

Economy in Changing Society

Economy in Changing Society:
Consumptions, Markets, Organizations
and Social Policies

Edited by

Maria Nawojczyk

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P U B L I S H I N G

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INTRODUCTION: ECONOMY IN CHANGING SOCIETY

MARIA NAWOJCZYK¹

Economic arrangements are on one hand embedded in social contexts, and on the other instituted through formal and informal rules, conventions of conduct and exchange, systems of politics and regulations. However, the stress on both dimensions has changed in economic sociology over time. In Old Economic Sociology, embeddedness implies that economy is an instituted process, and the level of embeddedness changes through the processes of marketization of the economy, i.e. modernization (Polanyi 1992). On the other hand, according to New Economic Sociology, economy is embedded in ongoing concrete social networks, and the level of embeddedness changes little from one form of society to another (Granovetter 1985). Nevertheless, economic processes are increasingly international in character. Therefore, it is particularly important to focus on both their embedded and instituted nature.

Three interrelated processes are crucial in setting the frame of analysis for this book: globalisation, development of post-industrial societies, and transformation of European post-socialist countries. Within this framework the main issues will be as follows: (1) Economies in transition: reliable patterns, imitation, local adaptation, cultural embeddedness; (2) Multiplicity of markets: commodification of life, new markets in old societies; (3) Economic behavior: households, micro-enterprises, local and global influences; (4) Contemporary politics i.e. states, the European Union and global corporations. The stress will be placed on actors, relations and institutions as the driving forces of the above described processes.

The concept of economic globalisation refers, in general terms, to the problem of how the exchange of goods, information, labor, money and images comes to operate on an increasingly international scale. The sociological debate over globalisation asks the questions: what these shifts entail for the organization of social and political power, how embedded

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they are in local contexts, and whether these processes can be controlled or resisted (Tonkiss 2006, X). From this perspective corporations are important actors in global economy—because they operate above the level of nation state, a significant part of decision making competences are removed from the rules of public inspection and justification, thus become disintegrated from the local political systems and are not subject to principles of parliamentary democracy anymore (Beck 1997). Therefore, Ulrich Beck considers consumer votes as nothing less than a tool of power (1997). Since companies are in fact obliged to cooperate with consumer power in organized consumer behavior, a social movement (which can become the counterpoint of the global capital) constantly evades social responsibility, and social corporate responsibility becomes a new research field within the analysis of globalization processes. In some analyses the corporations can be considered as citizens; citizens that are organizational in nature and embodied by their organizational entity. Therefore, the notion that in a globalized world economic actors operate in a plurality of spaces economically, juristically, ecologically, culturally is becoming ever more relevant for corporations, which are seen as crucial actors in global governance frameworks (Keohane 2008; Zadek 2008).

Corporations position themselves in the broader social networks as citizens with rights and duties in the civic, social and political domain as well as regarding economic, ecological and cultural issues in order to ensure both the legality and legitimacy of their business practices (Leisinger 2007). This brings us back to the relationship between market economy and morality which has occupied social scientists since the days of Adam Smith and Emile Durkheim. However, because the relationship of morality and the market have never been a central topic for New Economic Sociology, the moral economy is still quite a vague concept that on the one hand is comprised of concrete norms and values like justice, responsibility and equality but on the other extends to “conceptions of the good” (Sayer 2000, see “Can the Market be Moral?” 2004). On the other hand we can observe that the modern market is shifting from a mainly economic space to an area of political and moral action, a tool of regulation and social participation. New social movements, internet activism and international networks all offer new possibilities for involvement (Inglehart 1997, Norris 2002). These are the features of the process of becoming a post-industrial society. I am not going to discuss the notion of post-industrial society in detail (see e.g. Bell 1999) or the criticisms of this concept (see e.g. Theobald 1994). I would like, however, to highlight the issues connected with social transition from industrial to post-industrial society which will be covered by the chapters of this book.

Moving away from classical analysis of change to a new type of society based on the transition from manufacturing to services, and the intensification of knowledge across the spheres of work, research and innovation (Bell 1999) toward the more recent ideas regarding the role of symbolic goods in contemporary economies, I would like to point to the notion of reflexivity as a reference point to many fruitful analyses (Lash and Urry 1994). According to Scott Lash and John Urry, we are facing the process of reflexive accumulation in economic life (1994, 5). This process is reflected in economic practices in three dimensions: the function of reflexive knowledge in production; reflexive modes of consumption; and the role of non-material goods. In the new type of society, consumption moved away from the satisfaction of specific needs. Production is no longer aimed at manufacturing goods but at creating signs and images. Instead of objects, consumers were supplied with ideas, images and symbols.

