Crowds and Economic Life:
Bringing an Old Figure Back In

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While the notion of the crowd played a central role in the late 19th century sociology, today it is almost forgotten. The aim of this paper is to demonstrate that it may be fruitful once again to take seriously the figure of the crowd. The paper in particular discusses the potential of the crowd tradition for economic sociology. The relationship between crowd and economic life is examined from three perspectives. On a *semantic* level, there is a long history of conceiving financial speculation and financial markets in terms of crowds. This is not only an interesting and often neglected history. It has broader consequences for economic sociology for if market participants in fact organize their activities according to the semantics, then this may affect how markets really work. On an *analytical* level, the paper draws upon Elias Canetti and demonstrates that inflation may be analyzed as a crowd phenomenon with far-reaching social and personal implications. On a *theoretical* level, finally, the paper argues that a reinterpretation of the basic assumption in early crowd theory, the idea of suggestion, opens for new theoretical horizons. First, it urges us to study how individuality, personality etc. are created and recreated in and by economic life. Second, it contends that suggestion refers fundamentally to a semiconscious state – a state in-between purposive and affective action. This notion of the semiconscious imitation-suggestion is contrasted the embeddedness approach in recent economic sociology.

Introduction

In his recent book, *Reassembling the Social* (2005), Bruno Latour offers an extensive introduction to his actor-network-theory of the social. Latour's basic argument is 'that we cannot simply take the social for granted and use it to explain whatever phenomena we encounter. Rather it is the social itself, and the various ways in

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which it is constantly reassembled, that call for explanation. In the book, as well as in a number of recent articles, Latour envisions his actor-network-theory as a theoretical framework that evokes a particular and almost forgotten sociological perspective, that of the French sociologist Gabriel Tarde. What Latour does, therefore, is basically to resume the battle of the two leading figures in French sociology at the turn of the 19th century, Tarde and Emile Durkheim, and to demonstrate that the mainly Durkheimian understanding of the social, which has been canonized in sociology, may well be challenged. Indeed, Latour argues, sociology would profit from taking up and continuing along Tarde's alternative track.

In a sense the aim of this article is similar to that of Latour in that it seeks to revitalize or give voice to a particular theoretical tradition which, during the 20th century, has sunk into sociological oblivion. This tradition is the study of crowds which played a prominent role in the late 19th and early 20th century sociology, in both Europe and America. In this article, I want to demonstrate that the destiny of the crowd tradition in the sociological discipline has not been entirely just. For while parts of the various crowd studies may be theoretical deficient, this tradition also offers a number of crucial sociological insights. Bringing the figure of the crowd back in may in particular be valuable for economic sociology, which is my main focus in this article.

The article has three parts which each deals with the relationship between crowd and economic life from a different analytical angle. The first part focuses on financial speculation and applies a mainly semantic approach. It demonstrates that revitalizing the figure of crowds for the realm of economic sociology is no arbitrary choice. Thus economic theory – both in its academic and more popular or practical forms – has a long history of engagement with theories of crowds. In the words of Charles W. Smith, 'Nearly everyone who has written anything about the market has at one time or other confronted the "crowd syndrome" of the market' (1981: 133). As I shall argue, this link is particularly visible in the case of financial speculation which has often been described in a semantics that subscribes to the crowd perspective. The first part of the paper illustrates how this link has been established for theoretical and practical purposes.

The point of this discussion is not to claim that the crowd semantics offers a true (or false) representation of actual financial speculation. What is important is, rather, that theoreticians, practitioners etc. have in fact turned to crowd theory in their attempts to either understand or take control of economic life. This is certainly interesting in itself. But the recurrent reference to crowds may also have broader analytical consequences. For if traders etc. to some extent conceive their daily operations through the crowd semantics, then this semantics is likely to have an effect on how the market really works, which underscores how vital it is for economic sociologists to take seriously the crowd semantics.

In the second part of the article, I move from a semantic to a more analytical level and present an explicit attempt to apply crowd theory to the study of economic life. That is, I here suggest that crowd phenomena are indeed discernible in economic life, not only from a semantic point of view. Drawing on Elias Canetti, I thus argue that crowd theory can contribute significantly to our understanding of inflation and its social implications, an issue which recent analyses of money have failed to address. Other obvious candidates for the study of crowd behaviour in the economy – which, however, must be ignored in this article – include strikes, tourism, consumption, fashion, advertisement etc. (see e.g. Bush, 1991; Debord, 1995; Lee, 1913; Williams, 1982).

While the first two parts of the article either follow the images of crowds (as presented in the field of financial speculation) or build upon a particular aspect of crowd behaviour (as suggested by Canetti) to explain a specific economic phenomenon, the third part goes beyond existing accounts on crowds. Or to be more precise, I here present a reinterpretation of what classical crowd theory describes as the allegedly fundamental feature of crowds, their suggestion/suggestibility (or suggestion-imitation). Two general sociological implications are drawn from this rereading. First, rather than pointing to a strict opposition between rational individuals and irrational crowds, I claim, crowd theory in fact suggests that social action should be analyzed as 'semiconscious', that is, as a complex interplay or in-between of rationality, on the one hand, and affect, desire etc., on the other. In a sense, therefore, crowd theory provides an approach which, similar to the work of Harrison C. White, 'accommodates both the calculating and affective sides of social life' (White, 1988: 228). The second general implication concerns subjectivity, individuality, personality etc. While crowd theory usually argues that personality etc. is undermined when an individual participates in a crowd, the reference to suggestion actually points beyond the crowd. It proposes that personality, subjectivity etc. are always an effect of social life, not its precondition. This also has consequences for the way we understand the economy. Rather than basing the analysis of economic life on the assumption of prefixed individuals, for example, this reinterpretation of crowd theory suggests that we should examine how individuality etc. is produced by economic action.

As should be clear by now, the intention of the article is not to evoke crowd theory in a straightforward sense, arguing that all aspects of economic life should be analyzed in terms of crowd psychology. In other words, the aim is not, as Stephen Reicher suggests, to 're-place crowd psychology at the center of social scientific and sociological thought' (2004: 252). This does not mean, however, that the figure of the crowd is entirely irrelevant to the study of social and economic phenomena. Indeed, the contribution of the article is to demonstrate that and how economic sociology could profit from taking into account the notion of the crowd – whether as semantics, as analytical category to understand certain economic phenomena, or as a framework from which to gain important sociological input to discussions on, for example, rationality vs. emotions.

