

***Accountability, Adam Smith and Policy Choice  
In World Financial Markets***

***Melvin J Dubnick  
Professor of Political Science  
University of New Hampshire, US***

***Prepared for Presentation at  
WEF/ESRC Workshop on  
Incentives and Governance in Global Finance  
July 18-20, 2008  
Radcliff House, University of Warwick***

There is a common theme implied in many of the current efforts to reform world financial markets: the desire – often viewed as a necessity – to make the corporate actors involved in that arena *accountable*. It's an objective all seem to agree on, but one that few bother to reflect upon. In this paper I attempt such a reflection and follow the core question (i.e., “Why do we seek greater accountability?”) wherever it leads.

Why do we desire/need/seek accountability in today's globalized financial markets? The initial response is, of course, that the markets are in turmoil. The details need not be replayed here, for as of this writing the problems of the financial sector are typically “above the fold” news stories in the popular and business press.<sup>1</sup> But those facts, as disturbing as they are, merely beg the question rather than respond to it. We are still left with the quandary: why accountability and why more of it? What is it about accountability that attracts us to it as a – perhaps THE – remedy to the ills of global financial markets?

More puzzling still, why do we seek out a solution that literally lacks any specific form? The term itself eludes definition (Mulgan 2000), and is more often a broad, all-encompassing synonym for a family of concepts including (but certainly not limited to) responsibility, answerability, liability, fidelity, etc. (Dubnick 1998, 2002). An attempt to define it operationally by focusing on “accountability mechanisms” also proves frustrating given the concept's polymorphic nature. Which mechanisms should we consider? Record-keeping or reporting? Standard operating procedures or close supervision? Ethical codes or panoptic surveillance? Control of inputs or measurement of performance? Intermittent oversight or regular audits?

As if the situation is not complicated enough, we must also consider the promiscuous nature of accountability. It is a concept so open in form and function that (at least rhetorically) it can be brought to bear on just about any problem and serve any purpose or interest. In that sense, accountability emulates its major predecessor in the policy field, planning. For nearly a half century (roughly the 1920s to the early 1970s), planning was the ubiquitous solution (or set of solutions) to just about any and every social and economic problem generated by an increasingly urbanized, industrialized and technologized world.<sup>2</sup> In recent years accountability has filled the vacuum left by the retreat of planning from its dominant position in the “stream” of preferred policy solutions.

How does the promiscuous character of accountability solutions relate to the problematics of the financial markets? Consider the possibilities posited in Figure 1. That matrix of “promises” is generated by transposing two features of accountability-based policy solutions. On the vertical dimension we highlight the fact that the various forms of

---

<sup>1</sup> The very morning this sentence was written (Wednesday, July 9, 2008), a page one lead story in the New York Times carried the headline: “Fed Sees Turmoil Persisting Deep Into Next Year; Seeks More Authority; Moving to Stretch Out Remedies for Banks and Homeowners”.

<sup>2</sup> As with accountability, planning suffered from conceptual and other problems; see Dahl & Lindblom 1953; also Wildavsky 1973

accountability solutions would focus on different points in the market process – from inputs to processes to outcomes. The horizontal dimension acknowledges the fact that certain accountability solutions are valued instrumentally (that is, as means to an end), while others have intrinsic value (as desirable as ends in themselves).

	Accountability solutions valued:	
Focus on:	A. Instrumentally	B. Intrinsically
1. Inputs	<b>A1: The Promise of Control</b>	<b>B1: The Promise of Integrity</b>
2. Processes	<b>A2: The Promise of Ethical behavior/ choices</b>	<b>B2: The Promise of Legitimacy</b>
3. Outcomes	<b>A3: The Promise of Performance</b>	<b>B3: The Promise of Justice</b>

**Figure 1: The Six Promises of Accountability**

Among the instrumental accountability solutions (column A) are those associated with the promises of control, ethics and performance. Accountability mechanisms that promise *control* (A1) are commonplace within firms and other organizations that must deal with the scarcity of resources and the need for their efficient use. If accountability solutions of this kind are applied to the financial markets, we would be calling for some form of central management – and a reversion to the approaches link to the theory and logic of planning. Solutions targeting the norms and standards (i.e., *ethics*<sup>3</sup>) underlying the actions and choices of financial market actors (A2) would constitute the reform of current regulatory regimes – an approach implied in legislation like Sarbanes-Oxley and perhaps the most commonly deliberated and applied by policymakers. A third set of accountability solutions focus on the promise of *performance* (A3) and would rely on either equity market valuation or monitoring and benchmarking approaches linked to the threat of regulatory or managerial actions should the financial market not achieve an acceptable level of performance.

Accountability solutions that we intrinsically value are often treated dismissively by policy realists as the tools-of-choice among idealists. They are, nonetheless, serious contenders among options in the accountability solutions stream for two reasons: their ability to attract popular support and the arguments made by advocates that these options will prove instrumentally effective in the long run. Accountability solutions that are designed to address the promise of *integrity* (B1) focus on enhancing the trustworthiness and virtuous behavior of the various actors (corporate and individual) engaged in the transactions of the financial marketplace.<sup>4</sup> Standards such as fiduciarity, especially when

<sup>3</sup> Here I rely on a non-moral definition of ethics, one that speaks to “correct” and “expected” behavior and choices rather than “right” (in the sense of morally good/bad) behavior.

<sup>4</sup> In contrast to the promise of ethics (supra), the promise of integrity might involve the consideration of

reinforced in law, are central to this perspective, as are regulations, financial community norms and rituals that support “right” or moral behavior on the part of key decision-makers (see Petrick & Quinn 2000). The general promise of *legitimacy* (B2), while typically associated with the public sector, also applies to the private sector as well in the form of demands for openness and greater transparency in corporate governance (Meznar & Nigh 1993). Here again, regulations (in the form of self-regulation regimes and government regulation from the SEC and other bodies) seem to be the accountability mechanisms of choice. Finally, accountability solutions have also been applied to the promise of *justice* (B3) that stresses corporate social responsibility (CSR) (see Vogel 2005).

Assuming that accountability solutions are capable of living up to these many promises,<sup>5</sup> we are left with our core question unanswered, but now somewhat more specific in form: why are we attracted to accountability solutions as the reform mechanisms of choice in order to fulfill these promises in financial markets?

Part of the answer, I believe, lies in our dissatisfaction with some of the alternative reform options. At one extreme are those who believe the perceived problems of our financial markets are just that: perceived, rather than real. For them there are perhaps only minor problems with the financial services market; the so-called crisis is merely just another technical blip in the operations of the market that should be allowed to play out or requires nothing more than a minor managerial or regulatory adjustment (Kapstein 1996; Reinhart & Rogoff 2008). At the other extreme are those who foresee global economic collapse unless some radical steps are taken to deal with the systemic problems inherent in the financial markets (e.g., Baran & Sweezy 1966; Wallerstein 1983). Faced with these “not-to-worry” and “time-to-panic” alternatives, it is little wonder that the more moderate options – including those drawn from the accountability stream of policy solutions – would be found attractive.

All well and good, but hardly a satisfactory response to why accountability reforms are proving to be the policy solutions of choice. A “satisfactory” approach would be one that explained the preference for accountability mechanisms in a credible way – that is, an explanation based on some empirically warrantable theory of human behavior.

Questions related to policy instrument choices are not new. There is, in fact, a substantial and growing literature in political science that offers a general approach to my query: rational choice theory.<sup>6</sup> Taking a variety of different forms (e.g., game theory, principal-agent theory), this perspective has been fruitfully applied to questions similar to the one asked here. Three authors in particular (McCubbins, Noll and Weingast<sup>7</sup> 1987, 1989, 1999; also see Calvert McCubbins & Weingast 1989 and Huber & Shipan 2002) have focused attention on the choice of accountability mechanisms, including those limiting

---

morally right or wrong decisions and actions. See Quinn & Jones 1995 for a similar distinction.

<sup>5</sup> Which remains an open question; see Dubnick 2005.

<sup>6</sup> There are other alternatives as well, but the rational choice theory models are clearly the option of choice in the study of policy choices. See Harsanyi 1969 for a comparison of the rational choice model with functionist and “conformist” alternatives.

<sup>7</sup> By 1999 they were publishing under the composite author’s name McNollGast.

discretion, delegation of authority, oversight, administrative procedures, and other forms of control. Despite the considerable insights these and similar writing have generated, they have some significant limitations. The core rational choice logic upon which these works build has been challenged for problems caused by its lack of empirical credibility (Green & Shapiro 1994; however, see Friedman 1953) as well as issues arising from its application to cases drawn from political history. The approach also tends to minimize (and at times completely disregard) the role that normative principles might play in political choices and behaviors (see Elster 2000).

In this paper I explore the possibility of an alternative explanatory approach to comprehending the general inclination to favor accountability solutions. It stands as an “alternative” in offering more than just a different perspective; rather it stakes out an *opposing* position to the rational choice model. In its first appearance in the work of Adam Smith, in fact, it was proffered as a theory of moral *sentiments* (in contrast to rationality) and had “sympathy” (as opposed to self-interest<sup>8</sup>) at its core.

Although rarely acknowledged, the intellectual progeny of Smith’s moral sentiments theory are many, most typically associated under the label “social theory”. Yet none explicitly offers a positive “moral sentiments” theory to compete with the rational choice models – but some come close to implying such an alternative. While I will draw liberally on several of those social theories in the following pages, I will actually be relying on Smith himself for most of the answers to my query.

As we see in the following section, Smith placed accountability at the center of moral theory, and in that sense the proposed alternative model seems likely to further beg the question of why we tend to seek out accountability-based solutions. But as the discussion that follows indicates, the model does not necessarily lead to the choice of accountability instruments. Other factors discussed in the conclusion have come into play in recent years to highlight the choice of accountability-based reform solutions. For the moment, however, the task is to seek out the basics of the alternative model relative to my initial query.