Reflexive consumption is based upon customized consumer patterns, niche marketing and product diversity. Aesthetic reflexivity is particularly important in this context, as symbolic or cultural codes determine consumer choices. As consumption logic dominates over production logic, symbolic goods are placed in the center of economic activity as, for example, trademark, which accumulated additional functions from sign of authorship to proper quality to product and social distinctions. New social phenomena emerged considering non-material goods piracy and counterfeiting. Piracy breaks copyrights while counterfeiting infringes registered trademark owners' rights. Copyrights are the rights given to authors of creative works, such as movies, music, software and written works. Trademarks are used by producers to distinguish their products from competing products. Nowadays not only entrepreneurs but also whole nations (particularly economies in transition) are involved in the production and realization of counterfeiting.

The sociology of consumption previously criticised consumption on the grounds of over consumption or conspicuous consumption (Bauman 2004), but today consumption is an integral part of modern life. Links between consumption choices and the formation of individual identities are intensified. Consumption becomes a matter of ethical choices—ethical consumption is a manifest of reflexive consumption. As a social movement, ethical consumerism can also effect political culture and play an important role in public policy aimed at sustainable development. The rationality of consumption is seen to be inherent in the pattern of interaction that takes place within and between networks. Therefore, the rationality of consumption must be broadened by formulating such interaction more

substantively, by drawing for example on Max Weber's (1978) notion of substantive rationality or what Karl Polanyi (1992) called the substantive meaning of the economic.

One of the most influential syntheses of a theoretical program combined with the range of concrete studies of consumption practices came from Pierre Bourdieu. He introduced the ideas of cultural and social capital into the analysis of consumption (Bourdieu 1984). His concept of habitus links institutions with culture because culture is that particular aspect of reality which defines the image of the world and the relations of particular actors towards its substantive elements. Thus, his ideas can be employed to the analysis of reflexive consumption as well as reflexive production. Bourdieu argues that the field of cultural production is shaped by two kinds of logic: the logic of the market (characteristic for the field of economic power) and the "logic of art for art's sake" (characteristic for some types of art). Individuals who follow the logic of market aim at financial rewards—high levels of financial capital, which are the results of high sales, are a measure of success. Those for whom the principle of "art for art's sake" is more important tend to look for symbolic capital recognition (e.g. from critics, other artists) and "brand loyalty" (Bourdieu 2005).

Reflexive production, in the conception of Lash and Urry, operates on two levels: aesthetic reflexivity which refers to the processing of symbolic content (here lies the common ground with Bourdieu's ideas) and cognitive reflexivity which refers to the processing of information (1994). Cognitive reflexivity is central to the technical organization of production and the regulation of work. Such cognitive labor is undertaken by both human and non-human actors, reproduced through research, design and technical expertise, and programmed into advanced manufacturing technologies (Tonkiss 2006, 113). Because of this, the ideas of reflexive work first refer to fairly advanced levels of technology and expertise but also influence more ordinary workplace settings, and the notion of life-long learning is therefore underlined in the concept of the post-industrial society. Social support for life-long learning and better health by improved means of working conditions, and the combating of popular negative stereotypes about different minority and marginalized groups of workers, should also help to promote labor force participation. However, these factors depend also on general economic development and on other issues such as: (1) cultural norms; (2) prejudices; (3) expectations; (4) individual factors like the meaning of work and leisure; (5) family responsibilities; (6) life choices within couples living together; (7) available income. These factors are particularly important for economies in transition.

Post-socialist countries have joined capitalist countries at a time when socio-economic changes have led to the formation of a flexible, global and competitive job market, a time often referred to as the “disorganised phase of capitalism” (Lash and Urry 1994). According to common post-socialist theories (Dahrendorf 1991, Nee 1989), transition can be described as a process that brings changes of institutions, economics and political systems from the socialist stage to the democratic. Following this approach, everyday life, attitudes and behavior should be regarded as a consequence of institutional transitional reforms. The clash between rapid changes in political and economic systems and changes of informal social institutions has occurred. This took place because the fall of socialism in 1989–1990 led to the end of the Central Eastern European communist economies and to the emergence of transition economies where these rapid economic institutional changes occurred.

However, post-socialist transition does not proceed in a vacuum, consisting of the replacement of one reality with another. It is a highly complex process that reformulates existing structures and creates new ones (King and Szelenyi 2005). Surprisingly, few new articles and chapters appearing within the field of economic sociology deal with the empirical process of the development and the shaping of new market agents within post-socialist conditions (see Brinton and Nee 2001; Granovetter and Swedberg 2001; Nee and Swedberg 2005). Instead, many articles, books and collections assume: (a) that market participants are somehow already ‘embedded’ in social and market structures, and as such ultimately shaped as market actors; and (b) that we deal with “mature entrepreneurs” who know all the (formal and informal) rules of market competition. Here the ideas of Bourdieu, who wrote: “the appearance of a new, effective agent modifies the structure of the field. Similarly adoption of a new technology or the acquisition of a greater market share modifies the relative positions and field of all species of capital held by the other firms” (Bourdieu 2005, 80), are a very good point of reference.