Financial Speculation in the Era of Crowds

Today sociological discussions of crowds are rare and, probably, considered marginal if not outright exotic. This was not always so. At the end of the 19th century – that is, simultaneously with birth of the sociological discipline – and during at least the first decades of the 20th century, the notion of crowds was crucial to leading sociologists. Society simply seemed difficult to grasp if the phenomenon of crowds were not included or accounted for.[1] The book that contributed most to promoting the notion of crowds is the Frenchman Gustave Le Bon's *The Crowd* (1960; published originally in 1895).[2] Le Bon describes the basic problem that crowd theorists saw themselves (and society) confronted with:

> Under certain given circumstances, and only under those circumstances, an agglomeration of men presents new characteristics very different from those of the individuals composing it. The sentiments and ideas of all the persons in the gathering take one and the same direction, and their conscious personality vanishes. A collective mind is formed, doubtless transitory, but presenting very clearly defined characteristics. (Le Bon, 1960: 23–4)

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[1] To give just a slight impression of the early sociological impact of the crowd semantics, it may be noted that one of the main sociologist at the end of the 19th century, Gabriel Tarde, was also one of the leading theorists of crowds. More important, however, since Tarde was soon sidetracked, Georg Simmel, too, was deeply informed by crowd theory. This is evident from his reviews of Scipio Sighele, Le Bon and Tarde (see Simmel, 1999), but also from his own analyses of crowds (for an English extract of some of these, see Simmel, 1969). Another indication of the immense sociological import of crowd theory may be identified in the work of Max Weber. In his famous discussion, in *Economy and Society*, of 'Basic Sociological Terms', Weber is very concerned with explaining how his understanding of social action differs from that of crowd psychology and imitation theory, as presented by Le Bon and Tarde (Weber, 1968: 23–4).

[2] Since I am interested here only in sketching the main concerns and ideas of early crowd theory, I shall refrain from a thorough examination of the entire theoretical landscape of this tradition. For historical accounts of the various early crowd theories, see Barrows (1981) and van Ginneken (1992). A tentative genealogy of the notion of crowds in the 20th century is presented in Borch (2006). See also Giner (1976).

The need for examining these characteristics of crowds is stressed by two diagnostic observations. First, Le Bon says, 'The age we are about to enter will in truth be the ERA OF CROWDS' (1960: 14). Second, these crowds allegedly possess strong destructive tendencies and do not hesitate in their attempts to demolish society. While the former claim may be supported by sociological analyses of modernization, urbanization etc., the attribution to crowds of mainly destructive traits reveals a conservative bias in Le Bon, which is also to be identified in most of the other early crowd theory (Bramson, 1961). In Le Bon's text this is not only reflected in his fear of and negative stance towards crowds. It is equally echoed in the very ambition of the book: *The Crowd* is not merely concerned with theoretically understanding the phenomenon of crowds. It is just as much conceived as a manual for statesmen on how to efficiently manage this threat – a clear Machiavellian feature, as has often been observed (e.g. Merton, 1960: xv; Laclau, 2005: 23).

What are then the characteristics of crowds? The literature on crowds offers a long list of qualities. Besides being destructive, if not utterly revolutionary, the general image is that crowds are psychological entities in which all members momentarily share a common group mind; crowds are spontaneous generations; crowds undermine individuality and lead their members to acts they would never carry out on their own; crowds do not base their action on rational judgement, rather they follow their immediate instincts and sentiments, which also explains their allegedly feminine and savage nature. These characteristics can all be identified in Le Bon's *The Crowd* which to a large extent summarizes the semantics. Crucial additional features have later been described by Elias Canetti in his anthropological masterpiece, *Crowds and Power*. According to Canetti, for example, 'the urge to grow is the first and supreme attribute of the crowd' (Canetti, 1973: 17). I shall later return to this aspect and to Canetti. At this point, however, it is important to look closer at what the early crowd theory provides as explanation of the various characteristics.

Particularly two points are emphasized. To begin with, the crowd is usually associated with a logic of contagion. 'In a crowd', Le Bon says, 'every sentiment and act is contagious, and contagious to such a degree that an individual readily sacrifices his personal interest to the collective interest' (1960: 30). It is this contagious trait – clearly pointing to the crowd's apparently pathological character (cf. Laclau, 2005: 29) – which accounts for the, however ephemeral, unity of the crowd. Yet contagion is itself an effect of a more fundamental, and to some extent less pathological and more neutral, phenomenon, that of suggestion. Suggestion is, both for Le Bon and for other main crowd theorists, the real key to understanding the crowd. The notion implies that the crowd is a kind of 'hypnotic order': 'Under the influence of a suggestion, he [the crowd member] will undertake the accomplishment of certain acts with irresistible impetuosity' (Le Bon, 1960: 30, 31). It is, in other words, basically this suggestion and suggestibility of the crowd that explains why people's rationality and personality are destabilized or suspended.

How has this reservoir of crowd psychology influenced theories of financial speculation? How has this semantics of irrationality, affection, contagion etc. been transformed into an understanding of how markets work? In an intriguing semantic analysis of 'Market Crowds' (2005), Urs Stäheli offers valuable starting points for answering these questions. Stäheli examines in particular two semantic attempts to associate crowds with speculation and financial markets. The first attempt, which actually predates the late 19th century's obsession with crowds, is Charles Mackay's *Extraordinary Popular Delusions and The Madness of Crowds* (1980; completed 1852). This is no random book, but the very first extensive description of crowd phenomena in the field of speculation, and one that has survived as a regular reference in guides to financial success as well as in the academic literature (see, for example, Adler and Adler, 1984b; Menschel, 2002; Shiller, 1989: 50–51). What Mackay does, in Stäheli's reading, is not so much to offer a sociological or psychological explanation of frenzy speculation events – such explanations only really follow in the aftermath of Le Bon. Rather he shows that these frenzies are, by their nature, exceptional and pathological.[3]

It is this exceptional status which is challenged in the second semantics that Stäheli analyzes, the 1920s and 1930s American 'contrarian' school of speculation theory. The basic argument of these contrarians is that crowd phenomena are not extraordinary in the field of speculation. Quite the opposite, they constitute 'a normal feature of financial markets' (Stäheli, 2005: 10).[4] This semantic normalization of the crowd in terms of speculation is interesting for two reasons. To begin with, the observation of financial markets as being governed, basically, by crowd tendencies is launched more or less at the same time as Alfred 'Marshall – like many other economists from this period – saw the stock market as

[3] An interesting attempt to combine a psychological approach (like Le Bon's) with an a-theoretical style (like Mackay's) is that of Henry H. Harper who, in his *Psychology of Speculation* (1926), discusses the fact that 'Speculators are Slaves of Sentiment'. 'When the whole country becomes pervaded with an epidemic of bullishness', Harper writes, 'the action of speculators is always directed by sentiment rather than judgment' (1926: 82).