### **Fundamentals: Adam Smith and the Sentiments**

*“A moral being is an accountable being.” – TMS, 1759*

There are certain phrases one associates with Adam Smith. Almost anyone with a halfway decent secondary education can offer correct attribution for the concept of the “invisible hand,”<sup>9</sup> and among scholars who study his work the “Impartial Spectator” is a constant source of obsessive fascination (e.g., Raphael 2007). But it is that more obscure seven-word epigraph that deserves the most attention – at least for those who seek to comprehend the force that underpins the modern attachment to the promises of

---

<sup>8</sup> It is an irony worthy of note that Adam Smith is popularly associated with an economic logic based on self-interest. For some clarification about Smith’s use of the concept of self-interest, see Werhane 1989; see also Mansfield 1995.

<sup>9</sup> For a critical intellectual history of the phrase and its use by Smith and others, see Rothschild 2001, chapter 5.

accountability.

Those words appear only once in Smith's published works,<sup>10</sup> early in the text of the first edition of The Theory of Moral Sentiments (*TMS*) published in 1759. If you were to rely on the definitive and now widely used Glasgow Edition of *TMS* published in 1982, you would not even know the words existed unless you did a close reading of the editors' annotations.<sup>11</sup> Here is relevant passage in the first edition:

A moral being is an accountable being. An accountable being, as the word expresses, is a being that must give an account of its actions to some other, and that consequently must regulate them according to the good-liking of this other. Man is accountable to God and his fellow creatures. But tho' he is, no doubt, principally accountable to God, in the order of time, he must necessarily conceive himself as accountable to his fellow creatures, before he can form any idea of the Deity, or of the rules by which that Divine Being will judge of his conduct. A child surely conceives itself as accountable to its parents, and is elevated or cast down by the thought of their merited approbation or disapprobation, long before it forms any idea of its accountableness to the Deity, or of the rules by which that Divine Being will judge of its conduct. (*TMS*, 1<sup>st</sup> edition, Part III, ch. 1)

The modification and eventual replacement of that passage began in the second edition (1761). What occurred was not a retreat or abandonment of the thoughts that opening sentence so pithily summarized and introduced. Rather, in response to comments of David Hume and others, Smith habitually engaged in a process of clarification and elaboration of those ideas (and others) that would continue through constant tinkering until the sixth and final (in his lifetime) edition (published 1790). The following edited selections, taken from that point in the sixth edition where "a moral being is an accountable being" once stood, still holds the sense of the epigraph without uttering the phrase:

.... To a man who from his birth was a stranger to society, the objects of his passions, the external bodies which either pleased or hurt him, would occupy his whole attention. The passions themselves, the desires or aversions, the joys or sorrows, which those objects excited, though of all things the most immediately present to him, could scarce ever be the objects of his thoughts.... Bring him into society, and all his own passions will immediately become the causes of new passions. He will observe that mankind approve of some of them, and are disgusted by others. He will be elevated in the one case, and cast down in the other; his desires and aversions, his joys and sorrows, will now often become the causes of new desires and new aversions, new joys and new sorrows: they will

<sup>10</sup> It should be noted that "invisible hand" also appears only once in *TMS*, but it remains in all later editions as well as appearing (again, only once) in *WN*.

<sup>11</sup> The editors, D. D. Raphael and A. L. Macfie, made the decision to use the 6<sup>th</sup> edition of *TMS* – the final one edited and published by Smith in 1790, just weeks before his death – for the main text of the Glasgow Edition. Differences with all previous editions were detailed in the extensive annotations.

now, therefore, interest him deeply, and often call upon his most attentive consideration.

Our first ideas of personal beauty and deformity, are drawn from the shape and appearance of others, not from our own. We soon become sensible, however, that others exercise the same criticism upon us. We are pleased when they approve of our figure, and are disobliged when they seem to be disgusted. We become anxious to know how far our appearance deserves either their blame or approbation....

In the same manner our first moral criticisms are exercised upon the characters and conduct of other people; and we are all very forward to observe how each of these affects us. But we soon learn, that other people are equally frank with regard to our own. We become anxious to know how far we deserve their censure or applause, and whether to them we must necessarily appear those agreeable or disagreeable creatures which they represent us. We begin, upon this account, to examine our own passions and conduct, and to consider how these must appear to them, by considering how they would appear to us if in their situation. We suppose ourselves the spectators of our own behaviour, and endeavour to imagine what effect it would, in this light, produce upon us. This is the only looking-glass by which we can, in some measure, with the eyes of other people, scrutinize the propriety of our own conduct. If in this view it pleases us, we are tolerably satisfied. We can be more indifferent about the applause, and, in some measure, despise the censure of the world secure that, however misunderstood or misrepresented, we are the natural and proper objects of approbation. On the contrary, if we are doubtful about it, we are often, upon that very account, more anxious to gain their approbation, and, provided we have not already, as they say, shaken hands with infamy, we are altogether distracted at the thoughts of their censure, which then strikes us with double severity. (TMS, 6<sup>th</sup> edition, Part III, ch. 1)

In these and related paragraphs, Smith sets the foundation for his moral theory – which today we would regard as a social theory. While few would challenge the claim that Smith's best known work (*An Inquiry into the Nature and Causes of the Wealth of Nations*, *WN*) marks the founding of modern economics, not all give him his due as a major contributor to modern social theory (see Darwall 1999; also Ashraf et al 2005). Smith considered TMS his more significant contribution. As well he might, one should add, for in it he articulated a distinctive perspective on social relationships that today stands as a foundational prolog to modern social theory.<sup>12</sup> It is also clear (although not

---

<sup>12</sup> Categorized along with other notable writers of his time as part of the Enlightenment, his views are often mistakenly subsumed under the ideas of “state of nature” and “social contract” (both typically regarded as the salient themes emerging from 17<sup>th</sup> and 18<sup>th</sup> century England and France). But Smith's embryonic social psychology provides a different foundation for our understanding of the relationship between individual and collective actions (Khalil 1998, 2005). Along with his friend David Hume, he maintained a connection between behavior and moral agency that Alasdair MacIntyre (1982) claims effectively disappeared with in modern philosophy with the rise of Kantian moral theory.

uncontroversial) that the social theory established in TMS was foundational for the arguments presented in WN published seventeen years later.<sup>13</sup> Put simply, a careful reading of Smith draws one to conclude that markets (like all other social relationships) are necessarily embedded in moral communities – communities comprised of moral/*accountable* beings.

At this point it is necessary to clarify the nature of morality as Smith saw it. On its face, Smith's basic premise (expressed in TMS) is simple: our social relationships occur within (are embedded in) the context of moral communities. Where Smith differs from other moral theorists of his era is in the assertion that the moral content that defined those communities were, in today's phrasing, "emergent" rather than derivative (from some external or higher authority), generated (through human reasoning), or calculated (on the basis of some basic or overarching principle, e.g. utilitarianism). In contrast to those well-known alternative positions, the "morality" of Smith's moral community has more naturalistic and empirical roots. His approach, as expressed in the paragraphs cited above, can be described as "socially emergent" in the sense that the moral standards we operate under are developed and derived from the very fact of the social relationships of which we are a part (Heath 1995; V. Smith 2003, 2004, 2005).<sup>14</sup>

Smith's morality, in other words, is social. It is manifest in the norms that emerge from interactions among individuals, and it is the natural consequence of that interaction that accountability emerges as well – thus, the moral being develops into an accountable being.

It is important to recognize that Smith's notion of moral accountability is not merely mechanistic; it involves more than being "answerable" or "liable" or otherwise held to account. Those actions and inclinations are merely the outward expressions of what it means to be "accountable" in Smith's sense of the term. Rather, accountability is inherent in the social relationships that forms between and among individuals. To state the point more assertively, Smith's moral being does not merely develop into an accountable being; the moral being *is* an accountable being.

In contrast to the "self-interest" that drives the rational choice models, the central psychological mechanism at work inside Smith's moral being is "sympathy," a term that

---

<sup>13</sup> For most the 20th century, Smith scholars engaged in a debate known as the "Adam Smith Problem" that, in essence, raised the question of whether -- and how -- the sympathy-based moral theory of TMS related to the self-interest-based political economy of WN. When conceptualized as such, the two works seemed contradictory rather than complementary or part of a coherent system of thought. By the 1980s the issue was reconceptualized and settled both historically and philosophically. Perhaps the best historical argument comes from what is known of the topical sequence of Smith's lectures during the 1750s. His course involved for sets of lectures on (roughly) religion, moral theory, jurisprudence and political economy. That order obviously speaks to the foundational nature of the moral theory to the political economy, and is supported by his initial plan to follow TMS with a work focused on law (implying that he saw his publication agenda as a coherent sequences based on the lectures). See Buchan 2006, chapter 2. On the philosophical relationship between the two volumes, see Dickey 1986; Werhane 1989; V. Smith 1998; Dwyer 2005.

<sup>14</sup> Cf. the concept of "reflectivity" proffered by George Soros (2008).

in his hands encompasses a bit more than implied in common usage. The term sympathy is typically differentiated from “empathy”, but in Smith’s case the former is inclusive of the latter, with empathic feelings (“fellow-feelings”) more central to his views. Stephen Darwall (2006, pp. 43-48) makes the distinction clearer by noting that the common sense of “sympathy” (more associated with David Hume than Smith) relies on a third-person perspective: I see your plight from my distant viewpoint and I appreciate what you must be going through. Empathy, which is core to Smith’s sympathetic mechanism, reflects a second-person standpoint: I see your plight from my close relationship to you and I can “simulate” and imagine what it must feel like – I can sense and “feel your pain” (or pleasure, for that matter).

