wages reduce level of household consumption. Moreover “data from household surveys also show that youth account for a disproportionate share of poor workers, comprising 23.5 per cent of the working poor for countries with available data, compared with 18.6 per cent of non-poor workers. Many poor workers are trapped in a vicious circle of low levels of education and low-productivity employment” (Global Employment Trends for Youth 2012: 27). Therefore, the low standards of living and household consumption also affects the ability of reproduction of high-quality labour force. This is another factor of the destruction of the labour culture in the conditions of economic globalization.

Reduction of wages reduces the volume of domestic consumption. The decline of domestic consumption has a negative impact on economic growth of the country, reducing possibilities for the development of production and employment. Processes significantly reduced the rate of wage growth in recent years throughout the world — global wage growth of 2.2 per cent in 2007, 0.8 per cent in 2008 and 0.7 per cent in 2009. It should be noted that the majority of countries have witnessed increases in low-wage employment over the last 15 years (Global Wage Report 2010/11: 4, 34). Is this related only to the modern global economic crisis? Of course, not. Similar trends are due to the fact that economic globalization in the long-term reduces the conditions for increase wages of low-skilled and many skilled workers.

Social and political consequences of such global transformations we can see from many countries and societies now, such as countries and societies of modern Central and Northern Africa. In this situation all the more important are the institutions of civil society (like trade unions). These institutions can organize the interaction between employers, employees and the state. That efficient activity of these institutions can reduce the social tensions in many poor or underdeveloped countries, where the number of low-wage workers is large. Trade unions are also part of modern organizational culture. Institutions of civil society are very important for economic growth and development. But the civil society institutions can’t solve all institutional problems of modern economic transformation. The most important issue for successful economic development in the modern global geopolitical and geo-economical situation is the maintenance of political stability. And the maintenance of political stability always needed stable party and political structures of the state. The institutions of civil society can’t also create favourable conditions for improving motivation of labour in a modern competitive global economic environment. Because there are still a lot of economically unprotected and disadvantaged groups of workers and farmers. These groups have been augmented by the global labour migration in the last thirty years of intensification of global economic integration. According to the World Bank experts, “at the international scale, economic growth has concentrated global production in a few regions, with commensurate differences in incomes. <…> A billion slum dwellers in the developing world’s cities, a billion people in fragile lagging areas within countries, a billion at the bottom of the global hierarchy of nations — these overlapping populations pose today’s biggest development challenges” (World Development Report 2009: 5).

Globalization destroys “traditional” labour motivation. The usual notions about the labour motivation disappear. Labour motivation is transformed into more complex and interesting forms. Increasingly the labour culture and aesthetics become important and effective means of labour motivation. In all societies consumption has always been an important motive for labour activity. But cultural globalization distorts consumer preferences of many people around the world. It is also assumed that economic globalization presents to more and more people unlimited opportunities to increase consumption. However, the contradiction of cultural globalization is that it has nothing to give to ordinary people. In reality, the opportunities for expansion of global “consumer society” depend entirely on the daily, heavy, low-wage labour. The well-being of workers in many countries (especially in poor countries) depends solely on their labour activity in working conditions that are far from comfortable. Representations of workers about the comfort level are becoming more universal. These representations are changed into international universal social patterns of consumption under the influence of cultural globalization. But the opportunities for workers to achieve these universal patterns of the “consumer society” are infinitely far from such global processes of consumer universalization. Therefore, globalization creates the conditions for a further structural contradiction in the sphere of culture and social consumption. This is a contradiction between the increase in production and the global spread of new patterns of consumption and a decrease in the ability of the workers in many societies to achieve these patterns, these ephemeral goals of the global “consumer society”. This contradiction is increasing in the modern global economic system with the spread of universal international consumption patterns. The demonstration effect assists to the rapid global spread of these patterns and effective embeddedness of these patterns in the social consciousness and national cultures. This process leads to the global expansion of imitational consumption. Imitational consumption delays the accumulation of investment capital needed to expand production and create new working places. Imitational consumption does not stimulate growth of the national production system (of course, if imitational consumption is not fully served by the national production system), it only helps to extend the global influence of transnational corporations. Imitational consumption leads to an increase in inflation, which eats up workers income. Imitational consumption increases social tensions, which manifests itself in a variety of social, political and economic conflicts. These conflicts also destroy social conditions for employment. Thus, global imitational consumption reduces opportunities to increase employment, especially in the poor countries. This is particularly harmful to poor countries, because imitational consumption is realized due to the necessary expenses of the workers. Can consumption be a quality incentive for self-realization in the labour activity in these social conditions? In addition, the labour itself becomes an object of consumption in the modern global "consumer society". More and more young people around the world are considering getting a job as part of the process of consumption. In the modern global economic system not only prestigious, but any workplace becomes an object of consumption, rather than a means for self-realization in the labour activity.