[4] This semantics of the normality of financial crowd dynamics is often ignored in sociological accounts of financial markets where crowd psychology tends to be interpreted as merely describing abnormal events (see e.g. Adler and Adler, 1989a: 4; Hertz, 1998: 18).

the most highly developed form of the market' (Swedberg, 1994: 260; cf. also Lie, 1997: 343). That is, the market is described as, on the one hand, very well organized and rational and, on the other hand, highly irrational. It is, secondly, this interplay of rationality and irrationality which becomes the defining trait of the contrarians' speculation strategies. The contrarians thus draw upon Le Bon's crowd psychology and argue that this not only describes how the market works; one may even extract useful information from it on how to operate successfully in the market (the Machiavellian legacy applied to speculation). The most crucial insight from Le Bon, according to the contrarians, is that due to its stupidity and irrationality, the crowd is prone to loose in the market. Out of this observation emerges then the investment strategy from which the school derives its name: The wisest speculation is achieved by behaving contrary to the crowd. If the crowd is selling, for example, then you should not sell as well. Rather keep cool, do not let the excitement of the crowd – its emotionality and irrationality – interfere in your speculation decision, and, most importantly, buy! This instrumental use of irrationality cannot help creating a paradox: 'Thus, the full scandal of the market crowd is that economic rationality requires one to relate to the irrationality of the crowd' (Stäheli, 2005: 11).

These semantic endeavours to associate speculation with crowd psychology are far from unique and also not only of historical interest. Indeed, as I shall argue in the following, it is possible to go beyond Stäheli's examples and show that the crowd semantics also penetrates the conception of financial speculation in more recent work. This is even the case in some sociological analyses of financial markets.[5] I shall discuss an important example of this, Charles W. Smith's *The Mind of The Market* (1981). Smith's book has become a classic in economic sociology. It is often referred to, but – mirroring the general exclusion of the crowd figure from sociology – it is rarely noted that the book actually ends with an analysis of what Smith terms 'the crowd syndrome' of the market (Smith, 1981: 133; one example of this neglect is Abolafia, 1996).

Smith's book is an interesting borderline case. On the one hand, it presents a comprehensive analysis of 'the ways the market is viewed, interpreted, and evaluated' (1981: 6) by market professionals, based on an impressive empirical archive (including numerous interviews, 12 years of participant observation and an ongoing relationship with one market professional). As such the book offers a

[5] But there has also been a boom of basic crowd figures in recent economic literature. Most notably in this respect is probably the field of behavioral economics. One of key proponents of this new line of thinking is Robert J. Shiller who, in his *Irrational Exuberance*, devotes an entire chapter to a discussion of 'Herd Behavior and Epidemics' in markets (Shiller, 2000: 148ff.). See also Henwood (1998: 175ff.).

sociological account which appears to be capable of describing what is actually going on in the stock market, which is Smith's study object. On the other hand, the book also contains an appendix on 'Some Practical Advice to the Individual Investor' (1981: 155ff.) where the sociological insights are reinterpreted as strategic guidelines. In a sense, therefore, the book follows the tradition of the contrarians in that it combines a social-theoretical understanding of the market with tips to investors – and, as we shall see, Smith even discusses his own recommendations against those of the contrarians.

One of the main achievements of Smith's study is the differentiation of four types of professional market orientation: the so-called Fundamentalist, Insider, Cyclist and Trader. In the final part of the book ('Putting It All Together'), however, Smith introduces a fifth type, the Follower, who is described as an 'amalgamation' of the other types. 'Consequently,' Smith writes, 'it is in confronting the Follower that we most directly confront the mind of the market. In order to do this we must turn our attention to the "crowd syndrome" of the market' (1981: 131). As quoted in the Introduction above, Smith considers the crowd syndrome a universal phenomenon for anyone engaged with understanding markets. The syndrome is simply 'an undeniable fact of market life' (1981: 133). Interestingly, this is an analytical and sociological statement, not a proclamation simply taken from the empirical archive. 'Even the most sophisticated professionals gets caught up in it now and then', he continues. 'Everyone starts to play follow the leader and the leader is screaming "I must find out where my people are going, so that I can lead them"' (Smith, 1981: 133).

Particularly two observations on the crowd syndrome are interesting. First, Smith quotes neither Le Bon nor any other crowd theorist, and he considers references to, for example, emotional contagion 'fairly superficial' (1981: 133). Instead he offers his own sociological explanation of what makes the market 'vulnerable to mass behavior' (1981: 135). Thus, says Smith, the market is fundamentally ambiguous, as it is characterized by opposing views, strategies, information etc. Each market participant is therefore likely to believe that others know better than s/he does him-/herself and this makes the person prone to play follow the leader. While this appears as a rational explanation – basically derived from the problem of insufficient information – Smith makes a second, and additional, observation which actually comes surprisingly close to the crowd psychologists' idea of emotional contagion. Besides the ambiguity of the market, he argues, one must also take into account 'the emotional pull of the market' (1981: 141). That is, the market seems to posses a seductive power and 'it is a rare true believer [Fundamentalist, Insider etc.] who has never succumbed to the magnetism of the crowd' (1981: 142).