The social aspect of empathy arises from interactions among empathetic individuals. Given close proximity (“thick” relations; see below), you are aware of my empathy and appreciate it as an indication of the respect I have for you as another being – a respect that that acknowledges your dignity as a fellow human being, which leads me to reciprocate in kind, and so on. That reciprocity involves expectations, and the result is a mutual accountability centered on those expectations. Here is where a basic and sustainable moral connection develops reflecting the “mutual respect” that implies a moral accountability developed between the two beings. The “moral being is [indeed] an accountability being.”

And here, as well, is where the logic<sup>15</sup> of Smith’s moral sentiments generates its most significant insights for our purpose of understanding the attraction of accountability solutions for reforming financial (and other) markets. The empathetic impact of Smith’s sympathy is most relevant and effective at close distances, where relationships are “thicker” (see Dubnick & O’Kelly 2005; also Walzer 1994 and Margalit 2002).<sup>16</sup> Proximity in space and time matters! Local and smaller markets – those involving more concentrated and more intense relationships -- are more likely to operate on the basis of shared norms and mutual respect. There will be greater trust among participants than will be found in distant or larger markets. Markets involving immediate consummation of a given exchange will also prove less problematic than those where exchanges unfold over time. Distance in both (space and time) respects thins out the mutually accountable relationships and renders the empathetic aspect of sympathy more problematic. While sympathy does not necessarily disappear, as the force of empathy loosens with spatial and temporal distantiation efforts – natural and otherwise – will be required to maintain and sustain the sympathetic connection provided by mutual respect among accountable beings.

It is this process, involving the loosening of the empathetic bonds of proximity, that challenges the stability and coherence of existing moral communities. And it is in response to this process that the constantly emerging moral communities (and the social

---

<sup>15</sup> While I am not aware of any explicit elaborations or “modeling” of Smith’s implied social theory, the work of Stephen Darwall (2006) comes closest to extending the logic. While Smith is a key source for his work, Darwall directly grounds his approach in the work of P.F. Strawson (especially 1962) on “reactive attitudes.” Cf. Butler 2005.

<sup>16</sup> Demsetz (2002), who relies heavily on Smith’s work for his analysis of property rights, uses the term “compactness” rather than the thick-thin distinction applied here.

relationships that generate them) are driven to adapt or reform.

What kinds of adaptations? What kind of reforms? Smith is notoriously and famously unsystematic in his style of presentation (see Rothschild 2001, pp. 236ff) and so we are left to generalize from bits and pieces drawn from the body of work. That said, the adjustments seem to come in two major forms, some emerging naturally and some assisted by design. Those adapting “naturally” provide the dynamics for adaptive changes in civil societies and the operations of markets, while those generated “by design” comprise technological innovations, organized collective actions (via self-regulation or government measure) and the creation and change of corporate entities. Whether natural or designed, however, moral communities remain the requisite foundations for any social relationships that might emerge as a result.

Smith was well aware that these dynamic adjustment processes occur, but he does not present them as such. This is due, in part, to his methodological commitment to comparative statics (see Redman 1993). But it also reflects his view of society as emergent – a perspective that does not foster predictions since what emerges from social relationships will depend on historical contingencies and present conditions. Nevertheless, Smith implied the existence of the dynamic in a famous observation in Chapter III of WN: *the division of labour is limited by the extent of the market*.

As it is the power of exchanging that gives occasion to the division of labour so the extent of this division must always be limited by the extent of that power or in other words by the extent of the market. When the market is very small no person can have any encouragement to dedicate himself entirely to one employment for want of the power to exchange all that surplus part of the produce of his own labour which is over and above his own consumption for such parts of the produce of other men's labour as he has occasion for.

While many economists have read this passage as an observation related to constraints imposed by the physical and technical capacities of the market, his explicit reference to the “power of exchanging” renders the observation as much (if not more) about social and (from his perspective) moral relationships. Read in light of logic of mutual accountability established in TMS, the “market” is first and foremost a moral community. The lesson Smith draws from history is that such a community (market) based on existing and ongoing patterns of mutual respect and moral accountabilities will likely be resistant or slow to adapt to temporal and spatial changes brought about by technological advances or improvements in physical infrastructure that may result from private investment or public initiatives. The *potential capacities* of the current markets may be enhanced by such interventions, but the actual “extent of the market” will languish until the norms of the moral community adjust (or are made to adjust) to the challenge.

What kinds of “adjustments” are possible? Assuming that each market (operating as a moral community) can consciously affect the choice of which path to follow (a rather bold assumption, but let’s go with it for the sake of this argument), what are the paths open to it?

Consider first non-public policy (i.e., purely societal) paths. At one extreme would be the path of *total resistance* to those exogenous challenges that threaten its relative stability. That might involve sustaining the current market and its moral community by settling it behind high and thick walls, thus assuring its isolation from those pressures. This can involve literal physical isolation, an approach recently highlighted by reports of up to 68 “uncontacted” groups in the Amazon region that intentionally isolate themselves from contact with the modern economy.<sup>17</sup> Or it can involve a less radical option: some moral communities (e.g., the Amish and other Anabaptist groups in the US) attempt to maintain their identities by segregating themselves as much as possible from within the general society (see Kraybill & Bowman 2001). A somewhat less extreme position would involve the path of *natural adaptation* as individual members of a moral community are permitted (or even encouraged) to engage in the new exchange norms over time. The social history of major American ethnic groups (e.g., Jewish-American, Italian-American) is often presented as a narrative of acculturation as members of the younger generation abandon the norms and roles of their parents in favor of practices that the latter considered alien.<sup>18</sup>

More relevant for the present project are the choices made by others designed to effect change in market and its moral community – choices that take the form of public policies (broadly defined). Here we find a range of logical options, all sharing the common purpose of fostering change in the market by modifying the norms and practices of the moral community. Common law treatment of private property, contract law and the entire plethora of legal and quasi-legal technologies, rules and relationships are one major set of options (see Demsetz 2002; also Dixit 2004). New and innovative mechanisms developed to deal with issues raised within and between firms comprise still another set of approaches (Abernathy & Clark 1985). And it is here where the possibilities and promises of accountability-based reforms move to center stage.

As implied in Figure 1, as one among several clusters of optional solutions to the problems of market change, accountability-based reforms can be designed to impact at various points in the system of relationships that comprise the norms of a market. Using an instrumental approach, accountabilities can be imposed in order to foster control, ethical behavior or standards of performance. While perhaps not intended as such, each of these approaches leans more toward the “forced alteration” end of the spectrum. For example, the recent fad of “reengineering” organizations (Hammer & Champy 1993) explicitly adopts the view that only by shaking up the organization and operations of productively lethargic firms can these entities be sustained as viable entities in the

<sup>17</sup> See John Noble Whilford, “Isolated in Amazon, Visible From the Air,” *New York Times*, May 31, 2008.

<sup>18</sup> There are cases where the threatened moral community is left with no choice but to abandon the norms and practices of its moral community. There are times when the choice is not left to members of the moral community. In the 1920s, for example, the US federal government mandated compulsory school attendance for native Alaskan children, an act designed no doubt with the best of intentions, but one that effectively undermined what Smith would term the “moral communities” of Alaska’s nomadic cultures communities by forcing them to settle in permanent communities. The consequences were devastating for those cultures and the adverse consequences are still being felt. See the July 10, 2008 PBS NewsHour report on “Alaskan Village Copes With Real-life Impacts of Global Climate Change” accessible at [http://www.pbs.org/newshour/bb/environment/july-dec08/alaskawarming\\_07-10.html](http://www.pbs.org/newshour/bb/environment/july-dec08/alaskawarming_07-10.html).

marketplace. Similarly, the imposition of performance measurements and standards for public, private and third sector agencies is perceived as a means for changing operating norms in the long run as well as enhancing productivity in the near term (Kaplan & Norton 1992, 1993, 1996; Kaplan 2001; cf. Dubnick 2005).

The approaches that rely on promoting accountability-solutions with intrinsic value would likely be placed on natural adaptation side of the spectrum of options. Here the mechanisms of reform aim to promote norms of justice, the legitimacy of the changes taking place in the moral community or the integrity of those engaged in the revised market exchanges. The example of Nike's efforts to convince ethically-aware consumers, shareholders and other relevant stakeholders that their use of foreign labor is conducted under explicitly stated principles of corporate social responsibility is one well publicized case (see DeTienne & Lewis 2005; also Kytte & Ruggie 2005). The pleas of Google and Yahoo! that they are merely doing what the laws and practices of host countries require (e.g., China, France) represents claims to legitimacy-as-accountability. The enforcement of stock exchange or good-business-practices rules as well as strict adherence to government regulations serves to bolster claims of integrity in the face of market transitions.

These choices – both adaptive (societal) and by design (public policy) – are the gist for our theory mills, and we return now to the central issue: Why, among all these choices, are some (in recent year, the accountability solutions) favored over others? Taking the question a step further in light of the various forms of accountability solutions implied in Figure 1, what determines which of the accountability options is likely to be favored in dealing with a particular market or a particular set of problems.

### **Tentative Outlines of Moral Sentiments Model**

In oversimplified and “primitive” form (Simon 1955, 101-103), rational choice theory (RCT) models involve:

1. A set of known possible choices.
2. A set of choices that the rational actor considers.
3. Possible outcomes of those choices.
4. A value or preference the actor assigns to alternative outcomes.
5. Information or knowledge about what will actually happen for given choices.
6. Information about the probability of those consequences for a given choice.

The “standard” models constructed from these basic positions vary by adjusting for both external and internal (e.g., biological, behavioral) limitations and constraints. Once these are limitations are explicitly factored into the situation, RCT models emerge as the perfect tool for explaining all sorts of choices – perfect because it is self contained and explains itself (Boudon 1998).