Could we assume that labour is the basis of the wealth of nations in the modern times? Yes, we could. However, the basis of the wealth of nations in modern conditions is not just labour, but labour culture and aesthetics.

Labour culture is the main structure of the relations of production. This structure of social relations appears in the course of the production process. But the labour culture is also an important part of social culture and the process of social reproduction. Social identity is based on labour culture too. In addition, the labour culture is a very important part of the national culture. Therefore, the labour culture is not only a universal structure of norms and values that determines the quality of the workers, labour communications and the production process. Labour culture affects not only the labour productivity. Labour culture also creates the specific cultural and aesthetic conditions for socialization and self-realization in the society. So we can talk about the special qualities of European, American, Chinese, Russian, Indian and other workers. Social and cultural differences determine labour motivation in circumstances when other forms of motivation are not effective (especially in the context of the modern global economic crisis and economic globalization). The modern global industrial system effectively applies labour culture as an important new resource for development of production, because the labour culture is the last societal resource that has not yet been involved fully in the global production process.

The process of self-realization in work is manifested in the aesthetics of labour. Labour aesthetics is one of the manifestations of labour culture. Labour aesthetics is the comprehension of the working process and the result of such process. Labour aesthetics is the process of understanding the human role in contemporary employment and labour relations. Labour aesthetics is the part of the process of reproduction of human capital. Effective management of the labour culture and aesthetics is one of the challenges for modern enterprise management. Therefore, the aesthetics of labour is often interpreted only as a comfortable environment and conditions for labour. But labour aesthetics is the structure of social consciousness. This structure forms opportunities and prospects for development of modern industry in the quasi-negative context of economic globalization. Labour is the human's generic nature. So the workers and farmers can't only think about the negative or positive conditions of work. They transform these conditions in the framework of its social consciousness. This allows them to escape from the adverse social and historical context of self-realization in work. Many workers and farmers find ways of self-realization in labour in the worst economic conditions. Their wish to aestheticization of labour forms the possibilities for the development of the world economy in terms of any global and local crisis. The aestheticization of labour is the desire for liberation from the rigid rules of work in many modern enterprises. This is a manifestation of creativity in work. It is the creativity that is so necessary to modern industrial systems and, of course, businessmen, who do not want to pay for this creativity in due measure.

Labour aesthetics as a phenomenon of social consciousness is the system of ideas about the creative self-realization in the working process. It is a system of ideas about the possibility and necessity of transformation of material life in certain socio-historical conditions. As mentioned above, the processes of economic globalization form the adverse socio-historical conditions for self-realization in the ordinary labour. Therefore, to overcome such negative socio-historical conditions for labour is possible through aestheticization of the labour process and aestheticization of the concrete labour. That transforms the culture and aesthetics of labour in the new and highly demanded commodity in the labour market. The modern labour market increasingly needs such workers and farmers, who can creatively take part in the labour process. And their perception is not dependent on the wage level or quality of life in the country. But the preservation of the "traditional" aesthetics of labour in modern economic conditions is a very difficult task for most workers and farmers.

Thus the main resource in the modern context of global transformations is not just labour, but human attitudes towards labour, willingness to work in the modern negative social and economic conditions. Therefore, the process of economic globalization can also be seen as a process of aestheticization of labour and exploitation of the specific labour aesthetics. The framework for the development of new industrial conflicts is the subject of contemporary economic sociology. The field for the occurrence of these conflicts is the labour culture. But the labour culture is experiencing increasing pressure of negative factors of economic globalization. Therefore, the further development of the global production system depends on ensuring favourable conditions for the reproduction of the labour culture as one of the most important resources for economic development in the modern conditions.

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