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Crowds and economic life: bringing an old figure back in

Christian Borch

Abstract

This article revitalizes the notion of crowds and emphasizes its value for economic sociology. The relationship between crowds and economic life is examined both semantically and theoretically. From a semantic point of view, there is a long history of conceiving financial speculation and financial markets in crowd terminology. Even current analyses in sociology and economics suggest that financial markets are characterized by a crowd syndrome. While economic theory asserts that this crowd syndrome is mainly to be identified in fluctuating markets, the article contends that a reinterpretation of the basic assumption in early crowd theory, the idea of suggestion, improves our understanding also of everyday economic processes. Specifically, it argues that suggestion refers to a semiconscious state, a state between purposive and affective action. This notion of the semiconscious is contrasted with the embeddedness approach in recent economic sociology.

Keywords: embeddedness; financial speculation; Le Bon; semiconscious suggestion; Tarde.

Introduction

The aim of this article is to revitalize a theoretical tradition which, during the twentieth century, has sunk into sociological oblivion. This tradition is the study of crowds which played a prominent role in sociology in the late nineteenth and early twentieth centuries, in both Europe and America (including scholars such

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as Gabriel Tarde and Gustave Le Bon). There have, to be sure, been previous attempts to reinvigorate this tradition. In his seminal study of *The Age of the Crowd*, for example, Serge Moscovici affords an impressive discussion of the crowd's status in present society, based on reinterpretations of the work of Le Bon, Tarde and Freud (Moscovici 1985). More recently, classical crowd theory has become an important starting point for investigations in social and political theory (e.g. Laclau 2005; Sloterdijk 2000). In spite of these highly suggestive analyses it is my impression that this rich tradition has more to offer than has previously been excavated. This is what I intent to show in this article which, contrary to most available discussions, does not pay primary attention to political processes. My aim is rather to demonstrate how the notion of the crowd may prove valuable to economic sociology and hence to our understanding of economic life.

The article has four parts. The first two parts illustrate that revitalizing the notion of crowds in 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 engaging with theories of crowds. This link is particularly palpable in the case of financial speculation. The first part demonstrates how speculation and financial markets have traditionally been described in crowd parlance, giving birth, for example, to speculation strategies that advise investors to pay close attention to how the crowd speculates. The following part focuses on recent sociological and economic analyses. As I argue, both new economic sociology and the booming subfield of behavioural finance are penetrated by crowd semantics: current practitioners and theorists seem to be faced with what Charles W. Smith has termed the 'the "crowd syndrome" of the market' (1981: 133). This experience in fact points beyond the semantic level, for if market participants describe their strategies and behaviour in crowd terminology, this semantics is likely to affect how markets really work.

According to behavioural finance theory, markets mainly display crowd behaviour in situations of excessive fluctuations. During such events investors appear extraordinarily susceptible to the epidemic contagion that characterizes the crowd. In the two final parts of the article, I argue that classical crowd theory may be helpful not only to account for the irrational exuberance of markets, but indeed to understand everyday economic life as well. In the third part, I thus present a reinterpretation of what classical crowd theory describes as the allegedly fundamental feature of crowds, their suggestion/suggestibility (or imitation-suggestion). I derive some general sociological implications from this rereading which focuses specifically on the work of Gabriel Tarde. Most importantly, I claim, rather than pointing to a strict opposition between rational individuals and irrational crowds, crowd theory suggests that social action should be analysed as 'semiconscious', that is, as a complex interplay of rationality, on the one hand, and affect, desire and passion, 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). I contrast the idea of semiconscious suggestion with that of embeddedness in the fourth part. In this final part, I also briefly note how and where the semiconscious may be observed in contemporary economic life.

As is hopefully clear from this overview, the aim of the article is not to evoke crowd theory in a straightforward sense, arguing that all aspects of economic life should now be analysed in terms of crowd psychology. In other words, the ambition 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 this article is to demonstrate that and how economic sociology could profit from reengaging with the notion of the crowd – whether as semantics or as a framework from which to gain important sociological input to discussions on, for example, rationality vs. affect.