Under the dominant RCT models applied to policy choices, the option selected will be the product of interactions among free (un-embedded) rational actors pursuing their self-interest as manifest in sets of preferences. The nature of those interactions will vary from model to model. In some cases the model stresses dynamics that result in an aggregation of preferences that then result in a rational choice for the parties involved. In other cases a more competitive (game-theoretic) interaction is posited, with the choice emerging from the relative success (and failure) of strategies among game-players (see Austen-Smith & Banks 1998). Such models have been applied to financial markets with some interesting results (de Haan et al 1999, Keefer & Stasavage 2003).

Developing an alternative from the unsystematic and somewhat chaotic theories of Adam Smith poses a challenge (See Rothschild 2001). But in his masterful effort to develop a “second-person standpoint” moral theory that draws heavily from Smith, P. F. Strawson (1962) and others, Stephen Darwall (2006) provides some coherence to what such a moral sentiments model might look like.

First, as does the typical RCT model, the basic moral sentiments model assumes a “free” and “rational” actor, but both conditions are defined (and therefore qualified) by natural and social contingencies. Two terms are relevant here: boundedness and embeddedness. Herbert Simon’s “bounded rationality” was from the outset an explicit challenge to the “economic man” variant of the standard RCT model (Simon 1946; also see Simon 1995), and although it has now been integrated into those standard models (Gigerenza & Selten 2001) it remains a significant “reality check” on RCTs that complements our construct (see Jones 1999, 2001). Embeddedness, which first appears in the work of Karl Polanyi (1944/1957) and is most often associated with Mark Granovetter (1985, 1992), is also now widely accepted in economic analysis but has not been fully integrated into RCT models. Our proposed moral sentiments model would make both core assumptions about the rational actor.

Second, in the Smith-based model the preferences of the rational actor would remain significant, but those preferences are now to be regarded as shaped and constrained by norms of expected and accepted behavior – that is, the actor’s preferences would factor in how others in the “community” are likely to react to the choices and actions s/he might take. For Smith there is a tension within us all between our passion-driven “beast” and what he described as our “Impartial Spectator” (TMS, Part II, chap IV). The passions come naturally, while the Impartial Spectator emerges socially as a counterpoint reflecting the standards and expectations of the community (see Hirschman 1977). It is out of such a tension that preferences are formed.

Third, in the moral sentiments model choices lose their implied “objectivity” and instrumental utility. Two characteristics of choices are highlighted in the RCT models: their factuality and their instrumentality. By stressing their “factuality,” the model assumes that there are always options and choices. They regard a rational actor’s ignorance of or indifference to possible choices as itself a conscious decision or a human fault. In the moral sentiments model, the choices are not factual, but rather socially constructed. As such, the choices are as embedded in the normative context of a society

as the actors that are to consider them. What is more, that normative context is as likely to value a choice intrinsically as instrumentally. In RCT, by definition choices are to be assessed in terms of how effective they are in achieving the desired (preferred) outcome for the actor. But in a moral community, some choices have consummatory value – they are desired because they are the right things to decide or do, the “expected and accepted” choice of action. You save a life or feed the poor or fulfill a dying person’s wish not (necessarily) because it serves your instrumental purpose, but because that is what is expected of you. RCT cannot easily factor such a consideration into its calculus; a moral sentiments model must do so.

Fourth, a similar argument can be made for the act of choosing. In applications of RCT models, various ways of choosing are applied in order to determine which is the most effective instrumentally (see Axelrod 1984). Within moral communities the consideration and value of acts of choosing are reflections of embedded social constructions and social relationships. While some forms of the prisoner’s dilemma might be instituted to facilitate choices, a particular approach might be so repugnant to the standards of the community that it would not even be considered as a legitimate option to consider. One may engage in a thought or real experiment about how that game might play out, but some moral communities will even set limits on that (e.g., the Milgram experiment; see Milgram 1974; Zimbardo 2007).

A fifth and (for now) final characteristic of the moral sentiments model would be the centrality of “reactive attitudes” to the assessment of outcomes. Here is where the work of P.F. Strawson on morality links up to the Smithian perspective. In a now classic 1962 article, Strawson set out to show how the debate over determinism and free will was actually irrelevant. In the process he posited that the determination of what is moral or not is not discoverable by seeking out some higher standards or basic principles or action; rather it is evident by observing the “reactive attitudes” (e.g., resentment, gratitude, anger, love) generated by some behavior or choice. This view ties back into previous points regarding valuations of choices and choice-making acts, for it is expectations and anticipations of reactive attitudes that becomes a major consideration in the choices made under moral sentiments theory.

What I have provided here is merely a basic description of five features of a moral sentiment model – a bit more than the “primitive” points of the RCT offered by Simon, but less than a fully testable alternative. In the following section I consider two cases relevant to current issues impacting the world financial marketplace, financial panics and globalization. For each I offer a speculation about the possible use and usefulness of the tentative moral sentiments alternative.

### **Putting the model to use:**

Present (and likely future) world financial markets are beset by two major problems: instability (in the form of intermittent “panics”) and the need for “regime change” in an increasingly globalized setting. There are options for dealing with each, and the question for policymakers is which path or specific set of policy mechanisms would be best. The

question posed here is quite different: what are likely to be the policy choices made by those decision-makers – and why?

### 1. *Moral (Community) Panics and Busted Bubbles*

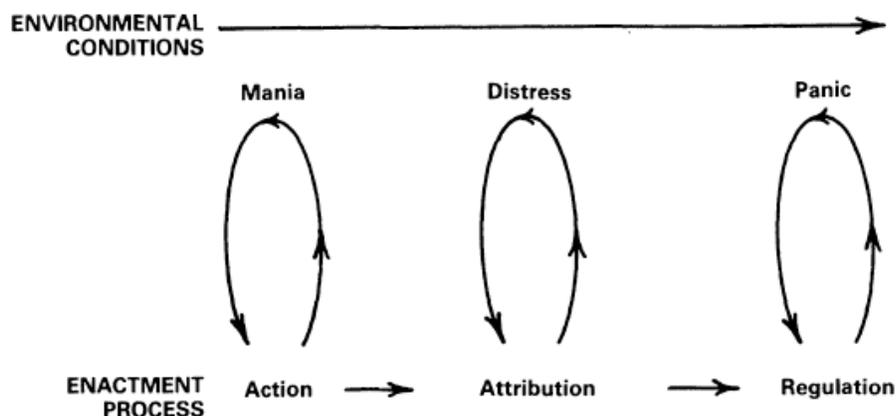
Among sociologists, the concept of “moral panic” is applied to situations where a community overreacts to an exaggerated or false impression of deviant or malbehavior, typically by some group of community “outsiders” (Cohen 2002; also Goode & Ben-Yahuda 1994). Relocated within the study of economics using the Smithian TMS frame, the concept proves very useful, albeit in a somewhat different form (cf. Gabilono 2006).

Although not articulated as a specific application of Smith’s TMS view of moral communities, Abolafia and Kilduff’s 1988 study of market crises sheds new light on the dynamics of panics and crashes when one factors in the rituals, values and norms of social relationships (cf. Visano 2002). The standard approach to understanding financial and other market crises (Kindleberger 1978, 2000) focuses on three phases: mania, distress and panic. The *mania* stage is characterized by entrepreneurial activity that takes advantage of some strategic opening in the market that attracts others in a bandwagon effect that soon creates the valuation “bubble.” This is followed by the *distress* phase in which market “insiders” (including those entrepreneurs who triggered the speculation and now seek to cash in their gains) withdraw from the action and doubts emerge about the true value of the market. Finally, in the *panic* (crash) stage there is a “scramble” as the remaining investors attempt to withdraw from the market, with the result being the collapse of value and the institutions that depend on them.

In challenging the standard view, Abolafia and Kilduff work within an approach that combines the power of Mark Granovetter’s (1985) embeddedness theory of economic action<sup>19</sup> and Karl Weick’s (1979) enactment theory. Both theories have strong (but unacknowledged) family roots in Smith’s TMS perspective, and in combination they offer a “social construction” view that enhances the mania-distress-panic model by stressing three complementary stages occurring within the impacted (moral?) community: action, attribution and regulation see Figure 2) (cf. Soros 2008, chapter 4).

---

<sup>19</sup> The concept of embedded economic orders is attributable to Polanyi 1944/1957.



**Figure 2: Stages of a Market Crisis\***

\*(Abolafia & Kilduff 1988, p. 179)

The *action* phase reflects responses within the market to the strategic entrepreneurial initiatives that launched the mania, and can be characterized more appropriately as “reactive.” These reactive responses can take either positive or negative form. Positive actions are likely to include facilitative or imitative behaviors by market gatekeepers or regulators who buy into the mania and effectively “jump on the bandwagon”. Others in the market may see the initiatives as unwise in light of past experience or current market norms, leading them to react with warnings about risks and the need for greater caution. The *attribution* phase begins as distress enters the picture and the community begins to seek explanations – or at least some group or some “thing” to blame for the problems that seem increasingly evident to all. It is at this point that the possibility of a “moral community panic” can arise, or perhaps be averted (or minimized) by transition into the third stage of *regulation*.

Abolafia and Kilduff offer two cases as support for their model: a superficial application of their model to the Crash of 1929 and a more detailed examination of the Silver Market Crash of 1980. Their socially-grounded model not only helps us better comprehend the dynamics of financial market panics, but also gives us a means for understanding why the call for accountability-based reforms has such a powerful pull on policymakers and the general public. While the analytic post-mortems of panics and market crashes generated by economists and historians typically stress the objective conditions and “factors” that may have caused the event, actual reforms are developed and pursued by those who engage in the final stage of the crisis. Abolafia and Kilduff view the regulation stage as “the process by which participants in the market system maintain the rules of transaction.”