In this collection we present a large number of chapters devoted to actors of the transition in Central and Eastern Europe and we would like to point out to what extent our analyses can draw from the concepts present in economic sociology, as well as what we can add to them on the basis of our research findings. Taking into account the above presented conceptual approach to economy in changing society, the book has been divided into four parts, dealing respectively with consumption, markets, organizations, and social policies.

Part One, “Toward postmodern consumption?”, is devoted to the issues which in particular highlight the relationship between economic behavior

and cultural norms. One of these issues, which attracts growing scholarly interest, is ethical consumption. Sebastian Koos, in Chapter One, understands it as the buying or not buying of goods, for ethical, political or environmental reasons. He analyzes this kind of consumption from the perspective of moral economy. After presenting hypotheses on individual and national differences in ethical consumer behaviour he introduces the empirical strategy and tests hypotheses for a cross section of 19 European countries, using multilevel analysis. On the individual level he finds that especially education and values related to environmental care provide important explanations for ethical buying or boycotting behaviour. The micro results mostly confirm the hypotheses, but reveal some additional interesting phenomena. First, education seems to have a stronger influence than class on the probability to consume ethically. The value dimensions reveal a strong environmental frame in ethical consumption. Finally, while boycotting is clearly connected to distrust in political institutions, this is not the case for ethical buying. Nevertheless, both ethical buying and boycotting are positively linked to political interests. Differences in ethical consumption at the national level of can, to a large degree, be explained by the affluence of respective countries. Overall, it seems to be common to buy products for ethical, political or environmental reasons in the Scandinavian countries and Switzerland, whereas in Southern and Eastern Europe only a relatively small number of people report such an action. In Chapter Two, Emese Gulyas also addresses the problem of ethical consumption, but from the perspective of political consumption, as a form of social governance, examining its relevance as a way of public participation. She tries to find an answer to the question of whether the spread of ethical consumption should be imagined at the demise of classical political institutions, or as complementary to them. Ethical consumers take part in solving social problems by using market and consumer power as social adjustment mechanisms. The author concentrates on the local case of political consumption in Hungary. According to Gulyas, ethical consumers are more likely to assign importance to parliamentary election participation; nevertheless they are less likely to consider it as an efficient means for expressing opinions and representing interests. Her study is primarily based on data describing Hungarian political participatory culture, as well as an attitude survey of a representative sample. In choosing products, besides the price–value balance, the majority of the population would consider patriotism, environmental protection, fair employment, and consumer information to be important. In Hungary, over the past 15 years, willingness to join boycotts has slowly increased to 15–17% of the population.

The following two chapters in the first part deal with problems well described in the literature but bring them into a new cultural context. In Chapter Three, Masudur Rahman returns to the discussion about culturally embedded consumption, based on his study in Bangladesh. He pointed out that marginalists, with a nonembedded approach to the analysis of consumption, assume that individuals maximize economic utility with preferences that are independent of other people, social values, and of time. They maintain that the same concept of rationality applies to all societies, in temporal and spatial settings. They cannot capture a large number of choices and preferences that greatly depend on interaction with others, and that consumption goals include non-economic utility and future goals. Rahman poses a question of how social networks set goals of consumption, both at present and in the future. He focuses on various elite sub-groups in Bangladesh. Using data derived from observation and oral testimony, the author relates various aspects of luxury consumption to network norms. His findings suggest that consumption is an interactive process, expressed in individual efforts to meet network obligations. In the wider social arena, through repeated interaction, the objective structures of elite culture are developed in the form of probabilities of social domination through creation of identity, achievement of status, recognition, and competition for access to resources and power. A complex mix of network norms and cultural values sets consumption goals as immediate and ultimate. The rationality of such consumption behaviour goes beyond formal rationality in economics. It must be understood in terms of substantive rationality. In Chapter Four, Zoya Kotelnikova focuses on producers' dependency of sign-production on the Russian market. She stresses that the product no longer indicates workmanship and skills—the brand, trademark, rather than the physical product is important. Trademark has become a focus for social community formation. She applies the concept “counterfeiting” and lists some reasons for its market expansion. According to her, market for fakes falls into two categories. The first implies that consumers, unknowingly, buy counterfeited goods; they are deceived with product originality. The second implies that consumers know that they are buying counterfeited goods—the consumer is a collaborator of counterfeiters. Such counterfeited goods include: unauthorized introduction of original products into the commercial turnover; pirated goods; fashion goods; imitations; fakes of high quality; fakes which are not dangerous to consumers' health. Kotelnikova presents research findings on the counterfeited goods problem in Russia and indicates how owners of registered trademarks support the distribution of counterfeited goods. She shows that Russia is a country of counterfeit

consumption but not production—in Russia social attitudes to intellectual property rights protection have changed and people have begun to understand its significance and importance. However, she points out that removal of counterfeiting from the Russian markets directly depends on its victims and how active the owners of registered trademarks are going to be in protection of their intellectual property rights.