The article is faced with at least three limitations. First, there are many obvious candidates for the study of crowd behaviour in the economy that I do not examine. This includes phenomena such as strikes, tourism, consumption, fashion, advertisement, etc. (see e.g. Bush 1991; Debord 1995; Lee 1913; Williams 1982). Likewise, there are studies of crowds that actually analyse economic action but which are not scrutinized in this article. One example is Elias Canetti's (1973: 214ff) intriguing analysis of inflation which only receives a brief mention in the third part. This ignorance is justified, I hope, by the more detailed analysis it allows me to present of the few selected topics. A second limitation concerns the analytical scope of the article. While I fully recognize the relevance of particularly social psychology for the discussion of crowds, the paper does not draw much upon recent discussions in this discipline – or, for that matter, upon recent (equally important) sociological debates on collective behaviour. This is clearly a questionable decision. The reason for my narrow focus is partly that I am not interested in examining, say, the broader social and structural framework in which crowds emerge, or the general social background of specific psychological dispositions; and partly, but related to this, that I want to argue that we may in fact find valuable sociological suggestions by studying the content of *classical* crowd theory. Evidently, this does not preclude that my argument could be embedded in or supplemented by social psychological insights. But to do so is simply not the aim of this article.

The final limitation is methodological. Thus, I apply a diverse range of theories and approaches which do not in every respect tally with one another. For example, I both observe the crowd from a semantic point of view and argue that specific dimensions of crowd theory may in fact improve our understanding of economic life. Likewise, there are undisputable differences between the main crowd scholars (Tarde and Le Bon) that are not discussed at length in the paper. I do not consider this diversity a problem but take it rather to be an opportunity to explore the various analytical possibilities offered by the crowd notion. So while the article may surely be faced with the accusation of some degree of eclecticism, it is my hope that the sociological gains will prove sufficient to offset this drawback.

Financial speculation in the era of crowds

Today sociological discussions of crowds are rather rare and probably considered marginal if not outright exotic. This was not always so. At the end of the nineteenth century – that is, simultaneously with the birth of the sociological discipline – and during at least the first decades of the twentieth 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 three main exponents of crowd theory were Gabriel Tarde, Scipio Sighele and Gustave Le Bon. It was in particular the latter's book, *The Crowd* (1960; published originally in 1895), that promoted the concept of crowds.[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)

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 Tarde and Sighele (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 a theoretical understanding of the phenomenon of crowds. It is just as much conceived as a manual for statesmen on how to manage this threat efficiently – a clear Machiavellian feature, as has often been observed (e.g. Laclau 2005: 23; Merton 1960: xv; Moscovici 1985: 58).

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 (see also Tarde 1892, 1893, 1989).[3]

What does the early crowd theory provide 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 (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, phenomenon, that of suggestion. Suggestion is, both for Le Bon and Tarde, 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, this suggestion that explains why people's rationality and personality are destabilized or suspended when they take part in crowd behaviour.

How has this reservoir of crowd psychology influenced theories of financial speculation? How has this semantics of irrationality, affect, contagion, etc. been transformed into an understanding of how markets work? In an intriguing semantic analysis of 'Market crowds' (2006), 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 nineteenth century's obsession with crowds, is Charles Mackay's *Extraordinary Popular Delusions and the Madness of Crowds* (2002; 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 (e.g. 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.

This exceptional status is challenged in the second semantics that Stäheli analyses, the American so-called 'contrarian' school of speculation theory which emerged in the 1920s and 1930s. 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 2006: 277).[4] This semantic normalization of the crowd 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 the most highly developed form of the market' (Swedberg 1994: 260; see 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. To put it bluntly, if the crowd is buying, then you should not buy 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, sell! In the words of one of the leading contrarians, the self-proclaimed 'Vermont Ruminator', Humphrey B. Neill, 'if one can get into the habit of thinking "opposite" to the crowd he will be right in his thinking more often than wrong' (1967: 46; see also Summa 2004).[5] Yet 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 2006: 277–8).

The crowd syndrome of financial markets

These semantic endeavours to associate speculation with crowd psychology are far from unique and also not merely of historical interest. Indeed, as I shall argue in the following, it is possible to go beyond Stäheli's examples and show that crowd semantics also penetrates the conception of financial speculation in more contemporary work. This is true of both sociological and economic analyses of financial markets. I begin by examining an important sociological example, Charles W. Smith's *The Mind of the Market* (1981). After the discussion of sociological accounts of financial markets, I briefly examine the expanding field of behavioural economics/finance which is also heavily influenced by the crowd figure.

