

for money management rather than a form of risk management. However, she also observes that this common perception has changed in recent years. While clients bought life insurance products in the past to observe cultural norms of interpersonal reciprocity, saving and investing has become more important since the mid-1990s. After the millennium, even profit making and managing risk became more common motives, alongside savings. Chang attributes this development to changes in institutional demands that influenced individuals' motivation for buying life insurance.

In the sixth chapter, Chan presents her theoretical argument and proposes a general model of how new cultural practices are adopted by market actors. According to her, it was the interaction of culture as a set of shared ideas and culture as a practical toolkit which allowed the Chinese life insurance market to emerge. Moreover, she draws generalizations by comparing the life insurance markets in Hong Kong and Taiwan. She concludes her study by speculating about possible future directions of market development.

In general, Chan's study is a fascinating piece of sociological work that is eminently readable. Drawing on expert interviews and extensive ethnographic fieldwork, she presents the first sociological analysis of the forming of a life insurance market outside of a European or American context and addresses well the empirical gap left by existing research. From a theoretical perspective, however, Chan's study is most useful as a demonstration that cultural barriers do not necessarily need to be removed through cultural reorientation before a market can emerge, but might be strategically circumvented by entrepreneurial activities. Moreover, the Chinese case strikingly points to the cultural and moral preconditions for the emergence of capitalist markets. Her study shows that researchers analyzing business institutions must also pay attention to the broader cultural context in which these institutions are enacted.

However, her study also has some minor shortcomings. While her main argument seems quite plausible to me, the structure of her book is not. Chan's study is evidently a story about market development, but fails to put the trajectory of the Chinese life insurance business at the center of attention. Most of her work examines the specific characteristics of the market while giving considerably less space to the actual transformation of the Chinese life insurance business. It seems that this imbalance is a direct result of her methodological approach, which included

large periods of field research that were used to gather data on market structure. Considering the aim of her study, it would probably have been better to put stronger emphasis on data sources that generate information about market development, allowing a more detailed and elaborate picture of her case. Theoretically, Chan's study is well-rooted in the "Morals and Markets" literature, but pays only little attention to existing works on market emergence. While she implicitly talks about various other mechanisms that can constitute markets, such as technical inventions, business diversification, and political entrepreneurship, these mechanisms are not reflected upon systematically for the Chinese case. Moreover, only little attention is given to the role of state regulation, especially its influence at different stages of market development. Despite these few shortcomings, her study is a very valuable piece of scholarly work that will surely find a readership among economic sociologists.

**Book:** Münnich, Sascha (2010): *Interessen und Ideen. Die Entstehung der Arbeitslosenversicherung in Deutschland und den USA*. Frankfurt a.M.: Campus Verlag.

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Sociologist Sascha Münnich pursues both a theoretical and an explanatory aim in his thesis-based study about the origins of German and American unemployment insurance in the 1920s and 1930s.<sup>1</sup> The theoretical contribution is to provide a framework for more sufficient explanations of welfare state phenomena; the empirical goal is to apply this model to the specific insurance reform case. On the explanatory level, he wants to fill two gaps that have haunted research on the topic: What ultimately caused the three labor market actors – the state, employers' associations and labor unions – to be in favor of unemployment insurance? What was the implicitly shared consensus position that made them do so? These questions are notably addressed by the Swenson-Pierson-Hacker controversy about the role of employers in welfare reforms (cf. Swenson 2004), a controversy that Münnich aims to solve (p. 252ff). The main chapters 3 and 4 of the 400-page book give empirical answers to these questions, presented using a historic-sociological approach and based on a selection of historical sources ranging from interest group writings to Congressional hearings (cf. chapter 2). Before turning to the author's empirical findings, I will address his theoretical

objective, which is presented in the introduction and chapters 1 and 5.

Münnich's main theoretical finding is that it is impossible to derive good or sufficient (p.102) explanations of welfare reform solely from sets of beliefs and intentions inferred from environmental data and ascriptions of self-interest to the actors involved. For example, if one knows that wage increases are possible and assumes that it would be in the self-interest of the unions to pursue the interests of their members, one might infer that any union will demand higher wages in any situation, including a particular one under study. Of course, few scholars would claim that the hypothesis about good explanations really holds for all cases. But Münnich points out in the introduction that indeed several approaches, including economic theories of organizations or the Varieties of Capitalism-approach, reveal at least a tendency to give credence to such inferences which he finds problematic in at least two ways.

First, this tendency suffers from the fact that there will be historical exceptions to any generalization about social phenomena. When used to explain or predict singular facts, this explanatory framework might prove to be useless even in such contentious arenas as labor markets where one could presume interests to be stable. Second – and this is where the intricate interplay of *ideas and interests* comes in – there are two inferences that can turn out to be unreliable. The first – inferring from the environment what an actor's belief about that environment is – can obviously lead the researcher in the wrong direction. If she observes, for instance, a situation of a wage increase which the union perceives as wage stagnation, the observational data about the wage increase will not be a reliable inference base for determining what the union's belief is about. The second inference – ascribing an intention based on self-interest to the actor – is an equally unreliable inferential tool because one might describe one's interests, be they selfish or not, differently than an observer might describe them.