In Part Two, “Dynamics of markets,” a picture of individual and collective actors of economies in transition has been drawn. Barbara Gąciarz and Włodzimierz Pańków, in Chapter Five, discuss a sequence of actions and processes, which during the last 10 years has led to the current state of the labor market in Poland, characterized by a growing disproportion between supply and demand of a qualified labor force. They address the key problems from an institutional perspective and on a level of national economy. They propose some explanations for this specific situation and pay special attention to its predictable consequences which in the future may cause barriers for further development of the national economy and for the country’s general progress of civilization, despite the high inflow of FDI (including those which come from international corporations), and considerable financial means gained from EU funding. The economy in transition in Poland, according to Gąciarz and Pańków, can be divided into new and old. New economy, unlike the old, was and still is a zone in which trade unions do not operate (in many cases due to an intentional counteracts of owners). The greater the share of new enterprises in the whole structure of the Polish economy, the stronger the pressure grows on de-regulation and de-institutionalization of industrial relations. As many studies show, the biggest nationwide trade unions, Solidarity and the OPZZ (The All Poland Alliance of Trade Unions), were “prisoners” of their own traditions. A lack of consistency in trade union activities and their hidden conformism towards political elites contribute to a gradual fall of their societal influence and authority. In Chapter Six, Maria Nawojczyk analyses a new sector of Polish economy, micro-entrepreneurship, from a sociological point of view. Based on her field research among micro and small entrepreneurs in two cities in Poland she draws a picture of emerging entrepreneurial society in a post-socialist country. She also discusses the problem to what extent the models of entrepreneurship, developed in stable capitalistic economies, can be applied to the study of this phenomenon in economies in transition. In Chapter Seven, Drago Cengic argues that the process of making of new market actors in the post-socialist context is very complex, demanding a long time period. The case he presents in this chapter, of Kutjevo winemakers in Croatia, proves that the production and “self-production” of

new (mostly small and medium) entrepreneurs is intermingled with the multidimensional behaviour and attitudes of all involved stakeholders from local and central administration, the winemakers themselves to experts and foreign competitors. The following issues are especially elaborated in this chapter: pre-market habitus, entrepreneurial transformation and market behaviour; market and its behavior; economic interest and the embeddedness policy within the local community; culture, habitus and the question of mutual cooperation. He concludes with the thesis that the market future of Kutjevo winemakers is mostly dependent on their future economic growth, the quality of their wines and new forms of self-organizing and mutual cooperation.

As the above presented three chapters of this part are concerned mostly with the problem of adjustment to market economy in post-socialist countries, the last analyzes the emergence of completely new actors in economies in transition. Partyk Gałuszka, in Chapter Eight, deals with netlabels—virtual record labels that distribute music primarily through digital audio formats (mainly MP3 or Ogg Vorbis) over the internet. Netlabels are different from traditional record companies, as most of them distribute music for free, often under licenses that encourage works to be shared (e.g. Creative Commons licenses), while artists usually retain copyright. He compares netlabels with regular record labels and do-it-yourself micro-independent record labels, which have been described in the literature. Gałuszka argues that, while some netlabels try to employ some elements of traditional business attitudes of the “regular” record companies, other follow the do-it-yourself ideology and try to operate in non-market ways. His analysis is based on two case studies of Polish netlabels and general discussion of relationship between the net-audio movement, listeners, artists and the music business.

Organizations are independent agents in economy as well as being the embodiment of managers as the most influential group within organizations. Their mutual relationship in structural and cultural contexts is a main thread of Part Three: “Economic organizations in transition.” In Chapter Nine, Ingo Stolz makes an assessment of the degree to which corporations have the organizational skills necessary to position themselves as corporate citizens within their societal environment. Therefore, like individual citizens, corporations need the skills that enable them to act in their broader societal environment in a participatory, active and reflective way. These skills also include the capability for nurturing, developing and framing the internal creation, evaluation and verification of corporate citizenship practices. Thus, the processes of the internal creation, evaluation, and verification of citizenship practices seem considerably less