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).[6] The 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' (Smith 1981: 6) by market professionals, based on an impressive empirical archive (including numerous interviews, twelve years of participant observation and an ongoing relationship with one market professional). As such the book offers a 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' (ibid.: 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 sociological 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' (Smith 1981: 131). Smith considers the crowd syndrome a universal phenomenon for anyone preoccupied with understanding markets. This syndrome is simply 'an undeniable fact of market life' (ibid.: 133). Interestingly, this is an analytical and sociological statement, not a proclamation taken from the empirical archive. 'Even the most sophisticated professionals get 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"' (ibid.: 133).

Particularly two observations on the crowd syndrome are interesting. First, Smith does not quote Le Bon, Tarde or 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' (ibid.: 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 to be a rational explanation – basically derived from the problem of imperfect 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' (ibid.: 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' (ibid.: 142).

Smith's observation of the hypnotic pull of the market is crucial. It points in the direction of current discussions in economic sociology 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"' (Smith 1981: 174). Smith admits that this strategy to a certain extent resembles that of the contrarians since they too are concerned with not following the crowd (ibid.: 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' (ibid.: 172; on the implied self-discipline of the investor, see also Stäheli 2006: 282ff.).

Two other sociological studies deserve a brief mention, 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' (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.).[7] More important in 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 implying here, namely, that whether or not crowd semantics provides 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 participants' conceptions of financial speculation and financial markets (see Latour's advice that sociologists should pay closer attention to how actors themselves theorize their action; Latour 2005: 57). For if market actors do formulate and pursue strategies that are based on crowd semantics, then the latter will actually affect the reality of the market.[8]

The second study, which I shall briefly draw attention to, is from the same volume as 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 (ibid.: 114). I do not want to stretch this point too far, but it is interesting to observe that 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; Arnoldi 2006: 386).

Let me return to the emotional pull of the market that Smith portrays. 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 he demonstrates that the work of traders is inadequately understood if the emotional dimension is not accounted for. For present 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 account of such a violent market movement which was caused by the Gulf War. The trader recalls that:

> 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.
>
> (quoted in Hassoun 2005: 107–8)

Without making any explicit references to crowd semantics this clearly evokes 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 a very different 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 crowd semantics' focus on emotional contagion – is also emphasized 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 (2002: 175). Drawing upon ethnographic research and interviews with traders, Knorr Cetina and Bruegger afford ample evidence that traders' behaviour cannot simply be explained as attempts to maximize profits. Interestingly, their analysis may also be interpreted as showing how particular features of 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 crucial point here 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 to be, namely, the excitement, the screaming, etc. which it not monitored on the financial screens. It is this emotional but also bodily engagement with markets that once again evokes important features of the figure of the crowd.[9]

After this exposition of sociological analyses of financial markets, I want to turn to a booming branch of economic theory, behavioural economics, which is also penetrated by crowd semantics. During the past decades behavioural economics has become 'a large, widely recognized subfield within economics', culminating perhaps with some of its leading exponents being awarded the Nobel Prize in economics in 2002 (Weber and Dawes 2005: 90). The basic claim of behavioural economics is that rational accounts provide insufficient explanations of economic behaviour since, in real life, people do not act as egoistic profit optimizers. To increase its explanatory power, it is argued, economics should therefore incorporate advances in and methods from other disciplines, in particular psychology. By so doing it becomes possible to account for non-egoistic economic behaviour, irrational and inefficient decisions, etc. Behavioural economics has been applied to various areas of economic life, e.g. labour economics, macro economics and finance (for a recent collection of articles, see Camerer *et al*. 2005). I am for present purposes solely interested in the behavioural analyses of financial speculation, the subfield of so-called behavioural finance.