These inferential fallacies that Münnich carefully distills from existing literature in the social sciences might lead us to ask why people still cling to the above notion of good explanations. For one thing, we must concede that it still works in a good number of cases. To the extent that modern pressure groups arise and politics becomes an interest-bargaining game, it is a *safe* hypothesis to depart from. Or maybe it is only a *convenient* hypothesis to depart from because the environmental data needed often comes in

handy statistical form and, for the ascription of self-interest, common sense usually suffices. Deviant cases, however, require much more cumbersome data, such as information about actors' beliefs and their intentions as revealed in their statements.

Literature that focuses on discourses, scripts, or similar concepts goes a long way toward explaining social behavior and developments by referring to ideas in the sense of "belief about facts" or "belief about what is ethically right." Münnich's argument is not merely that "ideas matter," but rather that interests themselves depend on ideas. This hypothesis leads him to describe two types of influence. First of all, formulating interests presupposes ideas ("beliefs") in the sense that "wanting to introduce X" presupposes knowledge about what X is, about how it best serves one's interests, and so forth. Thus, a change in the belief regarding how unemployment insurance can best serve union interests can have an impact on the union's stance on introducing such insurance. Statements by an actor regarding its interests imply knowledge about things in the world as well as about the semantics used to formulate the interests. Secondly, deriving specific action imperatives from ideas ("ethical belief") requires certain deliberative efforts to mitigate between possibly diverging general statements and judgment capacities in order to apply the general to the particular.

Each of the author's two empirical narratives is structured along a cycle in which existing ideas' stability slowly erodes in the light of economic crisis, as learning experiences eat away at the ideas' legitimacy and new ideas gain widespread support. In the case of the German Empire, social reformers had proposed various systems of unemployment insurance. While they differed as to how they envisioned the financial burdens and administration rights being distributed among labor, employers and the state, they all failed to find proponents among the main labor market actors. Labor, remaining distrustful of endowing the capitalistic state with any power, clung to its self-administered relief funds. Employers shied away from being in any way responsible for unemployment in general, and they firmly opposed any reform proposals on the grounds that they would undermine incentives to work, make production more expensive than that of its competitors abroad, and attract even more people to overcrowded cities. The national government shifted the responsibility to regional governments – in general, the dominance of self-help and liberal-market ideas prevented any unemployment insurance proposals from gaining support.

Münnich identifies several factors, however, that stimulated a change towards more corporate, reformist ideas: the experience of cooperation in war production, the corporate organization of communal labor exchanges and the threat of political radicalization in a post-war Germany ridden with mass unemployment. When all of these factors came together in 1927, corporate, statutory, universal unemployment insurance was supported by labor, employers and the state as it promised to produce the common good of stable markets for qualified labor and to control the growing municipal expenses for the unemployed.

In the United States, the starting point for a genuine debate on unemployment insurance was the positive reaction of Isaac M. Rubinow and the Ohio School to the British national insurance inspired by William Beveridge in 1911. On the other hand, the Wisconsin School, represented by American institutionalist John R. Commons, proposed an employer-financed insurance institution that was supposed to avoid the overproduction and unemployment crises seen to be caused by short-term interests. As in the German case, however, these reformers' ideas did not lead to any legislative action. "To all three parties in the labor market, unemployment insurance appeared to be contrary to their interests: Employers considered it to be a dangerous interventionist scheme that would add to labor costs, unions thought of it as an authoritarian element that would undermine the independence of the American worker, and governments on all levels considered unemployment insurance as hampering economic growth and the fair competition between states" (p. 297, my translation). But in the 1920s, a slow paradigm shift occurred as employers gained experience with company welfare systems, as Commons' ideas spread through his school of reformers into administrative circles, and as a generational change exposed the American Federation of Labor to ideas about "industrial democracy." With public relief funds exploding in the 1930s, this paradigm shift caused the three labor market actors' views to coincide, which led to an unquestioned consensus that became the Social Security Act of 1935: employers were to be responsible for stable workforces, and the government for setting the right incentives for employers to stabilize markets without providing new forms of government relief.

Münnich succeeds in showing that it is the paradigm shift in the 1920s and not economic crises and ascribed preferences alone that make up good explanations of his two cases. Crises alone do not screen off the way actors react to them; ascribed preferences do not account for changing attitudes. What Münnich does have to concede is that actors' beliefs about economic conditions depend on what these conditions are. Beyond his emphasis on actors' beliefs as important causes to be cited in historical research, he also shows that the types of causes that merit consideration in historical explanations are historically distant ones, because they do not materialize in specific events and can be cited more easily in hindsight, not by the actors involved.

The study combines thoughts about how to enrich historical explanations with an intriguing comparative study of welfare state reforms and should therefore be read by anyone dissatisfied with the bias of interest-based explanations in the literature or a rigid dichotomies between interest- and idea-based explanations. This reviewer would have welcomed some more evidence showing how the abstract paradigm shift made its way into the formulation of new interest positions. Moments in which actors become convinced of a new paradigm within their lifespan and intraorganizational conflicts between proponents of the old and new paradigm do shine through in the analysis, but they could have been given more weight to show the influence of "ideas at work."

## Endnotes

<sup>1</sup>For first English publications based on the project see Münnich (2011).

## References

- Münnich, S., 2011: Interest-seeking as sense-making: Ideas and business interests in the new deal. In: *European Journal of Sociology* 52(2), 277-311.
- Swenson, P. A., 2004: Varieties of capitalist interests: Power, institutions, and the regulatory welfare state in the United States and Sweden. In: *Studies in American Political Development* 18(01), 1-29.