

**VALUES, COORDINATION AND
RATIONALITY.
THE ECONOMY OF CONVENTIONS OR THE
TIME OF REUNIFICATION IN THE
ECONOMIC, SOCIAL AND POLITICAL
SCIENCES**

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The Economy of Conventions [EC] programme incorporates, in a new perspective, three issues that have been dissociated by a century and a half of economic thinking: the characterization of the agent and his/her reasons for acting; the modalities of coordination of actions; and the role of values and common goods. Standard theory was built on strict compartmentalization between the two issues of rationality and coordination that were axiomatized separately, the former by decision-making theory and the latter by general equilibrium theory. These two issues were themselves isolated from the third which concerns value judgments and normative considerations. In contrast, the frameworks of analysis that we have constructed propose an articulation between these three issues. If we agree that the coordination of human actions is problematical and not the result of laws of nature or constraints, we can understand that human rationality is above all interpretative and not only or immediately calculative. The agent first has to apply conventional frameworks to comprehend others' situations and actions before he/she can coordinate him/herself. This understanding is not only cognitive but also evaluative, with the form of evaluation determining the importance of what the agent grasps and takes into account. This is where we recognize the role, in coordination, of collective values and common goods that

cannot be reduced to individual preferences but provide the framework for the most legitimate coordination conventions. This is also where language plays a part as a key component of institutions. EC aims for an integration that concerns the economic, social and political sciences equally. In this way they should be brought closer together, rather than each one expanding separately at the expense of the others.

In the first part we note that the economic and social sciences are confronting each other today as both try to expand and to conquer ground in the rival discipline's domain. The undertaking of generalization is of interest to us. Yet it reveals the limits encountered when extensions retain a core of hypotheses that do not incorporate all the dimensions of coordinated human action. In the second part we revert to these core hypotheses to highlight the shifts effected by EC. The uncertainty weighing on coordination is no longer only a question of distribution of information; it is contained by the interpretative rationality of agents and limited by the common frameworks of evaluation that qualify the relevant elements of the situation. These conventional frameworks of coordination are plural without necessarily leading to relativism. The third part reveals a "horizontal" pluralism of conventions of qualification that correspond to the same grammar and all present the highest degree of generality and justification. This initial pluralism enables us to analyse the complexity and diversity of markets and economic organization without reducing them to a calculation about contracts or transactions. We are thus better equipped to study business enterprises and the particularity of the labour and finance markets. In the fourth part we introduce another pluralism, "vertical" this time, where the degree of generality or publicity of conventions of coordination is varied. This second pluralism allows a differentiation of the generic notion of convention by distinguishing modes of coordination and information formats of more local types. But it also enables us to refine the analysis of political and moral evaluations. It accounts for the tensions between fairness, based on equivalence, and

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assessments which rely on closer interactions. Finally, the shift from micro to macro is thus rendered twice as complex, once by the intrinsic variety of ways of generalizing, and a second time by a deepening of the local/general relationship.

1. CONFRONTATION OR EFFORTS TO INTEGRATE THE ECONOMIC AND SOCIAL SCIENCES

We need to take seriously the aspiration to generalization currently apparent in both economics and sociology, in the form of attempted extension into the other discipline's preferred domain. It leads to an interesting situation in which there is no longer a clear-cut division between territories, and in which we can compare approaches in the overlapping advances of the two disciplines.

Based on a diagnosis of the extension observed on both sides, we are going to plead for the economy of conventions approach grounded in a reflexive attention to the two disciplines. Rather than a pluri- or multi-disciplinary approach that would simply combine the contributions of different disciplines, our perspective seeks to cross the boundaries between economics and sociology in order to uncover their common foundations, and to re-examine them. The idea is not, however, to ignore the original contributions of each disciplinary field, nor to confuse them. Reconsidering the common foundations of these two disciplines is particularly urgent, for politics (the role of the state and intermediate authorities; creation of a general interest; individual engagement in the public sphere) is currently being profoundly reshaped by the construction of Europe and the search for international regulations in the new context of globalization. In so far as it is occupied to a large extent by themes borrowed from economics (governance, rational action, strategic manipulation, etc.), political science offers no adequate resources for reconstructing politics..