Similar to the ambitions of the general programme of behavioural economics, behavioural finance seeks to improve the economic explanations so as to understand all those 'messier aspects of market reality' that do not fit in the models of traditional economic theory, as one of the pioneering scholars, Robert J. Shiller, puts it in his influential study of *Irrational Exuberance* (Shiller 2000: xiv).[10] In this book Shiller is interested in excessive market fluctuations: what are the features of speculative booms and bubbles? To account for such market volatility, Shiller dismisses the hypothesis of efficient markets and discusses instead a number of structural, cultural as well as psychological factors. The latter are particularly important in the context of this article. As a first move, Shiller rejects what he takes to be 'pop-psychological theories':

> many popular accounts of the psychology of investing are simply not credible. Investors are aid to be euphoric or frenzied during booms or panic-stricken during market crashes. [. . .] We all know that most people are more sensible during such financial episodes than these accounts suggest. [. . .] So it is hard to imagine that *the market as a whole* reflects the emotions described by these psychological theories.
>
> (Shiller 2000: 135–6; emphasis added)

So, on the one hand, the market as a whole may not be susceptible to non-rational, euphoric action. On the other hand, however, Shiller recognizes that 'solid psychological research does show that there are patterns of human behavior that suggest anchors for the market that would not be expected if markets worked entirely rationally' (2000: 136). What is needed, therefore, is a serious psychological account that elucidates the irrational dimensions of financial markets. Interestingly, the explanatory path that Shiller proposes relies heavily on crowd semantics. This is demonstrated specifically in a chapter on 'herd behavior and epidemics'. Here Shiller argues that models which focus on epidemic and contagious structures are valuable for understanding speculative booms (Shiller 2000: 147ff.; see also 1989: 375). The reference to crowd semantics is even more explicit in some of his other work. In one article, for example, he argues 'that mass psychology may well be the dominant cause of movement in the price of the aggregate stock market' (Shiller 1993: 169). One of the main reasons for this resembles a basic assumption in crowd theory, namely, that individuals/investors are suggestible (for a discussion of suggestibility and group pressure, see Shiller 1993: 175). It is this suggestibility which, in combination with epidemic contagion, may explain why markets are not entirely rational, but rather show features of irrational exuberance (where the value of markets cannot be understood by reference to basic economic indicators).

Shiller is not alone in bringing crucial aspects of crowd semantics to the foreground in his economic examination of financial speculation. Several other recent economic studies support the claim that crowd-like tendencies are discernible in market life. Abhijit V. Banerjee (1992), for one, has proposed a model of herd behaviour which demonstrates that in the case of sequential decisions even rational individuals end up producing inefficient outcomes. According to Banerjee, this model and its underlying assumption, that 'if we join the crowd, we induce others to do the same', help explain excessive market volatility (1992: 800; see also Henwood 1998: 175ff.; Shefrin 2002; Stoken 1993; Summa 2004).

Even if the emphasis on herd/crowd behaviour is controversial in theoretical debates on finance, it remains interesting, I contend, for at least two reasons.[11] First, it shows that in order to account for the empirical complexity of financial markets, this growing branch of behavioural finance is preoccupied with relaxing the assumption of rational investors acting in rational markets. Instead, this research field finds essential inspiration in crowd semantics, basically emphasizing and affirming what is also observed in sociological analyses: that markets seem to posses a seductive pull (hence the irrational exuberance); that markets are vulnerable to contagious epidemics; and that investors are deeply influenced by processes of imitation and suggestion. In short, behavioural finance theory seems to confirm the existence of a crowd syndrome of financial markets.

Second, more specifically than most sociological accounts, behavioural finance theory applies crowd semantics to explain one particular dimension of financial markets, their excessive movements. What behavioural finance suggests, therefore, is that the crowd syndrome of the market – and its various above-mentioned incarnations – mainly becomes visible when the market moves rapidly towards extreme positions. In these situations, Shiller would argue, investors do not entirely suspend any sensible judgement. Yet the excessive movements do indicate that investors become ever more susceptible to epidemic contagion and that their suggestibility has led them to value markets very differently than rational assessments of basic indicators would propose; thereby, eventually, increasing the risk of crashes.

To sum up the first two parts, I have tried to demonstrate how 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 (see e.g. Abolafia 1996). Yet it 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.