Smith's observation of the hypnotic pull of the market is crucial. It points directly in the direction of current discussions about emotionality and market dynamics (Hassoun, 2005), and about traders' engagement with markets (Knorr Cetina and Bruegger, 2002). I shall discuss this below. Let me only remark at this point that Smith does not elaborate the sociological implications of the emotional pull of the market. The only consequences he draws from this observation appear in the appendix on practical advice to investors. Interestingly, this advice is all about being 'true to yourself, to think for yourself, and, most importantly, to avoid being seduced by the "crowd"' (1981: 174). Smith admits that this strategy to a certain extent resembles that of the contrarians since they are also concerned with not following the crowd (1981: 172). According to Smith, however, and this is where the two approaches diverge, the crowd may make clever decisions in the beginning – though usually not in the long run – and therefore 'There is nothing wrong with going in the same direction of the crowd provided that you are not part of it and you can control your future actions when the crowd goes off in another direction' (1981: 172; on the implied self-discipline of the investor, see also Stäheli, 2005).

Two other sociological studies deserve a brief mentioning, although I cannot go into detail with them here. In 'The Market as Collective Behavior' (1984b), Patricia A. Adler and Peter Adler outline a social psychological approach which is at once opposed to 'the economists who view human market behavior as so overly-rational as to be machine-like and the crowd psychologists who view the participating public as so irrational that they consider them subhuman' (Adler and Adler, 1984b: 85–6). Despite drawing instead upon Smelser (1962), the status of the Adlers' argument remains unclear, as they make recurrent use of the vocabulary of the crowd psychologists (suggestibility, imitation, contagion, mass hysteria etc.).[6] More important for the present context, however, is the Adlers' conclusion: 'if enough people adopt a certain belief (no matter how financially baseless it may be), its ramifications will soon become realized in the market' (Adler and Adler, 1984b: 103). Although I would replace 'belief' with 'semantics', the point of the quote resembles the argument that I am proposing here, namely that whether or not the crowd semantics provides what would normally count as an adequate sociological description of markets, it is important for economic sociologists to study this semantics insofar as it, as I claim, in fact informs market

[6] Also following Smelser, and similar more 'rational' approaches to collective behavior (such as the work of Turner and Killian), to explain financial market dynamics is Klausner (1984).

participants' conceptions of financial speculation and financial markets (cf. also Latour's advice that sociologists should pay closer attention to how actors themselves theorize their action, see Latour, 2005: 57). For if market actors do formulate and pursue strategies etc. that are based on the crowd semantics, then it will actually affect the reality of the market.

The second study, which I shall briefly draw attention to, is from the same volume as that of the Adlers' paper. It is Wayne E. Baker's analysis of 'Floor Trading and Crowd Dynamics' (1984), in which Baker presents an example of his fascinating variant of the network approach. Although the title of this article indicates a close relation to the present examination, it is in fact very far from it. Thus, for Baker, 'crowds' are simply 'the securities market parlance' for those groups of traders that he studies (Baker, 1984: 114). I do not want to stretch this point too far, but it is interesting to observe that the market participants not only seem to observe market dynamics in crowd terminology (as demonstrated above), but that they actually describe themselves as – crowds (see also Hertz, 1998: 27, n. 29).

Let me return to the emotional pull of the market that Smith describes. As already indicated, Smith here anticipates some of the current discussions in economic sociology. To begin with, the acknowledgement of the inherent emotional and affective side of speculation is an important sociological corrective to neoclassical models. This point has been taken up recently by Jean-Pierre Hassoun (2005). Similar to the present approach, Hassoun focuses on 'actors' accounts and vocabulary' (2005: 104), and demonstrates that the work of traders is only inadequately understood if the emotional dimension is not accounted for. For current purposes, particularly two of Hassoun's observations are interesting. The first regards the emotions that 'arise following abrupt, violent market movements' (2005: 107). Hassoun quotes a trader's description of such a violent market movement which was caused by the Gulf War. Let me cite a few sentences from the description:

> In terms of activity, the market exploded. It could lose 150 points, then lose them again in another 20 minutes. […] You could feel panic in everyone. I got the chills, felt incredibly cold all over – then the sweats. "What's going on?!" I said. Because when it started, we didn't know what it was. All we knew was that it was total panic. And panic scares people. […] I don't know how to explain it. It's so wild. If a guy sees it who's not in it, all he could say is, "They should be locked up!" It's so violent when it takes off. It's violent, the power of the market … when it starts moving. (Hassoun, 2005: 107–8)

Without making any explicit references to the crowd semantics, this clearly recalls a number of the features traditionally associated with crowd behaviour: explosion, panic, wildness, violence and, not the least, the implicit observation that the violent market, like a crowd, simply takes control of the events.

The second observation by Hassoun that I shall highlight concerns another aspect of the emotional pull of the market. For although the violent market movements may appear too wild, traders in fact appreciate that their work contains a strong emotional dimension. 'It is significant', Hassoun states, 'that when traders cease their activities, one of the things they say they miss most are the moments of intense emotion' (2005: 111). This seductive power of the market – which, as I noted above, resembles the crowd semantics' focus on emotional contagion – is also pointed out in other interviews with traders. In his conversations with leading American traders, for example, Jack D. Schwager asks a trader if he would 'still trade if there were no monetary remuneration'. The answer is illustrative: 'Absolutely. Without question, I would do this for free' (Schwager, 1992: 65). What matters is the excitement and the seductive, emotional pull of the market.

This quote from Schwager's interview also appears in the pioneering work of Karin Knorr Cetina and Urs Bruegger (Knorr Cetina and Bruegger, 2002: 175). Drawing upon ethnographic research and interviews with traders, Knorr Cetina and Bruegger provide ample evidence that traders' behaviour cannot simply be explained as attempts to maximize profits. Interestingly, moreover, their analysis may also be interpreted as showing how particular features of the crowd semantics reappear in contemporary traders' conceptions of financial markets. One of their respondents, for example, does not describe the market in economic terms of, say, supply and demand. Rather he sees the market as a 'being in its own right', 'a greater being' (Knorr Cetina and Bruegger, 2002: 169; Knorr Cetina, 2003: 12). The point is not whether the market is irrational and wild, but simply that it, like the crowd, reflects the generation or emergence of an independent life form. Equally interesting, when asked 'What is the market for you', another trader answers: 'Everything. Everything. How loudly he's screaming, how exited he gets, who's selling, who's buying […] it's everything – everything all the time' (Knorr Cetina and Bruegger, 2002: 168; Knorr Cetina, 2003: 12). According to Knorr Cetina, the trader's '"the market is everything" refers to the manifold things that one finds on financial screens, the news and news commentary, the confidential information about what some major players are doing, and the prices' (2003: 12). This only accounts for a part of the trader's statement, however. Just as important seems namely to be the excitement, the screaming etc. which is not monitored on the financial screens. It is this emotional and also bodily engagement with markets that once again evokes important features of the figure of the crowd.