All actions and attributions exist in a social context of institutional constraint. The process includes formal and informal mechanisms of social control. Market participants share a collective memory based on past experience. This includes memories of how things have been done and how they are supposed to be done in

the market. These memories are retained as norms that serve as a guide to subsequent action and acceptable behavior. Such norms are internalized but may be enforced by the group through informal appeals to professional standards. In stock, options, and futures markets, the collective memory has been institutionalized in the form of rules and regulations that are enforced by a hierarchy of membership committees that have the authority to fine, suspend, or expel members for violations of the rules of the exchange.(181)

Their analysis – and our alternative model -- implies that reformers will not see the panic as the product of impersonal forces over which they had no control. Rather, reforms will emerge from short term “reflection” on what took place within their moral community (in Smithian terms) – from a sense that key actors were allowed to behave inappropriately. The response will seem obvious: establish some means to make those actors accountable so a similar panic will not be repeated.

Given that likely outcome, the model can take us to the next step by addressing the question of what particular form of accountability solution is likely to emerge. Here the answer turns on the contingencies related to country and culture – the specifics of the moral community that underlies the market.

Among the six accountability options discussed earlier, the “ crisis” circumstances will favor “retrospective” (backward-looking) options; in times of crisis, considerations of long-term, forward-looking, intrinsically valued ends (e.g., democracy, equality, justice) will be put aside in favor of short-term, instrumentally valued (with a notable exception) objectives. Of the remaining four accountability options, RCT logic (with its stress on instrumental values and general indifference to intrinsic values) would give priority to the control, process or performance based options.

Our alternative model, however, would do the opposite and predict that the integrity option is more likely – that is, initially steps will be taken to reinforce what is perceived the more appropriate and responsible behavior of the pre-mania period. If only the “good” or “right” behavior of the past had been followed, the argument goes, the mania and subsequent distress and panic would not have occurred. Thus the first steps are likely to involve restoring and strengthening the enforcement of rules and regulations that suffered from lax implementation earlier (and thus fostered the mania), punish those perceived to be at fault (if they can be found to have violated some law), and formalize new rules and regulations that institutionalize the practices of the pre-mania that are now perceived as critical to panic-avoidance.

We can see such a scenario playing out in the current phases of the US financial (sub-prime mortgage) crisis. Immediately following the Bear Stearns rescue, proposals surfaced from the Fed and US Secretary of Treasury office to mobilize and enhance enforcement of current regulatory authority, and that was soon followed by announcements of investigations aimed at those who might have violated US laws during the period when the mania of “irrational exuberance” held sway. As the crisis seemed to take a turn for the worse with the sell off of Freddie Mac and Fannie Mae stock,

announcements of indictments based on those investigations accompanied proposals for even more regulation of the financial community as a means for shoring up trust. These proposals were intended expressly to rebuild confidence in the relevant markets through steps that promised greater integrity....

## 2. *The Challenge of Globalization*

There is little doubt that today the globalization of markets is perceived, at best, as a mixed blessing. At present the advocates (e.g., Friedman 1999, Bhagwati 2007, 2007a) seem more in defensive posture, while the opponents articulate positions that range from concern and frustration (Stiglitz 2003, 2003a, 2003b) to politically mobilized outrage (Waters 2004). Although globalization encompasses more than the activities of financial services, the recent series of well-publicized crises has made global finance market troubles the negative exemplar in the outgoing debate (see Ingo 2003, Rodrik 2000).

But even without the heated political atmosphere of the current debate, globalization has posed significant challenges for modern financial markets since at least World War II (e.g., Kindleberger 1951), if not before.<sup>20</sup> The consequences of these post-war challenges have been manifest in intermittent and highly publicized financial crises, but they have also been encountered as the more mundane problems associated with the day-to-day operations of the increasingly globalized marketplace (Sachs 1998).

A review of the literature indicates that there are at least four different ways to comprehend these challenges: economic, political, cognitive and social.

The economic view perceives and articulates the problems generated by globalization in technical economic terms, and it sees solutions in the same light. In 2000, then US Treasury Secretary Lawrence Summers claimed that “Almost all the issues involved in understanding, preventing, and mitigating these [global market] crises are the stuff of economics courses and research...” (Summers 2000, p. 1). This perspective was evident in almost all published analyses issued in response to the financial crises that hit Mexico, Asia, Russia, Brazil and other emerging markets during the globalization of the 1990s. In most instances the problems of globalization were attributable to bad economic decisions on the part of banks and their regulators – and the solutions amounted to little more than advising against repetition of the misbehavior (see Baer, Miles & Moran 1999; Goldstein & Pautzner 2001; Sachs et al 1996; Redelet & Sachs 1998).

A second perspective on the globalization challenge emphasizes political factors as problematic (see Cerny 1997). These can range from the conspiratorial analysis that sees globalization as an elitist plot to facilitate their pursuit of wealth through the continued subjugation of the masses (e.g., Chomsky 1999) to studies of specific cases where institutional factors or politically motivated decisions impact on consideration of appropriate options (e.g., Obstfeld & Taylor 2002, Bauer et al 1972, Baldwin 1989,

---

<sup>20</sup> On studies comparing this to other periods of globalization, see Rothschild 1999, Baldwin & Martin 1999, O’Rourke & Williamson 2000, Eichengreen & Bordo 2002.

Cohen 1990, Mansfield et al 2000, Claessens et al 2004).

A third view sees the problem as “cognitive” and places the blame on the ideologies and “mind sets” that mislead policy experts and policymakers. George Soros’s (2008) critique of the “manipulative” and biased old “fundamentalism” that informs economic policy leads to his call for a “new paradigm.” Nobel Laureate James Buchanan and a colleague take a different tact, pointing out that today’s international trade policies is informed by the views of economist David Ricardo when they should be using the relevant views of Adam Smith (Buchanan & Yoon 2002).

Finally, and in line with the Smithian TMS approach,<sup>21</sup> is the argument that the globalization challenge is best perceived as “social” in nature. This social perspective is perhaps best understood in terms of what John G. Ruggie has termed “embedded” international regimes. In his now classic presentation of this perspective (1982), Ruggie posits that “international trade regimes” are best viewed as “social institutions around which actor expectations converge in a given area of international relations” (p. 380). These regimes operate within “the context of an intersubjective framework of meaning” consisting of “principles, norms, rules, and procedures” (p. 380). How such regimes form is through an emergent process involving interactions among a variety of factors, but primarily through the potentially complex relationship of political power and what is perceived to be “legitimate social purpose” (pp. 381-385).

The relevance of Ruggie’s social model for our understanding the challenge of globalization becomes clear in its application to changes in international trade regimes from the nineteenth century through the decade following World War II (see Williamson 1996, 2008; also Keohane & Nye 2000). Following World War I, efforts were made to reinstate the international trade regime that characterized the world economy before 1914. Regarded by many as an era of globalization similar to the present, the common approach among the major and emerging economic powers during the pre-war years stressed adapting domestic economic regimes to the expanding and lucrative international free trade regime – a regime fostered by the economic hegemony of Great Britain and its free trade proclivities. But during the interwar years the dominant perspective or bias had turned that policy approach on its head, and domestic policy initiatives more often reflected efforts to mobilize trade in support of the domestic political and social agenda. Following Ruggie’s model, this mismatch between the articulated trade regime and the actions of international actors proved problematic at best. Extending his analysis to the post-World War II period, Ruggie sees Bretton Woods as the start of a decades-long effort to deal with the ambiguity of competing perspectives on international trade. On the one

---

<sup>21</sup> Several authors have examined globalization from Smith’s TMS perspective. The argument is as follows: By extending the temporal and spatial distances of markets, globalization necessarily loosens the bonds of sympathy/empathy that Smith regarded as basic to social relationships and the marketplace. Whether one relies on TMS (see Forman-Barzilai 2000) or WN (Muthu 2008), it is clear that Smith was far from sanguine about the potential for developing global scale markets. To do so would require the development of a transnational moral community that he thought desirable but unlikely.

hand, nations often pursued policies reflecting the norms of trade liberalization and globalization; on the other hand, in negotiating trade arrangements those same nations were constantly giving in to anxieties and concerns about the health of domestic economies. What emerged was what Ruggie termed the “embedded liberalism” regime. From his author’s perch in 1982 the embedding of the trade liberalism regime seemed substantially complete among the major economic powers (413-415).

As an alternative to more technical and positivist views of the problems caused by globalization, Ruggie’s analysis focuses attention on the *social* nature of the challenge facing financial markets. In that regard it is arguably in the Smithian tradition of stressing the role of moral communities in economic life. But there are indications that starting in the 1990s, the logic of the embedded liberalism regime was itself being challenged by a more radical form of globalization, one in which the limited deference to domestic policy priorities and interests was being circumvented, transformed or co-opted (Dunoff 1999; also Rodrik 1998, Obstfeld 1998; Lang 2006). The crisis that enveloped the global financial markets in 2007 and 2008 – increasingly descending into market panics -- can be viewed, in part, as a reaction to that development.

Which brings us to a consideration of how accountability-based reforms relate to the problematics established by the “challenges of globalization.” Here we return to the alternative perspectives outline above. Among the four approaches (economic, political, cognitive and social), each will generate a different set of reforms designed to address the perceived issues. Those who see the problems as requiring technical tweaks of the market (mainly economists) will likely advocate greater trade (and financial market) liberalization over time – and a great deal of patience and monitoring as the world global markets take shape (Rogoff 2006; also see Bussiere & Fratzsche 2006). Those who see globalization as a political problem will tend toward solutions that place authority over the market in the hands of powerful institutions (e.g., central banks) committed to monitoring and (when necessary) managing the globalized economy and its financial infrastructure as if it were an international “public good” (Helleiner 2001; Ruggie 2004). The cognitive reformers, in the meantime, will pursue a long-term strategy of articulating and/or seeking “new paradigms” (Soros 2008).

Finally, we can see a direct link between those who view the challenges of globalization as a set of social problems and the turn to accountability for possible solutions. At the heart of international trade regimes – or any governance-related regime, for that matter (e.g., Habermas 2001, Bellamy & Castiglione 2003) – are social relationships that operate and endure on the strength of the normative foundations (i.e., “actor expectations” in Ruggie’s words) that support them. Whether considered consciously or not, the various promises of accountability outlined above imply a belief in the possibility of reforms that can deal with the challenges of globalization through mechanisms aimed at creating, modifying or reinforcing those normative foundations.