Furthermore, behavioural finance theory suggests that crowd theory is not only attractive as a semantic reservoir, but rather that some of its basic ideas may in fact explain economic phenomena, particularly the dynamics of markets: their volatility, fluctuations, exuberance, booms and bubbles. But as I argue in the following parts, the explanatory potential of crowd theory actually takes us beyond excessive market dynamics. Indeed, I contend, classical crowd theory's crucial notion of suggestion may illuminate important aspects of normal, non-excessive economic behaviour.

Suggestion in economic life

The key assumption in classical crowd theory is related to what the social psychologist Solomon E. Asch has rightly labelled the doctrine of suggestion (Asch 1952: 387ff.; Moscovici 1985: 87). The idea of suggestion was severely challenged in sociology, psychology as well as social psychology during the first half of the twentieth century (Borch 2006a: 90–3). A notable example of this is Freud who replaced suggestion with the concept of libido in his mass psychology (Freud 1967: 20ff.; Moscovici 1985: 283ff.). This move was perhaps too hasty. Thus the aim of the following is to demonstrate that a closer look at the notion of suggestion may open new horizons for discussing economic life. Specifically, I want to argue that scrutinizing this aspect of classical crowd theory in fact points beyond the crowd and suggests a theoretical framework for rethinking a number of commonly held propositions in economic sociology.

The importance of the concept of suggestion is demonstrated most significantly in the work of Gabriel Tarde who, in contrast to Le Bon, embedded his studies of crowds in a general sociological theory. In the present context, I want to draw attention to only two aspects of Tarde's theorizing that suggest a more nuanced interpretation of the crowd than Le Bon's mainly negative and terrified attitude allows.[12] 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 programme 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, '*Society is imitation and imitation is a kind of somnambulism*' (Tarde 1962: 87). If both crowds and society 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 this 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' (ibid.: 70). In short, the crowd does not merely expose a threat to society but is simultaneously a figure of extreme sociality, in a positive sense (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 which I shall discuss in the following. Most importantly, it both questions the idea of a constitutive individuality and raises an interesting discussion of rationality vs. irrationality (Borch 2006a). What the question of *individuality* concerns, the crowd is usually interpreted as being in opposition to individuality (recall Le Bon on the vanishing personality above). Yet while the crowd may entirely suspend any individuality, this does not imply that individuality is fixed and stable in non-crowd situations. Indeed, as Ruth Leys has rightly observed 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 the suggestion doctrine proposes more generally is, therefore, that identities and individuality cannot be presupposed in sociological analyses but are always produced and reproduced in social interaction.[13] This 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 drawn from Elias Canetti's fascinating analysis of inflation in *Crowds and Power*. Here Canetti demonstrates that personal and collective identities are deeply affected and transformed by sudden changes in the value of money (Canetti 1973: 214ff.). 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 (see also Preda 2005: 143).

The *rationality* issue is much 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).[14] But how precisely should we conceive of the rationality vs. irrationality of crowds? The problem is that this question hides the fact that the reference to suggestion may actually break with this dichotomy. Rosalind Williams argues that suggestion, in the Tardean tradition, refers rather 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. Tarde suggests that the line between the individual and society, between internal feelings and external restraints, is not so rigid and arbitrary. [...] 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 neither of pure rationality nor of the opposite (Moscovici 1985: 153). One theoretical implication of crowd semantics is, therefore, that rather than understanding social processes as a result of free will and optimizing decision-making, we should see them as a complex blend and interplay of, on one side, affect, desire and similar features usually associated with the 'irrationality' of crowds, and, on the other side, purposive action. It is this very in-between, the semiconscious state, which the suggestion thesis urges us to analyse. 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 programme which squares with the new economic sociology in taking into account more than strictly rational features. It suggests, in other words, that we see economic life as constituted basically by processes of imitation-suggestion.[15]

Let me add one final comment on suggestion before explicating in more detail some of the implications for economic sociology. 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 nonsubjective' (Foucault 1990: 94). The same is true of hypnotic suggestion which may take place without a hypnotizing subject. Or to be more precise, the hypnotic episode does not necessarily rely on the qualities and intervention of a human hypnotizer, but may find substitutes in images, objects, etc. This is also how Teresa Brennan interprets Le Bon. She argues that, for Le Bon, images (say, democracy, liberty, etc.) often operate as functional equivalents to leaders since they too manage to hypnotize crowds (Brennan 2004: 54; Le Bon 1960: 102–3; Llobera 2003: 97). In other words, people may not only be induced to behave in certain ways by other people. Often their action is suggested by non-human hypnotizers.[16]

This view is supported by recent debates in economic sociology. Knorr Cetina and Bruegger's (2002) study 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. So rather than a hypnotizing subject, we may identify a hypnotizing object, tendency, etc.[17] 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 market. Stäheli offers additional 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* (Neill 1967). 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 becomes "price"' (quoted in Stäheli 2006: 279).