To sum up this part: I have tried to demonstrate how the semantics of crowds has informed some branches of speculation theory and particular conceptions of how financial markets work. The crowd figure is far from uncontested in the literature on financial speculation and it obviously cannot account for everything that goes on in the market (cf. e.g. Abolafia, 1996). Yet is does seem to possess a certain attractiveness because of its traditional emphasis on emotions, irrationality, contagion etc. That is, the figure and semantics of the crowd seem to point to an experience that is common among market participants, namely that financial markets tend to display characteristics – wildness, explosions, magnetism etc. – which cannot be comprehended in rational terms. By this statement I have already made a slight move from a semantic to a more analytical level. In the next part of the paper I will go a step further and discuss the sociological relevance of actually explaining a particular economic phenomenon, inflation, from the perspective of crowd theory.

Inflation

One of the significant contributions of recent economic sociology is its rediscovery of the importance of a sociological examination of money – a topic which has been disregarded for too long. Taking up the tradition of Simmel, Parsons and others, the various new studies of money all set off from the observation that money should not only be viewed in strict economic terms. Viviana A. Zelizer, for one, has argued very convincingly that money has important social meanings as well, and that money is treated very differently according to the specific social context (effectively demonstrated, for example, in her analysis of women's money, see Zelizer, 1989; 1994). In the same vein, Nigel Dodd emphasizes the 'cultural and symbolic associations generated by its [money's] use' and stresses, in his book on *The Sociology of Money*, particularly the importance of trust (Dodd, 1994: 13). As interesting and important these various studies are, they all fail to examine the social meaning of one particular aspect of money, inflation. To be sure, the notion of inflation does appear in, for example, Dodd's book, but he never offers a thorough sociological analysis of it. The question is, however, if the present obsession in western countries with fighting inflation can be fully understood by recourse to only economic reasoning. Or could a sociological account provide a deeper explanation of the background of this fear of inflation?

As I shall argue in the following, the latter question can be answered in the affirmative, which I will demonstrate by discussing the fascinating analysis of inflation in Elias Canetti's *Crowds and Power*.[7] According to Marshall McLuhan, Canetti here 'illustrates the profound tie between monetary inflation and crowd behavior. He is baffled by our failure to study inflation as a crowd phenomenon, since its effects on our modern world are pervasive' (MuLuhan, 1964: 115).

Crowds and Power is a truly original and extraordinary book. It is intended neither as a sociological or psychological study of crowds, but may be better characterized as an anthropological work. This does not imply, however, that the various analyses are of no sociological value (although the sociological disregard of the book is stunning). In fact, I would claim, it is sociological to the same extent as Simmel's philosophical and psychological accounts of money. Canetti begins the book with an outline of what he takes to be the main features of crowds. Some of these are similar to what is identified by the semantics that Le Bon represents, including the crowd's spontaneous emergence, its destructiveness, its basically contagious nature, and its 'psychological' – one might say, social – rather than merely physical character. Yet there are also important differences. While the early crowd semantics tends to stress the importance of a leader, for example, Canetti argues that no leader is required for the crowd to emerge and operate. Canetti distils four main attributes of crowds: '*The crowd always wants to grow*'; '*Within the crowd there is equality*'; '*The crowd loves density*'; and '*The crowd needs a direction*' (Canetti, 1973: 32). It is particularly the first two aspects that are important in Canetti's examination of inflation. To give an impression of the context of that analysis: It appears in a part of the book that focuses on 'The Crowd in History' and is preceded by a chapter on 'Germany and Versailles'.

What is then the content of Canetti's analysis of inflation? The opening sentences make clear that that this phenomenon truly belongs to the agenda of social theory and hint at its far-reaching social and political implications:

> Inflation is a crowd phenomenon in the strictest and most concrete sense of the word. The confusion it wreaks on the population of whole countries is by no means confined to the actual period of the inflation. One may say that, apart from wars and revolutions, there is nothing in our modern civilizations which compares in importance to it. The upheavals caused by inflations are so profound that people prefer to hush them up and conceal them. (Canetti, 1973: 214)

[7] Of course, sociological perspectives on inflation do exist, although not connected to the study of money. One example is Goldthorpe (1978) who explains inflation by changing forms of stratification.

Not dissimilar to Simmel, Canetti's analysis takes off from a discussion of the psychological qualities of money. Each coin is distinctive, he says, and if it is valuable, 'the head of a ruler [may be] stamped on it' (1973: 215). This physical feature has important psychological effects. 'People like imagining a coin as an individual', although the materiality of the coin endows it with an 'eternal' existence that is denied human beings (1973: 215). Canetti is well aware that coins have been supplemented by paper money, but the personal character of money remains the same. Canetti not only likens money and people in terms of personality/individuality, however. He also establishes a relationship based on numbers, the million. 'The connotation of the word million is twofold', he says, 'it can refer to both money and people. […] Since it is counted in the same millions, money and the crowd are closer today that they have ever been' (1973: 216–7).