From a science of market exchange to a general science of human relations

The economy is spreading to non-commercial relations through such mechanisms as "contracts" and "games" which are more transactional than the picture formerly painted of general market equilibrium, and which depart in that respect from the first extensions (in Becker's style, in particular). The areas affected are the family, power, politics, organizations; the market goods exchanged in commercial trade are no longer the mainspring of coordination. There remains a notion of generalized preference that stretches to the modes of interaction with others. Formerly closely articulated to the sphere of commercial goods and services, this notion of preference is becoming more important – as seen, in particular, in the extreme case of game theory. Goods are replaced by strategies directly concerned by the relation of preference.

This extension raises several questions:

1. It aims to cover all human behaviours and to turn economics into a universal social science occupying all the ground of the other sciences of society, both social and political. But how can its coherence with the initial core of economic theory and its required unity be maintained? The link with the core of market relations, maintained by reference to competition and incentives, stems from the fact that despite its apparent reference to legal contractual forms, the notion of a "contract" is above all an extension of that of "equilibrium", a balance between interests that have nothing in common and are often even antagonistic. To allow this extension, new notions of equilibrium are introduced (Nash).

2. By trying to link all the "equilibriums" of behaviours to the original core of competitive market coordination, the extension opens only superficially onto a variety of contractual devices or modes of transaction. The core excludes recognition of an interpretative rationality, of an ethical judgement and a reference to collective objects and beings. Yet these notions are fundamental elements of a grammar common to the multiple modes of coordination analysed in the conventionalist programme. Without such recognition, the variety of contractual devices taken into

consideration is limited by the single mould of Nash's equilibrium or refined versions of it. There is indeed a very close link between standard rationality in situations of interaction, and Nash's concept of equilibrium, as many authors have noted, from Johansen to Kreps.

The social embeddedness of economics and the social construction of markets

Economic sociology offers a counter-attack to these extensions and intends to reduce economics to a field equivalent to the other social actions in which it specializes. The advantage of this opposing extension consists in inscribing so-called economic relations in a far wider space by highlighting their entanglement with social actions. With the common aim of denaturalizing economic relations, a rich body of research on "the social construction of markets" has emerged.

Sociology encompasses a far wider range of social actions than the one allowed by the specifications of the economic theory of contracts (whose limitations are intended for a conceptual economy). Consequently, the reduction effected by sociology when it expands into the economic domain is not as radical as the symmetrical reduction. Certain extensions are, moreover, facilitated for sociologies of actions motivated by self-interest or strategic goals, inspired by the models of economic action, that can thus form certain alliances with a Becker-type economics.

This extension of sociology nevertheless raises questions comparable to those generated by the enlargement of the domain of economics. The models of social action, even when they more or less metaphorically employ the language of markets and interests, imply modes of coordination that are profoundly different because based on social groups, social representations, social practices, a sense of the social, and social intercomprehension. They fail to characterize the specificity of frames of action and coordination involving market objects. Despite its fecundity, the notion of embeddedness of economic transactions in social relations attests to this reduction to models of social links.

A non-reductive integration

Our undertaking is different from these efforts at extension based on a core of hypotheses of standard economics or classical sociology. It partakes of the effort of integration motivating the preceding two movements, but it also recognizes that each disciplinary tradition illuminates different aspects and different modes of coordination which can hardly be assimilated into the other disciplinary frame in its present state. That is why we have constructed a framework of analysis devoted to an issue common to both traditions, one that can be used to identify the matrix underlying a plurality of modes of coordination to which the different heritages of the disciplines bear witness.

2. UNDERLYING THE SOCIAL AND ECONOMIC SCIENCES, A COMMON ISSUE: PROBLEMATICAL COORDINATION OF ACTIONS

An issue common to the social and economic sciences

The limits **of** the above two types of extension lie in the reductions they effect on the basis of notions of action and elementary coordination peculiar to each discipline, whether economic or social. Yet if we go back to more fundamental questions, we recognize an issue common to both sociology and economics: the problematical coordination of human actions. Each discipline has concentrated on different specifications of this coordination. We would like to preserve the resulting pluralism, without for all that reducing it to differences between disciplines nor remaining at the stage of relativism.

Renewed frameworks for analysing the uncertainty of coordinations

With what are we equipped in terms of agents or devices [*dispositifs*], to account for coordinated actions? The answer obviously depends on our interpretation of the word coordination. As indicated in the introduction, EC is not confined to the definition of coordination that economists base on the assumed methodological individualism in the neo-classical currents and transaction cost economics. The notion of coordination developed by

EC highlights the role of collective forms of evaluation. The most public forms subject coordination to the demand for justification; modes of coordination with a less extended scope imply forms of evaluation that correspond to more limited goods. Moreover, the notion of coordination thus extended is not opposed to the idea of conflict. Coordination is put to the test and realized against a background of failure and particularly of conflict and criticism.

