

New Perspectives on Emotions in Finance: The Sociology of Confidence, Fear and Betrayal. Edited by Jocelyn Pixley. Routledge International Studies in Money and Banking. London and New York: Taylor and Francis, Routledge, 2012. Pp. xv, 238. ISBN 978-0-415-53379-9. *JEL 2013-1041*

This volume is third in a series of the Emotions Network within the European Sociological Association, edited by the economic sociologist Jocelyn Pixley. Contributors to this volume use and modify sociological or social anthropological concepts to demonstrate the links between emotions and behavior, with a focus on the most recent financial crisis. Together with insights from economic psychology, this volume suggests that insights from economic sociology should be taken seriously in any model that claims to be contemporary. This is nothing new, per se; however, when it comes to hard-core finance, not much attention has been paid to the sociological underpinnings of trading and hedging. This

volume tries to fill this gap by linking historical theories of money and emotions, analyzing the incentive structure behind traders and bankers by looking at organizational structures in the financial industry, inspecting the fragility of trust underpinning money circulation between financial institutions and throwing light on how investors have come to terms with the obvious fraud leading up to the financial crisis. In addition, cultural aspects are studied from narratives of prisoners of war camps in Japan, where different trading mechanisms established themselves depending on the origin of the majority of the prisoners in a given camp. Plus, a European perspective on the financial crisis is given.

I'd like to concentrate on two chapters of this edited volume that I found extremely insightful, and which I recommend very highly to any interested reader, economist or not. The first one is by sociologist Brooke Harrington on "Shame and Stock Market Losses: The Case of Amateur Investors in the U.S." The second by sociologist Benjamin Manning: "Nicotine for Protein: Culture and the Emotions of Hard Trading in Japanese Prisoner of War Camps."

Drawing upon her long-term observation of investment clubs, along with in-depth interviews and extensive survey data, Harrington investigates how people continue to participate in an activity where they know they are being deceived and defrauded. During the 1990s, the United States underwent a dramatic transformation: investing in stocks, once the province of the privileged elite, became a mass activity involving more than half of Americans. By joining investment clubs, millions of people across the socio-economic spectrum became investors for the first time, pouring billions of dollars annually into the U.S. stock market and holding significant positions in some of the nation's largest firms. Despite evidence of large-scale fraud, from the Enron accounting scandal to the role of formerly trusted institutions like Goldman Sachs and Fannie Mae in precipitating the subprime mortgage crisis, American's participation in the stock market hasn't decreased significantly. For this particular chapter, Harrington draws on interviews with fifty amateur investment club members in the San Francisco Bay area (twenty-eight men and twenty-two women) in 2004. These are members

of seven investment clubs with varying compositions, either all men, all women, or mixed gender. Of the seven clubs, four were still together and active in 2004 and three had ceased to exist. Most of the investors experienced a period of shock and paralysis upon learning that they had been deceived (not by their investment club members, but by the financial "system" as such, through deceptive accounting practices and other forms of financial misconduct). They commonly expressed feelings of resignation, rather than betrayal. Interestingly, they also showed feelings of attachment and loyalty toward their investment partners. One member makes this clear by stating: "We did not lose money because we made bad decisions; we lost money because the market was sinking under its own corruption." All groups that stayed together showed signs of adapting a coping mechanism in which the group remained the focal point in a kind of identity reconstruction. Shame, often called the "master emotion of everyday life" (Scheff and Retzinger 2000), was not allowed to be the overwhelming emotion. I would have liked Harrington to go a bit further in analyzing who stayed together and who did not. While numbers are small, it seems interesting that all mixed groups fell apart, while all "all men" clubs and half of the "all women" clubs remained active. Identity reconstruction does seem to play a role and, as such, it might be easier to sustain another layer of identity—that of the investor—in a congruent natural identity environment.

It's paradoxical that the other chapter that attracted my attention was one that states that, "opportunities for experimentation in the social sciences are limited." I could not disagree more. The use and usefulness of experiments, in particular in economics, has undoubtedly been acknowledged, not the least by the Nobel Prize committee who has awarded four economics prizes to researchers using experimental methods as part of their research. But before quibbling with this further, let's look at what Manning has to tell us about culture and its influence on the emergence of norms. He draws upon so-called "natural experiments" that are provided by studying the emergence of exchange in Japanese prisoner of war (POW) camps. Japan's POW camps were places of extreme depriva-

tion, where the rations were rarely adequate for subsistence and the prisoners engaged in various forms of economic activity to supplement their meager rations. Prior to coming to Japan, the POWs had been in very large camps with thousands of their countrymen. In Japan, the camps were much smaller and no longer separated by nationality. It was here that the Australian POWs (coming from Southeast Asia) first encountered the Americans, who had established their norms in the Philippines. The interesting observation is that, prior to arriving in Japan, the Australian camps had all been integrated by reciprocity, while the American camps were all integrated by exchange. Coming together in Japan under extreme situations provided a test bed for the survival of norms. However, what determined survival were not the norms themselves, but the social structure of the camp. When the majority of the POWs were American, hard trading (up to the point of death) prevailed: when the British or Australians were in charge, camps were run more equitably. These are clearly indications of the importance of cultural and social causes and consequences of financial systems.

In general, the volume—and especially these two chapters—have a great deal to offer many audiences; not just those interested in economic sociology, organizations, markets, and behavioral finance, but also scholars who study groups, demography and diversity, social capital, decision making, gender, and identity. Some of the claims, especially those regarding the “standard model” and prevailing norms in economics are a little outdated. Decades of research by experimental and behavioral economists are neglected, especially the works of George Loewenstein and coauthors (for a brief survey see Loewenstein 2000), when it comes to the effects of emotions on economic behavior and their incorporation into theoretical modeling. Nevertheless, I recommend reading at least a few chapters of this volume, especially if you are interested in John Maynard Keynes’s insights into emotions in finance and how listening to him might have, if not prevented, alleviated the economic crisis.

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The Economic Crisis in Retrospect: Explanations by Great Economists. Edited by G. Page West III and Robert M. Whaples. Cheltenham, U.K. and Northampton, Mass.: Elgar, 2013. Pp. vii, 193. \$110.00. ISBN 978-1-78254-532-3.

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This volume presents public addresses by seven economists that were given at Wake Forest in 2011 and 2012. The editors state that each presenter was given the following marching orders: “Explain to beginning economics students what insights can be gained from your own research on today’s economy in light of your study of the life and works of historically important economists and economic history” (p. 3). They state that, in choosing the seven, they sought a rough ideological balance and focused mainly on twentieth century economists. Five of the presenters, Bradley Bateman (John Maynard Keynes), Bruce Caldwell (Friedrich Hayek), Richard Langlois (Joseph Schumpeter), Perry Mehrling (Walter Bagehot) and Robert Prasch (Thorstein Veblen), are generally seen as historians of economic thought. Peter Temin is generally seen as an economic historian and Thomas Sargent is generally seen as an economic theorist.

The volume fills a need. The profession has far too little knowledge of its past and of how past theory and discussions relate to current theory, models, and problems. Thus, when Ben Bernanke (2010) recently defended the economics profession by arguing that economists such as Bagehot and Henry Thornton had a sophisticated analysis of financial crises, I took him to task pointing out that most economics students had never heard of, let alone read, either (Colander 2011).

But the volume only tangentially fills that need. The collection is a nice eclectic mix with some excellent insights, but as a summary of past economist’s insights into financial crises, it is incomplete. Despite a twentieth-century focus, once the editors violated it and included Walter Bagehot, Henry Thornton seems a “must