Because of this intimate connection between people and money, inflationary processes not only affect the value of money; they also have personal consequences. This is exactly what Canetti demonstrates so powerfully when attributing to the inflation the same depersonalizing effects that are usually associated with crowds. During an inflation, he says, 'The unit of money suddenly loses its identity. […] The millions one always wanted are suddenly there in one's hand, but they are no longer millions in fact, but only in name' (1973: 217). Here the crowd's inherent tendency to growth becomes visible, but while growth is usually an indication of strength, the opposite is true of inflation:

> What used to be one mark is first called 10,000, then 100,000, then a million. The identification of the individual with his mark is thus broken, for the latter is no longer fixed and stable, but changes from one moment to the next. It is no longer like a person; it has no continuity and it has less and less value. A man who has been accustomed to rely on it cannot help feeling its degradation as his own. (Canetti, 1973: 217–8)

Canetti's analysis must not be mistaken for merely identifying the *individual* implications of inflation. It is not a simple psychological account of money that he offers. Rather, similar to, e.g., Zelizer and Dodd, he shows the social, symbolic and cultural dimensions of inflation – the macro effects, so to speak: 'Together people are worth as little as each is worth alone. As the millions mount up, a whole people, numbered in millions, becomes nothing' (1973: 218). The depreciation of the whole people illustrates the democratic nature of inflation since everybody is affected by it. Like the traditional crowd of the street, which Le Bon feared because it cancels all social differences, the inflation 'brings together in the same inflation crowd people who before would scarcely have nodded to each other in the street' (1973: 219).

This is only one part of the broader social effects of inflation, however. According to Canetti, the depreciation of the individual as well as of the crowd, the people, is a humiliation which must be dealt with. It is the historical consequences of this need which, in combination with the inflation crowd's all-inclusive character, may explain why inflation is not only combated for economic reasons. Thus, Canetti says, to compensate for the humiliation that was caused by the inflation, 'Something must be treated in such a way that it becomes worth less and less, as the unit of money did during the inflation' (1973: 219). In an analysis which clarifies why the examination of inflation appears after the chapter on 'Germany and Versailles', Canetti illustrates this process by the destiny of the Jews in Hitler's Germany. His basic argument is that the inflation was the background for both *that* and *how* the Jews were treated as they were:

> In its treatment of the Jews National Socialism repeated the process of inflation with great precision. First they were attacked as wicked and dangerous, as enemies [because they were 'on good terms with money when others did not know how to manage it']; then they were more and more depreciated; then, there not being enough in Germany itself, those in the conquered territories were gathered in; and finally they were treated literally as vermin, to be destroyed with impunity by the million. (Canetti, 1973: 219–20)

Canetti's analysis of inflation and crowds may appear strange and it is certainly characterized by a style and a way of reasoning that is at odds with many branches of contemporary social theory. This is not a sufficient reason for ignoring his insights, however, and his astonishing exploration does indeed enrich the sociological imagination. First of all, Canetti demonstrates the importance of actually engaging with the phenomenon of inflation. It may well be that inflation is not as critical and pressing a problem in many western countries today as it was, say, 20 or more years ago. But it is definitely a very concrete problem elsewhere (the case of Argentina being probably the most recent example). A complete sociological analysis of money must therefore account for inflation too. Second, inflation is a process of often rapid growth. It is this explosive character that makes crowd theory particularly suitable for understanding some of the inflation's fundamental traits. This is emphasized, third, by the personal, social and political implications of inflation that Canetti identifies which can all be interpreted in a crowd vocabulary. Fourth, Canetti's analysis of inflation suggests that crowd theory may equally be applied to other economic phenomena of explosive growth, such as booms (and bubbles). Here the issue is not depreciation, but sudden increase of value. Finally, Canetti provides a very elegant illustration of an argument that I shall present in the next part of the article concerning subjectivity and economic life. Rather than beginning the analysis of economic phenomena with the assumption of prefixed identities, I claim, it is meaningful to see individuality as a product of economic action. This is precisely what Canetti shows when arguing that personal and collective identities are intimately linked to money, and follow its value.

Let me conclude this part by stressing that my argument is not that crowd theory is the only way to approach the phenomenon of inflation, but it may be one route to pursue in analyzing the social process and implications of inflation.

Suggestion in Economic Life

I want now to return to the early crowd theory and show that a reinterpretation of the fundamental feature it ascribes to crowds, suggestion, may open new horizons for discussing economic life. To be more specific, I want to argue that a closer look at the classical figure of the crowd in fact points beyond the crowd and suggests a theoretical framework for rethinking a number of commonly held propositions in economic sociology. In the following discussion, the crowd therefore serves less as semantic or analytical reservoir that can be either identified in or applied to specific realms of the economy. Rather it functions here as an occasion and opportunity to see economic processes differently.

The importance of the concept of suggestion is demonstrated most significantly in the work of Gabriel Tarde who, in contrast to Le Bon, embeds his studies of crowds in a general sociological theory. In the present context, I want to draw attention only to two aspects of Tarde's theorizing which open for a more nuanced interpretation of the crowd than Le Bon's mainly negative and terrified attitude allows.[8] The first point relates to what counts as suggestive phenomena. What is, in other words, the scope of this notion? According to Tarde, hypnotic suggestion is not merely a characteristic feature of crowds, but in fact constitutive of society as such. In his sociological masterpiece, *Laws of Imitation* from 1890, Tarde outlines an extensive sociological program in which imitation is presented as the key concept. And imitation, Tarde argues, must be understood as a truly suggestive and hypnotic phenomenon. In Tarde's own famous formulation, '*Soci-*

[8] I ignore in this context Tarde's essays on crowds and go directly to his general theory. For a general discussion of Tarde's sociology, see Clark (1969).

ety is imitation and imitation is a kind of somnambulism' (Tarde, 1962: 87). If both crowds and society as such are characterized by a logic of suggestion or somnambulism, however, what distinguishes them from one another? This is where Tarde's second intervention becomes important. On the one hand, he subscribes to a conservative fear that crowds may destroy society. In that respect he agrees with Le Bon. On the other hand, however, Tarde's analysis also seems to suggest a much more positive image of the crowd. Due to the spontaneous and immediate suggestion in the crowd, which affects all of its members at once, the crowd incarnates in fact what Tarde hypothetically describes as a 'perfect and absolute' sociality: 'as soon as a good idea arose in one mind it would be instantaneously transmitted to all minds' (1962: 70). In short, the crowd not only exposes a threat to society, but is simultaneously a figure of extreme sociality, in a positive sense (cf. also Borch, 2005: 90–91; McClelland, 1989: 184). What distinguishes crowd and society, therefore, is not the quality, but rather the *intensity* of the imitation-suggestion.