developed in comparison to the skills of managing external accountability issues, such as those required by law. On the corporate level, not having these organizational skills could have financial implications, consequences for work performance and effects on organizational sustainability and organizational functioning. On the societal level, he argues that only corporations with the appropriate internal skills show the ability to define their new role within society. In Chapter Ten, Raimo Blom and Harri Melin, based on their studies of Russian managers, verify their hypothesis about social capital, networks and trust in managerial practices. They argue that theoretical concepts, like “hybrid capitalism,” “nomenklatura capitalism” or “industrial feudalism” are only partially valid in a description of Russian society and therefore need modification. The authors start by stressing the significance of social capital and trust in the context of managerial practices. This leads them to the questions of informal relations and norms, and also to the significance of old practices and changes in the moral code. As they point out, the main reasons behind these kinds of practices are an insecure environment, the shadow economy and corruption. Trust is a precondition for the new upheaval of Russian manufacturing industries. In their opinion, without a serious “injection” of social capital in the Russian economy, without the restoration of trust between businessmen in social institutions, and the introduction of the Russian Federation into the WTO, the managerial practices will hamper economic development. Beata Chorągwicka and Barbara Janta show in Chapter Eleven to what extent the supranational institutions could influence the organizational outcome. They first focus on the EU Human Capital Funds that became available to new member states upon EU accession. They present the opportunities that Human Capital funds create for Small and Medium sized Enterprises (SMEs) in accession countries (“Eastern Enlargement”), and analyze the real and potential impact of the EU funds on SMEs in Poland. In this way, they present the topic from the wider European perspective and afterwards focus on the Polish case. Next, they explain the role and importance of economic utility estimations in SMEs and then they present the data and equations needed to carry out those estimations and finally apply the presented equations to a case of training program in a Polish SME. However, all calculations can be easily applied to data produced at any enterprise and in any country, so the scope of the analysis in this part of the chapter starts with a national angle and later moves towards a more global perspective.

The two remaining chapters of this part are anthropological studies of cultural embeddedness and very much empirically oriented. The main aim of Jarosław Królewski in Chapter Twelve is to show how Poles fare in the

Scottish labor market, a culture new to them, determining a specific company organization style, as well as to show the specific cultural situation, the certain changes in Polish emigrants' behavior and their attitude to work; and finally to show the basic factors that could be observed when studying national cultures and relations governing their job markets. The analysis is based on 28 in-depth interviews conducted among Polish migrants in Scotland. As a point of reference the author uses Geert Hofstede's four dimensional model of cultural differences on the individual, organizational and national level. The influence of national culture on relations within a company as well as on the entrepreneur's attitudes is analyzed by Maria Stojkow in Chapter Thirteen. In an attempt to reconstruct the way small trade companies function in Damascus, Syria, she concentrates on the analysis of Islamic mentality and presents her research findings from among the small business owners in Damascus since 2005–2007. As an area of special interest, she scrutinizes the tendency of entrepreneurs to display innovative behavior or the lack of it. She also pays attention to such elements as the analysis of classical Arab thought, particularly Islamic, regarding the question of economy and labor.

There are sensitive issues of social policy to which Part Four, "Changing economies and social policies," is devoted. The first issue of retirement policy, a current subject of discussion in the EU, is covered over two chapters. Alberto Veira and Jesus Sanchez follow the trends of early retirement in Chapter Fourteen. From their analysis it is clear that legal systems and established patterns of interaction between social partners, specific to each country, operating at national and company level, are major forces which have a great impact on retirement practices and are currently playing a decisive role in favor of greater divergence. Thus, collective agreements regarding early retirement between workers, governments and firms, do not lead to the same outcomes in each country. The authors mostly focus on Spain but place their findings in the European context. Compared to Scandinavian and English speaking countries, Spain is in a very disadvantageous position, since the percentage of Spanish men and women from 55 to 64 years of age remaining in employment is significantly lower than in those countries. A characteristic feature for Spain is that smaller firms tend to employ higher percentages of older senior workers than larger ones, especially those aged 60 to 64. Opinions, preferences and attitudes towards retirement in Polish society are the subject of Chapter Fifteen, written by Jolanta Perek-Białas and Małgorzata Rószkiewicz. In Poland, the pension reform was introduced in 1999 and has since been a topic present in mainstream public debate and seems interesting to analyze from the perspective of a combination of economics