Thus, of the four perspectives there will be a definite bias in favor of accountability-based solutions among those who define the problems of globalization in social or regime terms. But there is also a bias toward accountability implied in the political view as well, for solutions would be focused on altering (or reinforcing) the determination of who is in

charge of (responsible for, in the jurisdictional sense) (see Cerny 1995, 1999; also Buier 1999, Issing 1999 and de Haan & Eijffinger 2000). In the financial market arena, international regimes are typically regulatory, and the literature is filled with case studies and examples that imply the shortcomings (or actual lack of) of effective accountability for oversight and control of banks and other financial intermediaries. If globalization means the barriers are down for a US bank to establish operations in an EU country, who is responsible for assuring accountable behavior by the Americans? And vice versa. If a sovereign wealth fund decides to invest in shares of a US bank, must they be held to account any differently than any other large institutional investors? These are political questions that have a claim on accountability answers.

Accountability does not seem directly relevant to the cognitivist view of globalization – at least on the surface. But as presented by Soros (2008), for example, it can be used as a foundation for reforms that hold policymakers and others in the system to account for consciously engaging in “manipulative” strategies. In that sense, current laws and regulations against “insider trading” and other forms of “gaming” the marketplace are relevant accountability-based solutions rooted in the assumption that the intentional manipulation of information or knowledge (or, in Soros’ terms, the capacity to be “reflective”) adversely impacts the efficiency and effectiveness of markets.

Finally, accountability-based solutions are also found relevant from the economic perspective on globalization challenges to the extent that they can prove instrumental in bringing about the necessary improvement in market operations. In the world financial market, this would entail accountability mechanisms that enhance the “management” (control), synchronicity (coordination through process) and performance of various actors at different levels of the global arena (see Cerny 1994; also Neary 2003).

In approaching the issue of what policy mechanisms were more likely (and, by implication, more suitable) to deal with the challenges of globalization in the world financial markets, RCT models have favored those that perceive the issues almost exclusively in economic terms. The instrumental bias is no more evident than in policy discussions where, as Summers admits, issues are regarded as “textbook” problems. Take whatever steps are likely to deal with the demands of globalization, and if that involves accountability-based option, then so be it. Faced with political realities, the economic-view RCT approach adapts easily so long as the institutional behaviors and variables can be factored into the puzzle.

The moral sentiments alternative model is likely to have the opposite bias – assuming the intrinsic values and other “local setting” contingencies first and factoring in the globalization constraints after. Such an approach characterizes the work of Sen (see 2002; also Bhagwati 2007) and others who posit a view of globalization that can foster equitable and just outcomes both locally and globally. Mishkin (2007) contends that the globalization of financial markets can be beneficial “if done right”, which for him involves tying local financial development to the globalization process. That “development” is, in turn, best understood as a call for policies that enhance the integrity

of the local financial sector – the accountability-based option that is most likely to emerge from application of the moral sentiments model.

### **Final Thoughts**

The central question that drove this extended argument for an alternative to the hegemonic RCT model was relatively simple: why do accountability-based policy options dominate discussions about reform of world financial markets? The search for an answer highlighted the relevance of what, under the RCT paradigm, would be perceived as irrational or arational contingency factors – factors that are handled as constraints rather than as potentially core explanatory variables. I further argued for the existence of an alternative model well rooted in the work of Adam Smith, especially his Theory of Moral Sentiments. Some basic characteristics of that alternative were offered, followed by a general discussion of how that model might apply to policy choices in two salient issues related to world financial markets (instability and the challenges of globalization).

Assuming the argument presented thus far warrants further exploration, the next steps would require a further articulation of the moral sentiments model and its application to other issues and problem areas. Any discussion of implications awaits further assertions....

## References:

- Abernathy, William J., and Kim B. Clark. "Innovation: Mapping the Winds of Creative Destruction." *RESEARCH POLICY* 14, no. 1 (1985): 3-22.
- Abiad, Abdul, and Ashoka Mody. "Financial Reform: What Shakes It? What Shapes It?" *AMERICAN ECONOMIC REVIEW* 95, no. 1 (2005): 66-88.
- Abolafia, Mitchel Y., and Martin Kilduff. "Enacting Market Crisis: The Social Construction of a Speculative Bubble." *ADMINISTRATIVE SCIENCE QUARTERLY* 33, no. 2 (1988): 177-93.
- Ashraf, Nava, Colin F. Camerer, and George Loewenstein. "Adam Smith, Behavioral Economist." *JOURNAL OF ECONOMIC PERSPECTIVES* 19, no. 3 (2005): 131-45.
- Austen-Smith, David, and Jeffrey S. Banks. "Social Choice Theory, Game Theory, and Positive Political Theory." *ANNUAL REVIEW OF POLITICAL SCIENCE* 1, no. 1 (1998): 259-87.
- Axelrod, Robert. *The Evolution of Cooperation*. New York: Basic Books, 1984.
- Baer, Werner, William R. Miles, and Allen B. Moran. "The End of the Asian Myth: Why Were the Experts Fooled?" *WORLD DEVELOPMENT* 27, no. 10 (1999): 1735-47.
- Baldwin, Robert E. "The Political Economy of Trade Policy." *JOURNAL OF ECONOMIC PERSPECTIVES* 3, no. 4 (1989): 119-35.
- Baldwin, Richard E., and Philippe Martin. "Two Waves of Globalisation: Superficial Similarities, Fundamental Differences." In *NBER Working Paper Series*. Cambridge MA: National Bureau of Economic Research, 1999.
- Baran, Paul A., and Paul M. Sweezy. *Monopoly Capital: An Essay on the American Economic and Social Order*. New York: Modern Reader, 1966.
- Bauer, Raymond A., Ithiel de Sola Pool, and Lewis Anthony Dexter. *American Business and Public Policy: The Politics of Foreign Trade*. 2nd ed. Chicago, IL: Aldine Publishing Co., 1972.
- Bhagwati, Jagdish. "Why the Critics of Globalization Are Mistaken." *DE ECONOMIST* 155, no. 1 (2007): 1-21.
- Bhagwati, Jagdish N. *In Defense of Globalization*. New York: Oxford University Press, 2007.
- Boudon, Raymond. "Limitations of Rational Choice Theory." *AMERICAN JOURNAL OF SOCIOLOGY* 104, no. 3 (1998): 817-28.
- Buchan, James. *The Authentic Adam Smith: His Life and Ideas*. New York: W.W. Norton, 2006.
- Buchanan, James M., and Yong J. Yoon. "Globalization as Framed by the Two Logics of Trade." *INDEPENDENT REVIEW* 6, no. 3 (2002): 399.
- Buiter, Willem H. "Alice in Euroland." *JOURNAL OF COMMON MARKET STUDIES* 37, no. 2 (1999): 181-209.
- Bussiere, Matthieu, and Marcel Fratzscher. "Towards a New Early Warning System of Financial Crises." *JOURNAL OF INTERNATIONAL MONEY AND FINANCE* 25, no. 6 (2006): 953-73.
- Butler, Judith. *Giving an Account of Oneself*. New York: Fordham University Press, 2005.
- Calvert, Randall L., Mathew D. McCubbins, and Barry R. Weingast. "A Theory of Political Control and Agency Discretion." *AMERICAN JOURNAL OF POLITICAL SCIENCE* 33, no. 3 (1989): 588-611.
- Cerny, Philip G. "The Dynamics of Financial Globalization: Technology, Market Structure, and Policy Response." *POLICY SCIENCES* 27, no. 4 (1994): 319-42.
- . "Paradoxes of the Competition State: The Dynamics of Political Globalization." *GOVERNMENT AND OPPOSITION* 32, no. 2 (1997): 251-74.
- Chomsky, Noam. *Profit over People: Neoliberalism and Global Order*. Seven Stories Press ed. New York: Seven Stories Press, 1999.
- Claessens, Stijn, Daniela Klingebiel, and Luc A. Laeven. *Resolving Systemic Financial Crises: Policies and Institutions*. SSRN, 2004.
- Cohen, Benjamin J. "Review: The Political Economy of International Trade." *INTERNATIONAL ORGANIZATION* 44, no. 2 (1990): 261-81.
- Cohen, Stanley. *Folk Devils and Moral Panics*. 3rd ed. New York: Routledge, 2002.
- Dahl, Robert A., and Charles E. Lindblom. *Politics, Economics, and Welfare: Planning and Politico-Economic Systems Resolved into Basic Social Processes*. New York: Harper Torchbooks, 1953.
- Darwall, Stephen. "Sympathetic Liberalism: Recent Work on Adam Smith." *PHILOSOPHY AND PUBLIC AFFAIRS* 28, no. 2 (1999): 139-64.
- Darwall, Stephen L. *The Second-Person Standpoint: Morality, Respect, and Accountability*. Cambridge, MA: Harvard University Press, 2006.
- de Haan, Jakob, Fabian Amtenbrink, and Sylvester C. W. Eijffinger. "Accountability of Central Banks: Aspects and