Semiconscious suggestion vs. embeddedness

What implications does the reference to semiconscious suggestion have for economic sociology? Let me, on the one hand, show how this perspective to some extent resembles what is implied by the notion of embeddedness in recent economic sociology and, on the other hand, argue that the semiconscious approach nevertheless points in different directions. Embeddedness has become a key concept in contemporary economic sociology and it 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, specifically his programmatic 1985 article. Here Granovetter asserts 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 to both 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 to what was identified above by the notion of semiconscious suggestion, as this too mediates between actor autonomy and structural determination (see the Rosalind Williams quote). However, this apparent similarity is called into question by another key proponent of the embeddedness approach, 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 (production) markets against the background of Tardean imitation theory, propagated in the USA by particularly Edward A. Ross. According to White, it is a defining feature of production markets that 'actors imitate one another' (1988: 226). However, this is only one side of the story; there is also 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)

Contrary to what White seems to recognize, however, Tarde's imitation theory questions the existence of external social structures that predate and restrain imitative processes. According to Tarde, the structures themselves emerge out of the imitative behaviour and only then acquire a social impact.[18] This means that the notion of semiconscious imitation-suggestion merges the two dimensions that White is looking for, imitation and networks: imitation accounts for the genesis of networks which then enter a complex interplay with the former. So rather than entirely ignoring a structural dimension, as White would have it, the notion of semiconscious imitation-suggestion does include a structural level, but it implies that imitation must always be primary.

The relationship between embeddedness and semiconscious imitation may also be examined from another angle. 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 mingle purposive behaviour and affect, desire, emotions. This is the truly suggestive idea which can be extracted from a reinterpretation of the basic assumption of crowd theory.

But how to analyse and identify this blend? How and where does it appear in economic life? In answering these questions the recent work of Nigel Thrift (2006) is particularly instructive. Thrift diagnoses the present capitalist order and demonstrates that 'a semiconscious process of imitation' has today become widespread (Thrift 2006: 281). This is a consequence, not the least, of capitalism's emphasis on affect which is mobilized, for example, by design, but which is equally discernible when love enters the field of shopping (Miller 1998) or when affect becomes a crucial ingredient in the operations of online markets (Kuwabara 2005). Indeed, Thrift argues, 'it has become clear that affectively binding consumers through their own passions and enthusiasms sells more goods' (2006: 286). This instrumental use of affect not only recalls the basic tenet of the contrarians' speculation strategy where rational investments rely on what is considered irrational aspirations. It also 'necessarily challenges dominant conceptions of what constitutes a market' (Thrift 2006: 290), including that of White, for it points to the semiconscious imitation–suggestion as one of the main factors in the workings of current markets.[19]

In sum, by elaborating the suggestion doctrine of classical crowd theory and applying it to economic life, we gain a perspective on economic processes which emphasizes the notion of semiconscious imitation–suggestion. This allows us to analyse the economy as neither purely rational nor the opposite, but rather as constituted by somnambulistic behaviour where the very will to act in certain ways has itself been suggested by others (or by objects, images, etc.). This theoretical perspective is particularly suited to account for the ways in which passion, affect and desire enter economic life, for it describes behaviour as always merging irrational desires and rational choices.[20] This means that semiconscious behaviour as such is not identical to affect. Rather, as Thrift (2006) has demonstrated, the current capitalist investment in affect signifies a 'real life' economic strategy for bringing together purposive and passionate behaviour in an original form that is neither entirely rational nor irrational. Moreover, the reference to the semiconscious implies that investigations of the economy cannot presuppose stable identities or stable preferences, such as the notion of economic man assumes. We should analyse instead the many ways in which imitation–suggestion in economic life constantly forms and reforms individuality and individual desires. In the same vein, finally, just as crowds create their own structures, however transitory these may be, economic life – particularly in its present capitalist variant – is characterized by rapidly changing forms of semiconscious imitation–suggestion that challenge the idea of stable external structures.