"Classical" authors in both economics and sociology have remained close to reference models from the natural sciences and have developed economic and social physics that highlight equilibriums, orders and structures of social reproduction. Coordination is systematically guaranteed there by powerful forces embedded in agents and in external constraints. More recent developments have highlighted the uncertain nature of coordination, which implies that we need to pay more attention to the modes of transactions and interactions.

For interactionist sociologists, uncertainty remains part of the idea of an "order of interaction", even if it is "negotiated" locally in the situation. Order is particularly doubtful for ethnomethodologists who, in this respect, differ from "classical" sociologists. But they assume that actors actively strive to maintain a common sense, at all costs, in the particular context of the situation, through "ethnomethods". More broadly, the notion of intercomprehension extends the idea of an agreement through meaning, to which sociologists are very attached, unlike economists. For sociologists of actant networks, coordination is established only a posteriori and reduced to the elementary level of "association" and "interestment".

For economists, the problem is concentrated on notions of uncertainty and information. Standard theory, even extended to problems of bounded rationality, has not called into question its model of action. Paradoxically, disorder remains highly calibrated while leaving the way open to opportunism. One of the most significant certainties stems from the idea of the space of options, even though it transcends the space of objects traded (hypothesis of nomenclature) to become a space of actions in game theory. Common knowledge remains a heroic hypothesis as long as

the ways in which it emerges and is observed within coordination have not been studied. This implies that we take seriously the material, social and institutional conditions that allow those who coordinate to engage in action. It also implies that we open the black box of rational action to look for reflexivity and reason, both perspectives that economics basically refuses, despite the repeated plea of its leading authors.

How to do better? Qualifying uncertainty on the basis of a form of evaluation that allows coordination

The above-mentioned currents take into account an uncertainty weighing on the coordination of behaviours, whether that uncertainty is conceived on the basis of an asymmetry of information or on that of the particular context of a situation. In what way do we do better? By differentiating forms of uncertainty and thus of information, and then relating them to different forms of evaluation, for evaluation is at the centre of coordination.

With the notions of "incompleteness" or of "radical" or "critical" uncertainty we try to go further back than the formatting of the information on which the economist of contracts' calculations are based. We distinguish the operations through which doubt is channelled and treated according to various formats of knowledge and information, the relevance of which is related to a mode of coordination. We are thus able to understand how forms of non-market coordination appeal to other formats of knowledge, even though they are frequently reduced by the economist into terms of inequality of information primarily concerning the essential qualities of commercial objects and services.

In all coordination, whether in the market, in enterprise, or aimed at political agreement, there is no regularity at the start of the action that can be considered as a sure support. In this sense uncertainty exists for everyone (including for the theoretician who tries to understand and not only to explain the course of events from the outside, afterwards). In its ordinary singularity, any coordination is uncertain in so far as it brings into

play heterogeneous actors, takes place over time, and aims at a product (or service) that is never entirely predefined.

Overcoming that uncertainty requires the conventional construction of products, services and expectations that are the mediums of the commercial interaction and productive activity of firms. The notion of a convention enables us to characterize this moment of common construction. Note that overcoming uncertainty is a feature of daily life in a community and, more generally, in society. Observation shows that the actors often succeed in doing so, at least to a degree. It suggests that this conventional construction is a permanent individual and collective activity, incorporated into the action itself.

Conventions channel uncertainty on the basis of a common form of evaluation that qualifies objects for coordination. We thus distinguish market conventions of qualification, in the limited sense of a competitive consumer good market, from other conventions of qualification that, at the cost of a sharp departure from the dominant paradigm, make it possible to cover a broader range of transactions – which satisfies the current ambitions of the economic and social sciences. Recognition of a plurality of such conventions is a response to the critique of an excessive extension of the market to all interactions, without transferring non-market relations to a "social frame" of the market. Apart from the plurality of modes of coordination and the resulting discontinuities, it is therefore necessary to characterise a frame common to these different modes of coordination, without which the agents' switching from one to the other would be incomprehensible.