- Quantification." *BANCA NAZIONALE DEL LAVORO QUARTERLY REVIEW* 52, no. 209 (1999): 169.
- de Haan, Jakob, and Sylvester C. W. Eijffinger. "The Democratic Accountability of the European Central Bank: A Comment on Two Fairy-Tales." *JOURNAL OF COMMON MARKET STUDIES* 38, no. 3 (2000): 393-407.
- Demsetz, Harold. "Toward a Theory of Property Rights II: The Competition between Private and Collective Ownership." *The Journal of Legal Studies* 31, no. 2 (2002): S653-S72.
- DeTienne, Kristen, and Lee Lewis. "The Pragmatic and Ethical Barriers to Corporate Social Responsibility Disclosure: The Nike Case." *JOURNAL OF BUSINESS ETHICS* 60, no. 4 (2005): 359-76.
- Dickey, Laurence. "Historicizing The "Adam Smith Problem": Conceptual, Historiographical, and Textual Issues." *JOURNAL OF MODERN HISTORY* 58, no. 3 (1986): 580-609.
- Dixit, Avinash K. *Lawlessness and Economics: Alternative Modes of Governance*. Princeton, N.J.: Princeton University Press, 2004.
- Dubnick, Mel. "Clarifying Accountability: An Ethical Theory Framework." In *Public Sector Ethics: Finding and Implementing Values*, edited by Noel Preston Charles Sampford, with C-A Bois, Chapter 5 68-81. Leichhardt, NSW, Australia: The Federation Press/Routledge, 1998.
- Dubnick, Melvin, and Ciarán O'Kelly. "Accountability through Thick and Thin: Making Assessments and Making Cases." In *Ethics in Public Management*, edited by H. George Frederickson and Richard K. Ghere, 139-62. Armonk, NY: M. E. Sharpe, 2005.
- Dubnick, Melvin J. "Seeking Salvation for Accountability." Paper presented at the American Political Science Association, Boston, MA, August 29-September 1 2002.
- . "Accountability and the Promise of Performance: In Search of the Mechanisms." *PUBLIC PERFORMANCE & MANAGEMENT REVIEW* 27, no. 3 (2005): 376-417.
- Dunoff, Jeffrey L. "The Death of the Trade Regime." *EUROPEAN JOURNAL OF INTERNATIONAL LAW* 10, no. 4 (1999): 733-62.
- Dwyer, John. "Ethics and Economics: Bridging Adam Smith's Theory of Moral Sentiments and Wealth of Nations." *JOURNAL OF BRITISH STUDIES* 44, no. 4 (2005): 662-87.
- Eichengreen, Barry, and Michael D. Bordo. "Crises Now and Then: What Lessons from the Last Era of Financial Globalization." In *NBER Working Paper Series*. Cambridge MA: National Bureau of Economic Research, 2002.
- Elster, Jon. "Rational Choice History: A Case of Excessive Ambition." *AMERICAN POLITICAL SCIENCE REVIEW* 94, no. 3 (2000): 685-95.
- Forman-Barzilai, Fonna. "Adam Smith as Globalization Theorist." *CRITICAL REVIEW* 14, no. 4 (2000): 391-419.
- Friedman, Milton. "The Methodology of Positive Economics." In *Essays in Positive Economics*, 3 -43. Chicago, IL: University of Chicago Press, 1953.
- Friedman, Thomas L. *The Lexus and the Olive Tree*. New York: Farrar Straus & Giroux, 1999.
- Gabilondo, José. "Financial Moral Panic! Sarbanes-Oxley, Financier Folk Devils, and Off-Balance-Sheet Arrangements." *SETON HALL LAW REVIEW* 36, no. 3 (2006): 781-850.
- Gigerenzer, Gerd. "The Adaptive Toolbox." In *Bounded Rationality: The Adaptive Toolbox*, edited by Gerd Gigerenzer and Reinhard Selten, 37-50 (Chapter 3). Cambridge, Mass.: MIT Press, 2001.
- Goldstein, Itay, and Ady Pauzner. "Contagion of Self-Fulfilling Financial Crises Due to Diversification of Investment Portfolios." *JOURNAL OF ECONOMIC THEORY* 119, no. 1 (2004): 151-83.
- Goode, Erich, and Nachman Ben-Yehuda. "Moral Panics: Culture, Politics, and Social Construction." *ANNUAL REVIEW OF SOCIOLOGY* 20 (1994): 149-71.
- Granovetter, Mark. "Economic Action and Social Structure: The Problem of Embeddedness." *AMERICAN JOURNAL OF SOCIOLOGY* 91, no. 3 (1985): 481-510.
- . "Economic Institutions as Social Constructions: A Framework for Analysis." *ACTA SOCIOLOGICA* 35, no. 1 (1992): 3-11.
- Green, Donald P., and Ian Shapiro. *Pathologies of Rational Choice Theory: A Critique of Applications in Political Science*. New Haven, CT: Yale University Press, 1994.
- Hammer, Michael, and James Champy. *Reengineering the Corporation: A Manifesto for Business Revolution*. New York: Harper Collins, 1993.
- Harsanyi, John C. "Rational-Choice Models of Political Behavior Vs. Functionalist and Conformist Theories." *WORLD POLITICS* 21, no. 4 (1969): 513-38.
- Heath, Eugene. "The Commerce of Sympathy: Adam Smith on the Emergence of Morals." *JOURNAL OF THE HISTORY OF PHILOSOPHY* 33, no. 3 (1995): 447-66.
- Helleiner, Gerald K. "Markets, Politics, and Globalization: Can the Global Economy Be Civilized." *GLOBAL GOVERNANCE* 7, no. 3 (2001): 243-63.**

- Hirschman, Albert O. *The Passions and the Interests: Political Arguments for Capitalism before Its Triumph*. Princeton, NJ: Princeton University Press, 1977.
- Huber, John D., and Charles R. Shipan. *Deliberate Discretion: The Institutional Foundations of Bureaucratic Autonomy*. Cambridge, UK ; New York: Cambridge University Press, 2002.
- Ingo, Walter. "Strategies in Financial Services, the Shareholders, and the System: Is Bigger and Broader Better?" *BROOKING-WHARTON PAPERS ON FINANCIAL SERVICES* 2003, no. 1 (2003): 1-36.
- Issing, Otmar. "The Eurosystem: Transparent Andaccountable or 'Willem in Euroland'." *JOURNAL OF COMMON MARKET STUDIES* 37, no. 3 (1999): 503-19.
- Jones, Bryan D. "Bounded Rationality." *ANNUAL REVIEW OF POLITICAL SCIENCE* 2 (1999): 297-321.
- . "Bounded Rationality and Public Policy: Herbert A. Simon and the Decision Foundation of Collective Choice." *POLICY SCIENCES* 35, no. 3 (2002): 269-84.
- Kaplan, Robert S. "Strategic Performance Measurement and Management in Nonprofit Organizations." *NONPROFIT MANAGEMENT AND LEADERSHIP* 11, no. 3 (2001): 353-70.
- Kaplan, Robert S., and David P. Norton. "The Balanced Scorecard--Measures That Drive Performance." *HARVARD BUSINESS REVIEW* 70, no. 1 (1992): 71-79.
- . "Putting the Balanced Scorecard to Work." *HARVARD BUSINESS REVIEW* 71, no. 5 (1993): 134-47.
- . "Using the Balanced Scorecard as a Strategic Management System." *HARVARD BUSINESS REVIEW* 74, no. 1 (1996): 75-85.
- Kapstein, Ethan B. "Shockproof." *FOREING AFFAIRS* 75, no. 1 (1996): 2-8.
- Keefer, Philip, and David Stasavage. "The Limits of Delegation: Veto Players, Central Bank Independence, and the Credibility of Monetary Policy." *AMERICAN POLITICAL SCIENCE REVIEW* 97, no. 3 (2003): 407-23.
- Keohane, Robert O., and Joseph S. Nye, Jr. "Globalization: What's New? What's Not? (and So What?)." *FOREIGN POLICY*, no. 118 (2000): 104-19.
- Khalil, Elias. "Is Justice the Primary Feature of the State? Adam Smith's Critique of Social Contract Theory." *EUROPEAN JOURNAL OF LAW AND ECONOMICS* 6, no. 3 (1998): 215-30.
- Khalil, Elias L. "An Anatomy of Authority: Adam Smith as Political Theorist." *CAMBRIDGE JOURNAL OF ECONOMICS* 29, no. 1 (2005): 57-71.
- Kindleberger, Charles, P. "Manias, Panics, and Rationality." *EASTERN ECONOMIC JOURNAL* 4, no. 2 (1978): 103-12.
- Kindleberger, Charles P. "Bretton Woods Reappraised." *INTERNATIONAL ORGANIZATION* 5, no. 1 (1951): 32-47.
- Kindleberger, Charles Poor. *Manias, Panics, and Crashes: A History of Financial Crises*. 4th ed. New York: Wiley, 2000.
- Kraybill, Donald B., and Carl Desportes Bowman. *On the Backroad to Heaven: Old Order Hutterites, Mennonites, Amish, and Brethren*. Baltimore: Johns Hopkins University Press, 2001.
- Kytle, Beth, and John Gerard Ruggie. "Corporate Social Responsibility as Risk Management." In *CSRI Working Papers*, 21. Cambridge, MA: Corporate Social Responsibility Initiative, John F. Kennedy School of Government, Harvard University, 2005.
- Lang, Andrew T. F. "Reconstructing Embedded Liberalism: John Gerard Ruggie and Constructivist Approaches to the Study of the International Trade Regime." *JOURNAL OF INTERNATIONAL ECONOMIC LAW* 9, no. 1 (2006): 81-116.
- Macintyre, Alasdair. "How Moral Agents Became Ghosts or Why the History of Ethics Diverged from That of the Philosophy of Mind." *SYNTHESE* 53, no. 2 (1982): 295-312.
- Mansfield, Edward D., Helen V. Milner, and B. Peter Rosendorff. "Free to Trade: Democracies, Autocracies, and International Trade." *AMERICAN POLITICAL SCIENCE REVIEW* 94, no. 2 (2000): 305-21.
- Mansfield, Harvey C. "Self-Interest Rightly Understood." *POLITICAL THEORY* 23, no. 1 (1995): 48-66.
- Margalit, Avishai. *The Ethics of Memory*. Cambridge, Mass.: Harvard University Press, 2002.
- McCubbins, Mathew D., Roger Noll, and Barry R. Weingast. "The Political Origins of the Administrative Procedure Act." *JOURNAL OF LAW, ECONOMICS, & ORGANIZATION* 15, no. 1 (1999): 180-217.
- McCubbins, Mathew D., Roger G. Noll, and Barry R. Weingast. "Administrative Procedures as Instruments of Political Control." *JOURNAL OF LAW, ECONOMICS, & ORGANIZATION* 3, no. 2 (1987): 243-77.
- McCubbins, Matthew D., Roger G. Noll, and Barry R. Weingast. "Structure and Process, Politics and Policy: Administrative Arrangements and the Political Control of Agencies." *VIRGINIA LAW REVIEW* 75, no. 2 (1989): 431-82.
- Meznar, Martin B., and Douglas Nigh. "Managing Corporate Legitimacy: Public Affairs Activities, Strategies and Effectiveness." *BUSINESS & SOCIETY* 32, no. 1 (1993): 30-43.
- Milgram, Stanley. *Obedience to Authority: An Experimental View*. New York: Harper, 1974.