and sociology. The authors examine saving for old age and its relevant position among other needs. It seems that this need does not yet play a significant role with relation to attitude and decision about (early) retirement. Therefore, there is still an open question as to how workers in Poland could be convinced that early retirement with insufficient savings for old age will not allow them to achieve their optimistic expectations of living a good life in retirement, expressed in surveys and presented in this chapter. Another sensitive issue, particularly in post-socialist countries, is the commercialization of health services. Elena Berdysheva, in Chapter Sixteen, refers to many recent studies regarding out-of-pocket payments which are widely distributed in medical systems in the countries of Eastern Europe, modern Russia not being an exception. In this situation, doctors are to a great extent free in making decisions about price. Thus, in the case of informal commercial services of public dentistry, she makes a relevant example for studying principles observed by price makers when setting prices. Since medicine became more market oriented the doctor patient relationships have gained some new features. According to Berdysheva, Russian doctors have lost complete power over patients as their profit now depends on money paid by them. Patients, on the contrary, have obtained the advantage to act as consumers of medical services. The mutual positions of doctor and patient have become much more equal than they were before. The main purpose of Berdysheva's research was to identify and to explore principles observed by dentists while defining the size of out-of-pocket payments for each patient. She explains how doctors manage prices in order to make up for their costs and to increase their profit or how pricing is driven by values, norms, traditions, social attitudes the level of personification of doctor patient relationships, the previous experience of treatment provided by this doctor, social status of a patient may cause the variation of prices for informal dental services.

One of the effects of systemic transition in post-socialist countries is the emergence of the property market. Chapter Seventeen, by Katarzyna Królikowska, discusses homeownership as an economic institution and its social perception within transitional societies. The ownership of a property, as the key phenomenon, should be regarded not only in relation to its strict economic function, but its broader social connotations. The main thesis of the chapter is that the current ongoing changes of ownership relations in various post-socialist transition countries lead to an identical outcome: the emergence of widespread low-cost homeownership and to creation and preservation of specific attitudes to that ownership. The scope of her analysis is international and includes changes in the housing market of Central Eastern European countries during the time of transition.

Institutional and social changes in the transition period, as she points out, leads to the emergence of cheap low cost homeownership, not only in economic terms. Her research findings show that cheap ownership also influences social perception—the discount prices paid for ownership of the dwellings do not help the appreciation of the real value of the property. Therefore, people do not consider their dwelling as a marketable commodity and the relatively high levels of homeownership do not constitute real economic wealth.

To sum up these introductory remarks, in my opinion the authors of this collection analyze, based on their empirical material, very interesting socio-economic issues. These are: ethical consumption from the perspective of the moral economy and its connection to political institutions in Europe (and particularly in Hungary); the cultural context of consumption, both in the case of social networks in Bangladesh and of counterfeited goods on the Russian market; the new and old, individual and organizational actors in transition economies, for instance in Poland and Croatia; the new approach to corporations as global actors, stressing their social responsibility; the dynamics of managerial practices in the example of Russia; the influence of EU funds and policies on the Polish SMEs market; the cultural embeddedness of economic behavior, in the case of Poles working in the Scottish market and of entrepreneurs in Damascus; the retirement policy in the fast aging societies of Spain and Poland; and the emergence of the new markets, like that of health services, in Russia and that of the property market in Eastern and Central Europe.

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PART I

TOWARD POSTMODERN CONSUMPTION?

CHAPTER ONE

EXPLAINING ETHICAL CONSUMPTION BEHAVIOUR IN EUROPE: A COMPARATIVE ANALYSIS

SEBASTIAN KOOS¹

Introduction

The relationship between the market-economy and morality has occupied social scientists since the days of Adam Smith and Emile Durkheim. While heated debates revolve around the issue of civilizing versus destructive effects of market economies on the moral order (Hirschman 1982), economic sociology posits a rather feeble connection between both (Fourcade and Healy 2007), starting from the assumption that economic action and markets in general are embedded in specific social contexts and structures. Hence, the relationship of morality to the market has never been a central topic for New Economic Sociology. Nevertheless, public concern and even outrage, as well as political action, have always targeted the economic system (Friedman 1999; Thompson 1971; Vogel 2004). Recent authors even proclaim a “moralization of the markets” (Stehr, Henning and Weiler 2006), meaning that producers and consumers as the main actors on markets increasingly acknowledge the moral embeddedness of economic exchange. Indeed, the sale of fair trade products and of organic food has increased enormously in Europe over the last 10 years (Krier 2005; Willer and Yussefi 2007). Labelling schemes for both kinds of products have emerged and, in their diversity and magnitude, can now hardly be overlooked. Furthermore, over the last 20 years consumers have increasingly boycotted products which do not meet certain ethical standards (Stolle, Hooghe and Micheletti 2005).

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In this chapter I will investigate the phenomenon of ethical consumption, which has so far been mainly the concern of political scientists (Lamla 2006; Micheletti 2003; Micheletti, Follesdal and Stolle 2004b) and business ethicists (Koslowski and Priddat 2006), and attempt an empirical approach to the determinants of ethical consumption practices in Europe. Ethical consumption is understood as the buying (or not buying) of goods, for ethical, political or environmental reasons. Economic Sociology, by taking a sociological perspective on economic phenomenon, tends to focus more on the side of production and neglects or even ignores consumption (Zelizer 2005; Zukin and Maguire 2004). Thus ethical consumption has not been systematically analyzed in the sociology of consumption. The consumer has gained enormous power in the last century, with mass production allowing for mass consumption and a shift towards buyer markets. Sociology of consumption tends to criticise consumption on the grounds of over, or conspicuous, consumption (Veblen 1949). Contrary to this, ethical consumption acknowledges consumption as an integral part of modern life, and sets out to create a specific form of buying and using resources in a considerate way with regard to sustainability and human rights.