Qualifying uncertainty, or specifying conventions that allow the qualification of the objects of the transaction, result in a recognition that the relevance of a format of knowledge depends on a form of evaluation. Evaluation is at the centre of coordination; it is not an argument, amongst others, of the individual function of utility, an invisible bedrock – sub-contracted for analysis to other disciplines – of the individual function of utility, or a value added to rationality to complete or correct it.

3. THE FIRST PLURALISM OF GENERAL MODES OF COORDINATION: WHAT LEGITIMACY AND WHAT INTEGRATION?

Legitimate forms of evaluation support institutions. By recognizing that the most general modes of coordination are based on such forms, we take seriously the demands for justice and democracy that weigh on organizations, as well as the sense of fairness, of the public good or of the common good expected from the actors engaged in these coordinations. The importance of these expectations, situated at the heart of political philosophy, has been diminished considerably in prevailing economic and sociological approaches. Either they reduce all evaluations to individual preferences incorporated into prices, or they limit them to arbitrary social values in their diversity. The fact of taking the legitimacy of these forms of evaluation and their pluralism seriously modifies our understanding of both actors and organizations.

Politics, justice, democracy

If we recognize a pluralism of legitimate modes of coordination, can we integrate them into the government of organizations or states? Can we avoid relativism that the social and economic sciences commonly associate with the plurality of values?

A positive answer was formulated by analysing relations between the most legitimate modes of coordination and the sense of just and unjust. Instead of stopping at a typology of values, or Weberian ideal types such as those that differentiate modes of domination, we have shown that different orders of qualification that confer their legitimacy on general modes of coordination correspond to the same grammar of just and unjust. Forms of evaluation, test procedures that lead to judgment, relations between orders of evaluation, are all denounced as unjust if they fail to satisfy a set of conditions described in a model common to a plurality of orders of worth. We have identified certain convergences between these conditions and two contemporary theories of just and unjust: the second principle of Rawls' theory of justice, and the Pascalian sense of tyranny as domination outside its order of relevance that inspired

Walzer's distinction of spheres of justice and served as a matrix for the analysis of orders of worth. The fact remains that the pragmatist entry via coordination of actions rather than directly via the distribution of goods leads away from these authors. It enables us to specify the procedures of the test of coordination and its basis of qualified objects, as well as the relation between procedures and substantial goods, that are often ignored, especially in the opposition between fair and good radicalized by the liberal grammars.

By analysing coordination devices on the basis of these grammars of fairness, their democratic openness and its limits can be assessed. This assessment concerns various loci such as the state, public policies relayed by associations, standardization committees, regulatory authorities, conferences and forums, etc., without being limited to an opposition between the state and civil society. Civic order illuminates an essential demand in any democratic policy, because it qualifies a quest for equality and solidarity and relies on regulatory objects equipped by the law. The clear distinction with a market order makes it possible to avoid the confusion resulting from possible compromises between liberal political grammars and the convention of market coordination, compromises often covered by the expansion towards the politics of an economics focused too sharply on market relations.

Agents in different states for evaluating

In the economic model evaluation by agents is concentrated in the utility function that is assumed to be either stable or subjected to exogenous variations. Several research currents try to endogenize preferences, either by likening them to routines selected by the environment, or by introducing an order into preferences: metapreferences.

Each of these strands of research has its appeal. We try, however, to go beyond that by relating evaluation to a state of individuals that depends on their engagement in their coordination environment. We thus relate routine conditions not to basic automatic regularities but to one of

these modes of engagement in which habituation to a familiar environment means that evaluation is carried out at the level of local adjustment. We also relate the ethic content of metapreferences to an engagement at a very different level, in which the collective underpinning of evaluation is essential.

Unlike extended standard theory that tries to conceive of the problem of coordination or cooperation by confining the cost/benefit calculation of homo oeconomicus to the level of the individual self, social psychologists (Tajfel, Turner) have highlighted the complementary role of two other levels, that of social selves (through membership of groups) and that of the self as a human person. In this way the shift from one level to another can be apprehended.

Compared to sociologies that assume the existence of stable determinants of social behaviours, the fact of taking into account a plurality of states of evaluation leaves room for different engagements and introduces movement into people's dispositions. Moreover, this EC approach relates these movements to modifications of the settings in which actions take place, and which offer external support for evaluation. This type of analysis does not prevent us from considering relations between these dispositions and social affiliations; it authorizes their movement, as observed among members of societies in which everyone has to accept diverse modes of evaluation.