Conclusion

The aim of this article was not to entirely colonize the economy as a sphere for a renewed focus on crowds. Also, 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 need not take up the leading position in sociological thinking, it nevertheless deserves more attention than has generally been devoted to it in the twentieth century. I have argued that the crowd figure affords several 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 classical crowd psychology. This self-description is not only important to study in itself; it may also have a performative or constitutive effect on how markets actually work. The semantics may in other words become a self-fulfilling prophecy in terms of describing actual markets.

On a more analytical level, the article has argued that substantial research in new economic sociology and behavioural finance theory suggest the existence of a crowd syndrome in financial markets. While behavioural finance theory mainly associates this syndrome with situations of extreme fluctuations and irrational exuberance, I claimed that a reinterpretation of classical crowd theory has broader implications. Most importantly, the notion of semiconscious suggestion offers a new perspective on economic life that allows us to see economic action as a blend of irrational and rational behaviour. This notion has certain similarities with what is suggested by embeddedness approaches in new economic sociology. But the references to the semiconscious gives much more credit to affect and emotion in economic life. It also offers a way for economic sociologists to move beyond an unproductive distinction between rationality and irrationality.

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Notes

1 To give just a slight impression of the early sociological impact of crowd semantics, it can be noted that Gabriel Tarde was not only one of the major sociologists at the end of the nineteenth century, but also a leading crowd theorist. More important, however, since Tarde was soon sidetracked, Georg Simmel too was deeply informed by and

familiar with crowd theory and its exponents. This is evident from his reviews of Scipio Sighele, Le Bon and Tarde (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 careful to explain 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 and theoretical discussions of the various early crowd theories, see Barrows (1981), Llobera (2003), McClelland (1989), Moscovici (1985) and van Ginneken (1992).

3 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). A tentative genealogy of the notion of crowds in the twentieth century is presented in Borch (2006a). See also Giner (1976) and Moscovici (1985).

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 solely describing abnormal events (see e.g. Adler and Adler 1984a: 4; Hertz 1998: 18).

5 Neill is not only inspired by Le Bon; he also celebrates Tarde as a key thinker. In Tarde's *Laws of Imitation*, for example, 'You will discover a whole new field for ruminating over the theory of contrary opinion' (Neill 1967: 62).

6 In 1999 Smith published an updated version of the 1981 book *Success and Survival on Wall Street* (Smith 1999). Since this more recent analysis contains the same focus on crowd behaviour as its predecessor, I shall refer only to *The Mind of the Market*.

7 Klausner (1984), too, follows Smelser, and similar more 'rational' approaches (such as the work of Ralph H. Turner and Lewis M. Killian), to explain financial market dynamics.

8 This is not the proper place to engage in a lengthy theoretical discussion of this claim. Suffice it to say that my assertion may be substantiated by pointing either to discursive performativity or, more in line with the present terminology, to how social systems are constituted by semantics (Stäheli 1998).

9 In his fascinating analysis of the transformation from open outcry to electronic trading, Jakob Arnoldi argues that traders often prefer to be 'physically attached' to markets because they 'seem to use information such as noise as a way of making sense of – of framing – the market' (2006: 388–9). The inability in electronic trading to perceive the noise of trading crowds produces uncertainty among traders, Arnoldi argues, and this is the reason why software has been invented that 'simulates sounds of a virtual open outcry floor based on the information from the electronic system' (ibid.: 389). Such software allows physically detached traders to take part in the excitement of crowds.