This kind of consumption is analyzed from the perspective of the moral economy. In the next section I present a brief theoretical background, developing a concept of a moral economy of consumption. After presenting some hypotheses on individual and country differences in ethical consumer behaviour I introduce the empirical strategy and test hypotheses for a cross section of 19 European countries using multilevel analysis. On the individual level I find that education and values concerned with environmental care are especially important explanations for ethical buying or boycotting behaviour. Country level differences in ethical consumption can to a large degree be explained by the affluence of countries. After the discussion of the results a summary concludes the chapter.

Theoretical Background

The classical approach to explaining consumption is the economic or rational choice theory. Why Consumers adopt ethical reasons in their decision to buy is not explainable within the boundaries of standard economics (Hedtke 2001, 34; Schoenheit 2007, 217). First, I will briefly lay out the core assumptions of a narrow rational choice theory and then suggest an alternative approach based on moral values. Following this I will present the hypotheses to be tested in the empirical part of the chapter.

Rationality and the Moral Economy of Consumption

The narrow model of rational choice theory is built mainly on the assumption that subjects are fully informed and able to choose among alternatives that are structured by objective tangible constraints, so to maximise their utility for given self-interested preferences (Opp 1999, 174). This understanding of action is not sufficient to explain the buying of products that are more expensive, but not necessarily of higher quality than average products, which is the case for fair trade or organic products. A heuristic is needed that incorporates moral values, and therefore I turn to the moral economy approach.

The notion of the moral economy was first introduced by Edward P. Thompson (1971) in his classic study on English villagers. Thompson used the term to explain food riots, which were not merely “riots of the belly,” but turbulence due to violations of the norm of “fair price.” Recently this notion has been taken up by political economists to constitute a Cultural Political Economy (Arnold 2001; Booth 1994; Sayer 2000). They perceive moral economy as the study of “how economic activities of all kinds are influenced and structured by moral dispositions and norms, and how in turn those norms may be compromised, overridden or reinforced by economic pressures” (Sayer 2006, 78). Moral Economy can be seen both as a mode of inquiry and as an object of study, and here I set out to consider it as the object of study—the moral economy of consumption. The moral economy is still a vague concept that on the one hand is comprised of concrete norms and values like justice, responsibility and equality, but on the other is extended to “conceptions of the good” (Sayer 2000, 79), and in this regard could be extended to incorporate concern for the environment. The terms moral and ethical here are used interchangeably—they signify “norms, values and dispositions regarding behaviour that effects others, and they imply certain conceptions of the good” (Sayer 2006, 79). The concept of the moral economy indicates the existence of collectively shared beliefs about the “good economy,” beliefs which transcend economic action, rendering it meaningful in different ways. This does not mean that economic action is irrational but rather that there are different “forms” of rationality that have to be taken into account. “It must not be forgotten that one can in fact ‘rationalize’ life from a vast variety of ultimate vantage points. Moreover, one can do so in very different directions” (Weber 2002, 37). One direction often overlooked is the orientation towards the “common good.”

Hypothesis

In the following section, I will first introduce hypotheses for the macro-level and then discuss micro-level predictions. As Andersen and Tobiasen note, in the consideration of belief regarding political consumption: “the most relevant questions belong to the macro level” (Andersen and Tobiasen 2004, 205). In contrast with most other studies on political consumption (Andersen and Tobiasen 2004; Shaw 2005; Stolle and Micheletti 2005; Worcester and Dawkins 2005), I use cross sectional data, allowing the testing of macro level explanations.² In the literature on morality, markets and political consumption, four different explanatory causes on the macro level can be distinguished. These are the influence of affluence, knowledgeability, globalisation and availability of ethical products (Lamla 2006; Micheletti, Follesdal, and Stolle 2004b; Stehr 2007; Stehr, Henning, and Weiler 2006).

The economic wealth or affluence of societies can be regarded as one of the main causes of ethical consumption. Affluence reflects the availability of resources for a given entity—if a society is characterised by scarcity then choice between different options in consumption would not be possible. Hence with increasing affluence the opportunity structure of a society changes and allows for ethical consumption. In less affluent societies where consumers are more concerned with product availability and price, the market would have less room for ethical concerns, and other forms of exchange would have to be considered in regard to a moral economy (Booth 1994; Polanyi 1992).