Constituent conventions of the market and firms ...

Markets are above all places where the quality of goods is tested and evaluated. Their organization is contingent on activities that prepare those tests and format them: activities of codification, measurement, certification, regulation, etc. These are activities situated upstream or downstream from markets, although linked to them. The state is present, as either prescriber or guarantor.

The state of persons that has occupied economists most is that of actors in a market. Clearly, the fact of reducing what happens in a market to the laws of supply and demand is regrettable. First, actors are identified

only as buyers and sellers, whereas "behind" that identification consumers and producers are equally important, if not more so. Consumers and producers have conventional expectations regarding the traded object, that cannot be made to coincide simply by means of a mechanical adjustment of supply and demand. Each has an essential prerogative. Consumers are the sole deciders of the quality of what they buy and their decisions to do so. Producers alone determine the rules of their production of products and services. These two prerogatives form the starting point of agreements on the quality of goods in a market and make them possible. Effective competition in each type of market will depend on the type of test and evaluation that predominates within it. Operations of evaluation differ, depending on the market and on the nature of the objects of the transaction: products and services of various kinds and destinations, labour, securities. As shown below, in all these markets a plurality of principles of evaluation exist, that has to be integrated into theoretical analysis.

The collective form of the state of persons, their qualification, is induced by the constraints of coordination. For a common evaluation to emerge, a procedure of composition of individual evaluations is required. The consumer in the market is not an independent individual, unattached to anything, as hasty critiques of the market assume. He/she has access to all goods in the market provided he/she is solvent and puts him/herself into the state of a consumer, which involves certain rights and duties. In particular, he/she must agree to the supply of goods and the market price. In these conditions an aggregated demand can be constituted. We have constraints here that are similar to those impinging on the counting of votes, in politics. The state of a consumer is based on devices, especially market goods, that establish a format of knowledge in relations. More local approaches emphasize behaviours that move away from this general state: the price may be negotiated, adjustments may be made to the objects of the transaction, etc. They open onto a second pluralism introduced in the following section.

...and those of other legitimate modes of coordination

We can introduce other modes of coordination by varying the state of agents governing their evaluation of what a good is. The term "a good" is obviously ambiguous in economics since it can denote either the appropriated thing or that which, more generally, guides an evaluation. It is not only a source of misunderstanding, for we try to relate the good that is the object of the transaction to plural possibilities of evaluation, not reduced to market evaluation. In this pluralist approach the concept of a good is very open and enables us to move away from the market good. The classical distinction between good and service, reduced by the extensive frame of the market, has a profound meaning: it already suggests states of the object of the transaction that open onto different forms of knowledge and evaluation. The extended concept of a good can then cover an equally broad range of modes of coordination as those that are recognized in economics and modern society, without reducing them to a single form.

Diverse strategies exist to introduce different coordinations of the market. They have in common the fact of defining states of evaluation that differ from that of the consumer. We can thus more satisfactorily analyse productive activities, work, that bring into play evaluations of goods whose format of knowledge differs entirely from that of the consumer. The function of production is the economist's way of modelling these forms of coordination, but by reducing them to technical constraints, so as to safeguard the sovereignty of the market. This tension between several coordinations is present from the origins of economics, through the debate between labour value and use value. It is currently apparent in interest in the analysis of firms, but contract theory is inadequate as a tool for studying it. The fact that Herbert Simon developed an alternative paradigm of rationality by focusing primarily on organizations is significant.

Once we have recognized the pluralism of evaluations we see the limits of the information economy more clearly: asymmetry of information between agents is most often a problem of distribution of the ability to

evaluate and the mode of evaluation. For example, in a doctor's relationship with his/her patient, we can refer to asymmetry of information in so far as the doctor has more information than his/her client. He/she could take advantage of that to deceive the patient by putting less effort into treating an old person, for example, who will nevertheless still pay the same price for the service delivered. This stems from a capacity for evaluation that, if present only in the doctor, leads to an abuse of power since the patient cannot participate in this mode of evaluation of the effectiveness of treatment. The positive side of the asymmetry, which stems from this capacity, is ignored in the purely negative approach to contracts. The plurality of forms of evaluation is reduced to an ordered asymmetry. In so doing, the economy of information neglects the decisive operations of production of formats of information (categories of knowledge and evaluation) that will become relevant and will be considered as common knowledge.