- Mishkin, Frederic S. "Is Financial Globalization Beneficial?" *JOURNAL OF MONEY, CREDIT AND BANKING* 39, no. 2-3 (2007): 259-94.
- Mulgan, Richard. "'Accountability': An Ever-Expanding Concept?" *PUBLIC ADMINISTRATION* 78, no. 3 (2000): 555-73.
- Muthu, Sankar. "Adam Smith's Critique of International Trading Companies: Theorizing "Globalization" In the Age of Enlightenment." *POLITICAL THEORY* 36, no. 2 (2008): 185-212.
- Neary, J. Peter. "Presidential Address: Globalization and Market Structure." *JOURNAL OF THE EUROPEAN ECONOMIC ASSOCIATION* 1, no. 2-3 (2003): 245-71.
- O'Rourke, Kevin H., and Jeffrey G. Williamson. "When Did Globalization Begin?" In *NBER Working Paper Series*. Cambridge MA: National Bureau of Economic Research, 2000.
- Obstfeld, Maurice. "The Global Capital Market: Benefactor or Menace?" *JOURNAL OF ECONOMIC PERSPECTIVES* 12, no. 4 (1998): 9-30.
- Obstfeld, Maurice, and Alan M. Taylor. "Globalization and Capital Markets." In *NBER Working Paper Series*. Cambridge MA: National Bureau of Economic Research, 2002.
- Petrick, Joseph A., and John F. Quinn. "The Integrity Capacity Construct and Moral Progress in Business." *JOURNAL OF BUSINESS ETHICS* 23, no. 1 (2000): 3-18.
- Polanyi, Karl. *The Great Transformation: The Political and Economic Origins of Our Time*. Boston, MA: Beacon Press, 1944/1957.
- . *The Great Transformation: The Political and Economic Origins of Our Time*. Boston, MA: Beacon Press, 1944/1957.
- Quinn, Dennis P., and Thomas M. Jones. "An Agent Morality View of Business Policy." *ACADEMY OF MANAGEMENT REVIEW* 20, no. 1 (1995): 22-42.
- Radelet, Steven, and Jeffrey D. Sachs. "The East Asian Financial Crisis: Diagnosis, Remedies, Prospects." *BROOKINGS PAPERS ON ECONOMIC ACTIVITY* 1998, no. 1 (1998): 1-90.
- Raphael, D. D. *The Impartial Spectator: Adam Smith's Moral Philosophy*. New York: Oxford University Press, 2007.
- Redman, Deborah A. "Adam Smith and Issac Newton." *SCOTTISH JOURNAL OF POLITICAL ECONOMY* 40, no. 2 (1993): 210-30.
- Reinhart, Carmen M., and Kenneth S. Rogoff. "Is the 2007 U.S. Sub-Prime Financial Crisis So Different? An International Historical Comparison." In *National Bureau of Economic Research Working Paper Series*. Cambridge MA: National Bureau of Economic Research, 2008.
- Rodrik, Dani. "Symposium on Globalization in Perspective: An Introduction." *JOURNAL OF ECONOMIC PERSPECTIVES* 12, no. 4 (1998): 3-8.
- . "How Far Will International Economic Integration Go?" *JOURNAL OF ECONOMIC PERSPECTIVES* 14, no. 1 (2000): 177-86.
- Rogoff, Kenneth "Sea Change and Rising Ships: Adapting to Globalization." *BROWN JOURNAL OF WORLD AFFAIRS* 13, no. 1 (2006): 39-45.
- Rothschild, Emma. "Globalization and the Return of History." *FOREIGN POLICY*, no. 115 (1999): 106-16.
- . *Economic Sentiments: Adam Smith, Condorcet, and the Enlightenment*. Cambridge, Mass.: Harvard University Press, 2001.
- Ruggie, John Gerard. "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order." *INTERNATIONAL ORGANIZATION* 36, no. 2 (1982): 379-415.
- . "Reconstituting the Global Public Domain -- Issues, Actors, and Practices." *EUROPEAN JOURNAL OF INTERNATIONAL RELATIONS* 10, no. 4 (2004): 499-531.
- Sachs, Jeffrey. "International Economics: Unlocking the Mysteries of Globalization." *FOREIGN POLICY*, no. 110 (1998): 97-111.
- Sachs, Jeffrey D., Aaron Tornell, and Andrés Velasco. "Financial Crises in Emerging Markets: The Lessons from 1995." *BROOKINGS PAPERS ON ECONOMIC ACTIVITY* 1996, no. 1 (1996): 147-215.
- Sen, Amartya K. "Globalization, Inequality and Global Protest." *DEVELOPMENT* 45, no. 2 (2002): 11.
- Simon, Herbert A. "A Behavioral Model of Rational Choice." *QUARTERLY JOURNAL OF ECONOMICS* 69, no. 1 (1955): 99-118.
- . *Administrative Behavior: A Study of Decision-Making Processes in Administrative Organization, 2nd Edition*. New York: Free Press, 1957.
- . "Guest Editorial." *PUBLIC ADMINISTRATION REVIEW* 55, no. 5 (1995): 404-05.
- Smith, Adam. *An Inquiry into the Nature and Causes of the Wealth of Nations (Cannan Ed.)*. New York: The Modern Library, 1937.

- . *The Theory of Moral Sentiments*. Edited by David Daiches Raphael and Alec Lawrence Macfie. Glasgow Edition ed, *The Glasgow Edition of the Works and Correspondence of Adam Smith*. Indianapolis, IN: Liberty Fund, 1982.
- Smith, Vernon L. "The Two Faces of Adam Smith." *SOUTHERN ECONOMIC JOURNAL* 65, no. 1 (1998): 2-19.
- . "Constructivist and Ecological Rationality in Economics." *AMERICAN ECONOMIC REVIEW* 93, no. 3 (2003): 465-508.
- . "Human Nature: An Economic Perspective." *DAEDALUS* 133, no. 4 (2004): 67-76.
- . "Behavioral Economics Research and the Foundations of Economics." *JOURNAL OF SOCIO-ECONOMICS* 34, no. 2 (2005): 135-50.
- Soros, George. *The New Paradigm for Financial Markets: The Credit Crisis of 2008 and What It Means*. New York: PublicAffairs, 2008.
- Stiglitz, Joseph. "Globalization and the Economic Role of the State in the New Millennium." *INDUSTRIAL & CORPORATE CHANGE* 12, no. 1 (2003): 3-26.
- Stiglitz, Joseph E. *Globalization and Its Discontents*. New York: W.W. Norton, 2003.
- . "Democratizing the International Monetary Fund and the World Bank: Governance and Accountability." *GOVERNANCE: AN INTERNATIONAL JOURNAL OF POLICY & ADMINISTRATION* 16, no. 1 (2003): 111-39.
- Strawson, P.F. "Freedom and Resentment." *PROCEEDINGS OF THE BRITISH ACADEMY* 48, no. 1 (1962): 1-25.
- Summers, Lawrence H. "International Financial Crises: Causes, Prevention, and Cures." *AMERICAN ECONOMIC REVIEW* 90, no. 2 (2000): 1-16.
- Visano, Brenda Spotton. "Financial Manias and Panics: A Socioeconomic Perspective." *AMERICAN JOURNAL OF ECONOMICS AND SOCIOLOGY* 61, no. 4 (2002): 801-27.
- Vogel, David. *The Market for Virtue: The Potential and Limits of Corporate Social Responsibility*. Washington, D.C.: Brookings Institution Press, 2005.
- Wallerstein, Immanuel. *Historical Capitalism*. London (UK): Verso Editions, 1983.
- Walzer, Michael. *Thick and Thin: Moral Argument at Home and Abroad*. Notre Dame: University of Notre Dame Press, 1994.
- Waters, Sarah. "Mobilising against Globalisation: Attac and the French Intellectuals." *WEST EUROPEAN POLITICS* 27, no. 5 (2004): 854 - 74.
- Weick, Karl E. *The Social Psychology of Organizing*. 2nd ed. Reading, MA: Addison-Wesley, 1979.
- Werhane, Patricia H. "The Role of Self-Interest in Adam Smith's Wealth of Nations." *JOURNAL OF PHILOSOPHY* 86, no. 11 (1989): 669-80.
- Wildavsky, Aaron. "If Planning Is Everything, Maybe It's Nothing." *POLICY SCIENCES* 4, no. 2 (1973): 127-53.
- Williamson, Jeffrey G. "Globalization, Convergence, and History." *JOURNAL OF ECONOMIC HISTORY* 56, no. 2 (1996): 277-306.
- . "Globalization and the Great Divergence: Terms of Trade Booms and Volatility in the Poor Periphery 1782-1913." In *NBER Working Papers*. Cambridge MA: National Bureau of Economic Research, 2008.
- Zimbardo, Philip G. *The Lucifer Effect: Understanding How Good People Turn Evil*. New York: Random House, 2007.