The globalisation argument is put forward by Beck (1997, 2000) and taken up by most of the writers on political consumption. They assume that the process of economic globalisation is creating a situation of “global ungovernability” (Micheletti, Follesdal, and Stolle 2004a, xii), that the spread and growth of multinational corporations in recent decades renders national politics less powerful. Hence with increasing globalisation people expect their government to lose power and it follows that voting in the classic sense of political participation loses its impact. People living in countries that are highly globalised tend to be ethical consumers more often than people in less globalised countries. “Just as globalization squeezes orthodox avenues for politics, through the state and organized

² For an exception to this see the paper by Stolle, Hooghe et al. (2005), who have data for three countries and the working paper by Ferrer and Fraile (2006) who work with the same data used here (European Social Survey 2002/2003) but do not consider macro variables.

labor so new ones are being prized open, in consumer power” (Scammell 2000, 352).

A second factor quite closely linked to globalisation is knowledgeability. This factor is introduced by Nico Stehr (2007) and denotes the key importance of knowledge in modern societies. Stehr defines knowledgeability as the “ability for social action,” it is “the potential to set something in motion” (Stehr 2007, 248). This remains a somewhat open definition, but gains clarity with the remark that “knowledge only performs an active function in that kind of societal action procedures, where action does not follow stereotype patterns or is regulated otherwise ... but where there is leeway for decisions” (Ibid., 250f). Hence ethical consumption can be regarded as creative action that requires some kind of knowledge, like a basic understanding of market principles or the potential negative consequences of market outcomes, and certain degrees of freedom to be put into motion.

Lastly, a fourth factor will be introduced that is based on a “supply side” argument—to actually buy ethically, products that have special qualities must be available. Thus, the amount of shops there are to buy ethical products from is important, and the supply of these products within countries might be an effective explanation for ethical buying. This is not the case for boycott action. These macro explanations for differences in ethical consumption might also alter the effect of micro explanations of ethical consumption, thus I will also look at how macro effects constitute an opportunity structure for micro level effects.

Turning to explanations on the micro-level, I will first introduce hypotheses for the standard socio-economic factors, before examining hypotheses regarding personal values. After considering the political dimension of ethical consumption, I conclude with hypotheses regarding the religious dimension. Since ethical consumption is expensive, in accordance with a rational choice theory I expect that people with a high income are more inclined to buy ethically. Taking class as a proxy for income, people with a higher class position will have a higher probability of buying ethical products, than people with lower class status. Since boycotts are not cost intensive I do not expect a relationship with class here.³ Education, and as a result knowledge, is expected to be of critical relevance for boycotting or ethical buying. People with higher education are expected to be better informed and have a greater understanding of the complex interplay in economic processes and their consequences. Age is not expected to alter the probability of ethical consumption by itself,

³ However class position does reflect much more than economic wealth.

however it is expected that the probability increases to a certain degree with age, since people have more resources, and decrease at a certain age, because older people may not be aware of opportunities—hence I expect an inverted U-shaped curve. In the literature on political consumption Micheletti et al. generally suggest a stronger probability for women to use this method of political participation, because other options have historically been restricted (Micheletti 2004). However, as Zukin and Maguire (2004) note, in general there has always been a gender gap in consumption. Therefore, even if there is a pluralisation of ways of living, women are still expected to have a higher probability of ethical consumption. Another determinant of ethical consumption is availability of such products, as mentioned above. Since Fair Trade shops and organic supermarkets are most often located in cities I controlled for differences between urban and rural areas, expecting city dwellers to have a higher probability for ethical buying, but not necessarily a higher propensity on boycotting.

Next, I introduce the notion of personal values or preferences. Following theory, strict Rational Choice models are expected to be insufficient to explain ethical consumption. Personal values directed towards others or the “common good” are strong motivators to boycott or buy ethically. Hence I expect that people with a strong conviction in solidarity with other human beings or a high preference to care for nature will have a higher probability for ethical consumption, and people with a strong materialistic identity will not engage in ethical consumption. Another predictor is the amount of generalized trust, one dimension of social capital—people who generally trust others are expected to be ethical consumers because they would also trust in other people to act in an ethical way. Therefore generalized trust can be regarded as a measure of reciprocity.

Lastly, I introduce some hypotheses stemming from the literature on political consumption (Micheletti 2003; Stolle and Hooghe 2004) to account for the political dimension of ethical consumption. These considerations reflect notions of sub-politics and risk society put forward by Beck (1992; 1997; 2000). If ethical consumption is a political act, respondents interested in politics should show a stronger probability for ethical consumption than people with little interest in politics (Andersen and Tobiassen 2004). Another claim argues that political consumers are “frustrated citizens, who are fed up with national institutions” (Stolle, Hooghe and Micheletti 2005, 253). Hence citizens that do not trust national political institutions are expected to show a higher degree of political consumption. This has been empirically tested by Stolle, Hooghe