The plurality of coordinations does not correspond to the boundaries of organized or instituted categories of activity. A given economic activity, even finely divided up, can concern several forms of coordination which are not the same for each firm. The problem of coordination in such pluralistic worlds is that of the encounter between several principles of evaluation, or of the distribution of power of evaluation between the different states of persons.

To incorporate this plurality into a common framework of analysis, it is necessary to review the question of equilibrium. Equilibrium between supplies and demands enabled economic theory to extend the market model. This was followed by a new extension by Nash's equilibrium. These equilibriums are based on the agents and objects of transaction that have been put into the state of the market, or of a pseudo contract market. If this concept is retained in a pluralistic context, "equilibrium" will relate to the stability of that state, prior to the contextual regulation of prices (or of other references for coordination). There is disequilibrium when the principles of evaluation that qualify the state of persons and things are called into question, especially by relying on alternative coordinations. H.

White's modelling of consumer markets is a particularly stimulating way of formalizing this renewed notion of equilibrium, in a pluralistic context. Equilibrium, that is, the renewal of the quality convention, then concerns a dispersion rather than a central value.

The constituent convention movement

"Classical" economics and sociology tend to consider the founding institutions (the market, the community) as exogenous, universal and stable. The introduction of radical uncertainties (lack of a mode of coordination containing uncertainty within the limits of an order of qualification) and of critical dynamics (challenging an agreement) into analysis leads to the conception of conventions that are deformed by action and are plural and evolving. People are placed in a conventional environment (formed mainly by texts, legal corpuses, accounting units, evaluation tools) that they rearrange to remedy the lack of coordination and cooperation. To introduce this conventional dynamic into the analysis, the actors have to be endowed with a reflexive behaviour regarding their own state, as well as a capacity to remodel forms of community life – in other words, a political capacity.

Attempts to introduce political behaviours by starting with rationality are short-lived. Contract theory adopts this type of approach but equilibrium is maintained only at the cost of an unrealistic hypothesis of rationality, with the maintenance of a general market in the background. Introducing ethical, altruistic behaviour alongside rational behaviour does not allow one to account for the plural and evolving nature of the goods involved in the evaluation of behaviours. It is necessary to incorporate politics into the analysis by reference to the conventional dynamic and to the type of reference good.

Strange markets: labour market, financial market

For a long time institutionalist currents have criticized the apparent extension and unification allowed by the concept of a market. Polanyi's critique of a process of merchandization was followed by criticism of the

undifferentiated neo-classical treatment of all markets. The principal-agent model augurs badly for the behaviour of a human resources manager. North and Williamson are aware of these limits to extension, but are content to treat politics as a good source of incentives. Considering the economic agent only in his/her "individual" state, they force themselves to think politics in a register that precludes political or even social capacities in humans. EC makes it possible to go further and recognizes the theoretical specificity of each type of institutional market device, thus reviving the tradition of the classics.

Labour markets

Market reduction of labour to a factor of production commanded by consumers distorts the common perception of evaluations attached to work. In the market model, labour is a sort of negative consumption, the only aim of which is to provide buying power. The worker is therefore in the state of a consumer who chooses between baskets of goods, including leisure. Hence, the focus on "skiving" behaviours to describe work. The skills, methods and efforts deployed to accomplish a professional activity are thus reduced to a disutility. Turning it into an altruistic behaviour is simply a largely unsatisfactory inversion of the same model. A better solution consists in introducing a state related to the activity of work, based on a specific conception of industrious activity as a good. Instead of involving only remuneration, which makes it possible to isolate a labour market, the aim of work also involves the good consisting of an activity consolidated in a product, whose value indexes that of work. This approach is open to the plurality of forms of work. It can be used to analyse the tensions between different evaluations of the good through those of the product.

This approach also renews the role of firms. In the continuity of the transaction cost economics, the firm is seen as a framework of coordination distinct from the market. Coase's or Williamson's firm has an effect only on the efficiency of coordination and extends the neo-classical

tradition of reduction to trade, via transactions and contracts. For us, the firm organizes the articulation between goods, labour and capital markets. We also pay attention to areas of coordination that are broader than the firm, for example the professional branch if the rules of valorization of goods and work are produced in this framework.