10 The following examination must necessarily be very brief and I shall focus mainly on the work of Shiller. For more general discussions of behavioural finance, see the papers in Thaler (1993, 2005). The impact of the messy, irrational dimensions is, of course, also recognized in economic sociology. The most notable example is probably Weber's (2002) study of the religious foundation of capitalism. More directly associated with the present discussion is Simmel's classical observation of the economic importance of trust: 'it is not only a money economy, but any economy, that depends on such trust' (Simmel 1990: 179; see also Heinemann 1993). And in a recent study of *Emotions in Finance*, Jocelyn Pixley (2004) persuasively demonstrates that trust and

emotions are intrinsic to economic action. Her argument, which is both theoretical and based on numerous interviews, is that emotions are part of any attempt to handle that uncertainty with which every economic decision is faced. Pixley (ibid.: 18ff.) discusses the work of Shiller but adds to his focus on crowd psychology a more institutional or organizational framework. Behavioural finance theory shares the interest in emotions, but contrary to Pixley's sociological account, emotions are here analysed in economic categories of under- and overreaction (see e.g. Barberis *et al*. 2005).

11 For a discussion of herd behaviour in financial markets that reaches different conclusions than those of Shiller and Banerjee, see Avery and Zemsky (1998), who even examine contrarian behaviour. For critical discussions of Shiller's work, see also the comments by Stanley Fischer and Benjamin M. Friedman in Shiller (1993).

12 Since I am interested here in the broader theoretical implications I shall be mainly concerned with some of Tarde's general proposals and hence ignore in this context his specific analyses of crowd behaviour (Tarde 1892, 1893, 1989). For a general discussion of Tarde's sociology, see Clark (1969).

13 In this sense, the suggestion doctrine pre-empts post-structuralist and constructivist critiques of a constitutive, a-historic subject.

14 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. Berk's attempt to apply game theoretical models to the analysis of crowds (Berk 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, Berk's rational choice model is likely to overcompensate and simply advance the opposite extreme. For a critique of Berk's and others' move towards rational individuals and the following inability to account for group affect, see Brennan (2004: 61–3).

15 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' (ibid.: 193). It should be noted that Tarde in fact developed a grand economic sociology, *Psychologie Économique* (1902). See Williams (1982) and Lazzarato (2002) for two very laudatory (and very different) appraisals of this part of his work. See also Thrift who argues that 'Tarde's analysis in *Psychologie Économique* is [presently] becoming true' (2006: 281).

16 This claim is not as controversial as it may seem. First, one might argue that Simmel has something similar in mind when he claims that 'It is quite erroneous to believe that the significance and intellectual potential of modern life has been transferred from the form of the individual to that of the masses. Rather, it has been transferred to the form of the objects [...] Just as, on the one hand, we have become slaves of the production process, so, on the other, we have become the slaves of the products' (1990: 483). Second, actor-network-theory and science and technology studies have argued that objects too have agency and hence affect the behaviour of humans (see e.g. Latour 2005). In the context of the present discussion of economic life, the analysis by de Laet and Mol (2000) is particularly illustrative. They demonstrate that a tool painted in bright colours has a greater seductive power than darker coloured tools and that the former is therefore more likely to suggest certain modes of action (the tool being used) than the latter. That is, the colour itself has a hypnotizing effect on people.

17 Tarde offers a similar argument when suggesting that modern society is characterized by the fact that it is no longer specific individuals or groups of individuals who are imitated, but cities (Tarde 1962: 225ff.; Borch 2005: 87).
18 This point, which Tarde raised critically against Durkheim, is one of the reasons for Latour's celebration of Tarde's work (Latour 2002, 2005: 13ff.).
19 In a different context, Thrift has argued powerfully that the 'systematic engineering of affect' (2004: 57) can be identified in contemporary political strategies as well. This suggests that the notion of semiconscious suggestion may prove pertinent also to political analyses: that the political too merges rational decisions with irrational desires. See in the same vein Mouffe (2005: 23–4) who emphasizes the pertinence of Canetti and crowd theory for understanding the role of passions in political life. One might also point to Canetti's friend and colleague, Hermann Broch, who developed an interesting political theory which in a very Tardean manner is based on an idea of somnambulistic twilight (see Borch 2006b).
20 The work of Brennan adds an additional layer to this argument, as it stresses the hormonal effects of suggestions (whether these are generated by verbal communication or images). This observation suggests far-reaching research questions that may radicalize what is implied by semiconscious imitation-suggestion. For example, can the hormonal effects assume a contagious nature through which the semiconscious suggestion may be reinforced and further expanded (Brennan 2004: 71–2)? That is, could it be that bodily effects of suggestions themselves buttress and escalate the imitation process?

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