The crowd theorists' emphasis on suggestion has several fascinating sociological implications. Most important in the present context, it both questions the idea of a constitutive individuality and raises an interesting discussion of rationality vs. irrationality (Borch, 2006). What the question of individuality concerns, the crowd is usually interpreted as being in opposition to individuality (cf., for example, Le Bon on the vanishing personality above). Yet there seems to be a more radical argument at stake in the crowd semantics, namely that individuality is actually always a function of suggestion. Ruth Leys captures this very well in her discussion of Tarde:

> By dissolving the boundaries between self and other, the theory of imitation-suggestion embodied a highly plastic notion of the human subject that radically called into question the unity and identity of the self. Put another way, it made the notion of individuality itself problematic. (Leys, 1993: 281)

What crowd theory suggests more generally is, therefore, that identities and individuality cannot be presupposed in sociological analyses, but are always produced and reproduced in social interaction. This also has consequences for our understanding of the economy, as it implies that models of, say, economic exchange cannot presume the a priori existence of stable economic subjects (e.g., economic man). Rather these subjects are themselves constructed and reconstructed through economic operations. This is also the conclusion to be derived from Canetti's analysis of inflation when he demonstrates how personal and collective identities are affected by sudden changes in the value of money. More recently, Knorr Cetina and Bruegger have made a similar case for this argument. In their analysis of 'Traders' Engagement with Markets', they illustrate how the individual trader's 'subject becomes defined by the object', the market (Knorr Cetina and Bruegger, 2002: 178). That is, the self of the trader is neither prefixed nor stable, but is indeed a plastic entity that is formed and reformed in and by the economic engagement (cf. also Preda, 2005: 143).

The rationality issue is far more complex. It is clear, to begin with, that the early accounts of crowds suggest that crowd behaviour cannot be explained in rational terms. It seems rather that the crowd is in every respect at odds with rational categories (which may explain the unease that crowds have produced in social theory). Against this background, it is interesting to observe how crowd phenomena were in fact reinterpreted as rational in the 1960s and 1970s American sociology. The culmination of this development is Richard E. Berck's attempt to apply game theoretical models to the analysis of crowds (Berck, 1974a; 1974b). Here hypnotic imitation-suggestion is replaced by a focus on rational decision-makers who perceive crowds as particular opportunity complexes. While there is clearly a need for transcending accounts that unduly stress one-sided irrationality, Berck's rational choice model is likely to overcompensate and simply advance the opposite extreme.

But how, then, should we conceive of the rationality vs. irrationality of crowds? The problem is that the question hides that suggestion may actually break with this dichotomy. Rosalind Williams argues that suggestion, in the Tardean tradition, rather refers to a 'semiconscious' state:

> [Tarde's] theory of semiconscious imitative social behavior represents a vast improvement over the model of *homo œconomicus*, who is supposed to be at once rationally choosing and indefinitely desiring, and also over Durkheim's very similar model of an indefinitely desiring individual restrained only by something external to himself, which is called society. In contrast to the classical economists, Tarde suggests that people are not split between rational choice and irrational desire, but act according to a semiconscious imitation that mingles the two. […] He sees the mind of the individual as part of an endless social network which in turn contributes to that network, in a dynamic relation of role-setting and role-following. (Williams, 1982: 349–50)

In short, the suggestion, which is so intense in the crowd, is an expression of neither pure rationality nor the opposite. One theoretical implication of the crowd semantics is, therefore, that rather than understanding social processes as a result of free will and socially unrestrained, optimizing decision-making, we should see them as a complex blend and interplay of, on one side, affection, desire and similar features usually associated with the 'irrationality' of crowds, and, on the other side, purposeful action. It is this very in-between, the semiconscious state, which the suggestion thesis urges us to analyze. And since this state, in Tarde's point of view, is not limited to crowds but describes the essence of social life, what we face here is a sociological program which squares with the new economic sociology in taking into account more than strictly rational features. It opens, in other words, for seeing economic life as constituted basically by processes of imitation-suggestion.[9]

Let me add one final comment on suggestion before explicating some of the implications for economic sociology in more detail. In his Introduction to Le Bon's book, Robert K. Merton recognizes the relevance of Le Bon's 'emphasis on the irrational and nonrational character of man's behavior'. Yet he believes that 'this is a manifestly unfinished portrait. For if some men are controlled, other men must control' (Merton, 1960: xv). There is little doubt that Le Bon's conception of man is incomplete. At the same time, however, Merton fails to see how radical the suggestion thesis really is. The problem is that his critique remains embedded in a basically individualistic account. At least since Foucault, however, we know that power and control may be at once 'intentional and non-subjective' (Foucault, 1990: 94). The same is true of hypnotic suggestion which may well take place without a hypnotizing subject. This is also the claim in recent discussions in economic sociology. Knorr Cetina and Bruegger's (2002) discussion of 'postsocial relationships', for example, points in exactly this direction. In the terminology of the present discussion, they propose that suggestion need not refer to human interaction but can instead describe a sociality which is built on the relationship between humans and objects. Rather than a hypnotizing subject, that is, we may identify a hypnotizing object, tendency etc. The idea of a non-human magnetizer is particularly powerful in the field of financial speculation. This was already implied in Charles Smith's notion of the emotional pull of the

[9] To be sure, Tarde does acknowledge that 'imitation may be conscious or unconscious, deliberate or spontaneous, voluntary or involuntary. But I do not attach great importance to this classification' (1962: 192). What really matters is that 'man is wrong in thinking that he imitates because he wishes to. For this very will to imitate has been handed down through imitation. Before imitating the act of another we begin by feeling the need from which this act proceeds, and we feel it precisely as we do only because it has been suggested to us' (1962: 193). It should be noted that Tarde in fact developed a grand economic sociology which, however, cannot be discussed in this article. See instead Williams (1982) for a very laudatory appraisal.

market. Stäheli gives still more radical illustrations in his semantic analysis. He demonstrates, for example, how the contrarians reformulated the early crowd theory's claim that every crowd has a leader. According to the contrarians, what seduces the market crowd is not a charismatic leader, at least not only, but much more prices. Interestingly, Stäheli notes, this observation even appears in more recent accounts. He thus quotes a present-day trader who states that, 'In the case of trading, the crowd leader has become "price"' (cited from Stäheli, 2005: 13).