Moreover, the firm is at the intersection of several forms of coordination, managing the tensions that result from such a situation by compromises between them. The diversity of corporate models and worlds of production that the analysis of conventions of coordination leads to, challenges the view of the firm as a unified and simply hierarchical mode of coordination.

Financial markets

Owning a share confers a right to the future flow of expected dividends. It is only a promise of money. There is an ensuing risk for the owner who, faced with unexpected expenses, can find him/herself in great difficulty if unable to transform his/her shares immediately into money. Stock markets are institutional creations invented to meet a specific demand by creditors: making property rights liquid. With this statement we are diametrically opposed to orthodox analysis of finance in terms of which securities are considered to be naturally exchangeable, like merchandise. EC is entirely devoted to criticizing this natural state of goods ready for trading. EC analysis of financial markets reveals the gap between them and two modes of evaluation and coordination with which they are often unfortunately confused.

First, disconnection from the industrial world of productive investments is witnessed in the fact that the share price is not the expression of a "fundamental value". Financial liquidity makes a clear cut between the time of production and the time of finance. Whereas the valorization of productive capital is a long-term process since it requires the irreversible immobilization of capital, liquidity constantly produces opportunities for re-evaluation and thus profit. In our view this difference of timing, already

found at the heart of Keynes' analysis of capitalism, clearly shows the gap between evaluation in financial markets and evaluation of productive capital corresponding to an industrial-type convention of qualification.

For all that, financial markets are not reducible to a competitive mode of coordination based on a market qualification of goods, like other consumer markets. Finance implies coordination by opinions, where a set of heterogeneous opinions is transformed into a reference value agreed to by all. Agents' expectations are turned towards the expectations of the other stakeholders. Mimetic behaviours are thus encouraged. Such imitation at an individual level leads to highly regrettable situations for the economy, as in the case of speculative bubbles or lasting gaps between stock market prices and "fundamental value".

In coordination based on a convention of qualification by opinion, it is the character of a sign and hence of recognizable salience that qualifies things and makes the "objectivity" format peculiar to this mode of coordination. As long as the conventional object is accepted the speculative dynamic is simplified, **for** in order to predict what the others are going to do, it is enough to refer to the convention. Through the game of self-validation of beliefs, there follows a relative stability of the convention that, for the agents, becomes second nature.

4. THE SECOND PLURALISM OF LEVELS OF CONVENTION, FROM PUBLIC COORDINATION TO CLOSE COORDINATION

Our study of the most official institutions and public policies, but also of organizations, firms or associations whose democratic demands we wish to take into account, led us to focus above all on the most legitimate modes of coordination. However, the analysis cannot remain at this level aimed at a requirement of public legitimacy in evaluations and qualifications of people and things. Our programme turned to a second pluralism to address more situated coordinations and more personal conveniences. Without stopping at the cognitive aspects of so-called

"tacit" or "informal" knowledge, we have considered the evaluations and goods involved in these more local coordinations.

In both sociology and economics, various research currents have focused on modes of action that remain short of the requirements of deliberation and public critique, and even of individual reflection. They have located non-reflexive unconsidered relations with the world in habitus, routines and practices, based on incorporation and dependent on context, at least in so far as their learning is concerned. By dropping hypotheses on reasoned calculation and on the completeness of the agent's knowledge, the hypothesis of bounded rationality has also caused more weight to be given to the situation of action. Interest in the context and conceptions of a situated action have shifted attention away from deliberation, the choice of regulated options or a plan, to circumstances. In their own ways, analyses of networks consider circumstances from the viewpoint of a multitude of links. Yet these advances have concentrated on the cognitive organizations of these relations brought closer together, without taking into account the evaluations and goods they imply. These theories are likely to remain too exclusively concentrated on models of local action, thereby disqualifying demands for more extensive coordination and overlooking the operations needed to move towards commonality and generality, as required by the public and politics. This is clearly the case of evolutionary models of routine behaviours that model "local" links, just as models of contracts remain models of partial inter-individual equilibrium, with connection to the rest of the market taking place arbitrarily and exogenously through the so-called condition of participation. Economic theory thus proposes two local models, one with weak rationality (routines) and the other with strong rationality (contracts), both of which are unsatisfactory.