I want to end this discussion with pointing out some (further) implications that the reference to the semiconscious may have for economic sociology. Let me, on the one hand, show how this perspective seems to resemble or be in accordance with what is implied by the notion of embeddedness in recent economic sociology and, on the other hand, argue that the semiconscious approach nevertheless offers important additional advantages. Embeddedness has become a key concept in contemporary economic sociology and figures in various contexts, in the sociology of markets, for example, as well in more general discussions of economic behaviour. In its current post-Polanyi adaptation the notion of embeddedness is primarily associated with the work of Mark Granovetter, in particular his programmatic 1985 article. Here Granovetter makes the argument that economic behaviour, and human action generally, is embedded in or 'constrained by ongoing social relations' and social structures (Granovetter, 1985: 482). This observation and the suggestion of focusing on the embedded nature of economics provide, Granovetter argues, an alternative both to undersocialized and oversocialized frameworks (in other words, to neoclassical economics and Parsonian sociology, respectively). In Granovetter's own words,

> Actors do not behave or decide as atoms outside a social context, nor do they adhere slavishly to a script written for them by the particular intersection of social categories that they happen to occupy. Their attempts at purposive action are instead embedded in concrete, ongoing systems of social relations. (1985: 487)

This clearly displays an affinity with what was identified above by the notion of semiconscious suggestion, as this mediates between actor autonomy and structural determination. Interestingly, this similarity is hinted at by another key proponent of the embeddedness approach in economic sociology, Harrison C. White, who has pioneered the sociological understanding of markets. 'Markets,' White argues, 'are not defined by a set of buyers […] nor are the producers obsessed with speculations on an amorphous demand' (White 1981: 518). Much more, producers observe producers and act accordingly. In one of his articles, White discusses this theory of markets against the background of Tardean imitation theory, propagated in the USA in particular by Edward A. Ross. According to White, 'On one side of the market, actors imitate one another' (1988: 226). As the quote indicates, however, he only believes this is one side of the story. There is also, he continues, a structural dimension that must be accounted for. Thus, White concludes,

> Imitation can only be one component of even partial social structures because the processes that reproduce role structures and niches require more complex patterns of interaction and tradeoffs. A complete and consistent theoretical framework must be capable of dealing with both the actor-orienting processes described by Ross and the forces shaping the larger structures in which they are bound up or embedded. (1988: 227)

While White's contribution to the sociology of markets is undisputable, I do not think that his interpretation of the imitation theory is attentive enough to what is implied by this perspective. Indeed, I claim, the rereading of the crowd theory's imitation-suggestion assumption that I have presented here in fact demonstrates that the notion of semiconsciousness contains both of the dimensions that White is looking for: on the one hand, the imitation dimension, which White identifies in Ross and Tarde, and, on the other hand, the network part which is White's structural element. In this respect the semiconscious approach is much closer to embeddedness theory than White acknowledges.

This is also true of another aspect. As mentioned in the Introduction, White argues that his perspective can account for 'both the calculating and affective sides of social life' (1988: 228). Yet the affective side is not very powerfully elaborated in his work, or in other embeddedness approaches for that matter. The reference to the semiconscious state offers, by contrast, a much more direct link to that emotional, affective side of social and economic life which the crowd tradition has emphasized so sturdily. Furthermore, the notion of the semiconscious makes a much stronger case than embeddedness approaches that the dichotomy between rational (calculating) and non- or irrational action is deceptive. Granovetter, for example, argues that

> while the assumption of rational action must always be problematic, it is a good working hypothesis that should not easily be abandoned. What looks to the analyst like nonrational behavior may be quite sensible when situational constraints, especially those of embeddedness, are fully appreciated. (1985: 506)

The semiconscious perspective suggests a completely different take on this point: the idea of rational action neither provides a good description of actual empirical phenomena (neither on the surface, nor upon deeper investigation), nor is it a good working hypothesis. What counts, rather, are the ways in which social and economic life display an in-between of purposeful behaviour and affection, desire, emotions. This, to conclude this discussion, is the truly suggestive idea which can be extracted from a reinterpretation of the basic assumption of crowd theory.

Conclusion

The aim of this article was not to colonize the economy as a sphere for a renewed focus on crowds. It was no attempt to prepare the way for finally making Le Bon's prophecy about the approaching era of crowds come true. While the notion of the crowd thus should not take up the leading position in sociological thinking, it nevertheless deserves more attention that is has been devoted recently. I have argued that the crowd figure affords at least three contributions to economic sociology. On a semantic level, there is a long history of describing financial speculation and financial markets in a terminology that, explicitly or implicitly, refers to the classical crowd psychology. This self-description is not only important to study in itself; it may also affect how markets actually work, insofar namely that market participants really act according to the semantics through which they conceive the markets they are engaged with. The semantics may in other words become a self-fulfilling prophecy in terms of describing actual markets.

On an analytical level, the article focused on a particular aspect of money which, despite the renewed sociological interest in money, has been ignored, the phenomenon of inflation. The historical significance of inflationary processes speaks for itself and there is no need for justifying their importance also for sociological investigation. Faced with the present sociological neglect of inflation, Elias Canetti's analysis is both illuminating and fascinating. As demonstrated in this article, he characterizes inflation as a true crowd phenomenon and offers a suggestive interpretation not only of the inflation's crowd-like growth, but also of its personal and social implications. While there may be much more to inflation than Canetti shows, he nonetheless presents a valuable starting point for actually taking seriously this phenomenon – as well as for recognizing crowd aspects in other parts of the economy.

On a more general theoretical level, finally, the article contended that it is possible to draw two far-reaching sociological implications from the early crowd theory's insistence on suggestion/suggestibility. In terms of economic sociology this means, first, that rather than assuming that economic actors have stable and pre-fixed identities, it is an important research agenda to examine how identities, personalities and economic selves are in fact created and recreated in and by economic life. Second, I discussed the idea that the notion of suggestion refers to a semiconscious state and argued that this idea resembles parts of what is implied by the notion of embeddedness. Still the concept of the semiconscious is far more radical. It not only gives much more credit to affection and emotion in economic life, it may also offer a fruitful starting point if economic sociologists finally find the sharp distinction between rationality and irrationality unproductive.

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