Conversely, theories that focus too closely on the public sphere, institutions or citizenship, tend to overlook the prerequisite of a person maintained by close relations. Ignoring the variety of formats of action, they cannot account for the movements required to shift from one to the other when a rule or law is applied with careful attention paid to the

specificity of the case, when a public policy "moves closer" to people, or when the functional object or plan are adapted to a particular use. In contrast, the way towards public qualifications requires changes in the state of things, but also of individuals who need to break away from close relationships to acquire the autonomy to lead a project or support an opinion, or to obtain a public qualification. Closeness is not only the particular of the general, it is based on specific modes of engagement in the situation. Evaluations based on close engagements enrich not only the forms of knowledge taken into consideration but also evaluations and judgments on the unjust, abuses of power and attacks on individuals. Our programme therefore developed in the sense of a differentiation of forms of action and coordination intended to understand the passages between them, and to highlight the abuses resulting from the predominance of some over others. A programme that is already attentive to pluralism of the most legitimate modes of coordination has to encompass a second pluralism stemming from the unequal scope of regimes of coordinated action, from the most public to the most familiar.

Reductions of close actions and relations in economics

Economists often treat close actions and interactions negatively, as if they lacked standard properties. Considerations on asymmetries or incompleteness of information, or on the opposition between centralized and decentralized information, concern situations that are often asymmetrical from the point of view of formats of information and evaluation that the different agents use. In contract theory several currents try to formalize close relations that have not been treated adequately by standard models based on the substantial rationality of agents. Models of incomplete contracts are a case in point. Yet, by failing to review the hypothesis of substantial rationality in depth, they revert to the standard approach. A more satisfactory option would require one to recognize the anchorage of knowledge in devices [*dispositif*] that retain

traces of interactions with the environment, as well as the kind of evaluations in use.

Evolutionists promote the model of the routine as opposed to that of the plan in their approach to work and productive organizations. They thus aim to highlight the non-reflexive character of the activity and its dependence on the past. Unable to calculate in a complex environment, agents rely on former habits, and coordination is based on routines. Despite its contributions, the drawback of this approach is that it neglects the upper levels that are required for the sense of legitimacy, as well as the lower level of personal habituation since routine is most often treated as a regular and frequently collective habit, like social practices and customs. The distinctive features of personal engagement in the familiar are not taken into account, nor are the resulting difficulties of coordination with other persons who are foreign to that familiar. Yet the question of learning encounters such difficulties.

Just as the actual activities of work and production involve the worker's close relation with the equipment and product used for which contractual formalisms or the functions of production fail to account, so too real uses of products and services involve the consumer's particularized close relation with them and are neither limited to the standard functional treatment of things to which the notion of utility attests nor exhausted in the relation of destructive consumption. The economic literature has some traces of a regime of use that specifies the type of progressive and particularized adaptation of a person to his/her surroundings. The concept of "experience good" emphasizes a dependence vis-à-vis experience instead of remaining in a relationship of consumption. But by reducing this regime of use to the properties of merchandise, we lose the characterization of an attendant way of doing things. Path-dependence models also recognize the role of contingent particularities of the environment in the subsequent trajectory, but relate them to a lack of optimality in technical choices.

From regulated institutions to interactions

Coordination of actions is unequally instituted. Even though institutions are based on the most legitimate conventions, as indicated in the introduction to the third part, many actions digress from the institutional format and borrow other formats more favourable to closeness, even when they remain linked to institutions. We see this today in the movement through which public policies are localized and designed to be closer to people and situations.

Of those conventions that have a maximal collective range, we can start by distinguishing the first level of constituent conventions (Convention 1). These support the most legitimate modes of coordination, which consequently have a very broad scope as regards the common judgments and goods underpinning evaluations. They are more than rules allowing the coordination of actions considered as normal. The space of their interpretation is that of justification and critique peculiar to the demand for democratic debate. On the other hand, second-level conventions (Convention 2) encompass more limited rules intended to coordinate normalized action plans. They leave only a smaller space of interpretation, confined to a relationship to the rule that prescribes the right action.

The analysis of institutions or public policies highlights activities that are not reducible to these conventions with the widest collective range: actions of agents from public organizations, aimed at moving closer to "users"; situations of evaluation in which the evaluator establishes direct interaction with the evaluated person. These actions are expressed in the standard, non-formalized language of narration, devoid of the orthodoxy required by institutions. Designation of acts, intentions and objects in ordinary language employs a format that authorizes tolerance compared to institutional forms. Coordination between actors is not subjected to an operation to move towards commonality and generality that guarantees conformity with the institution; it involves interactions in which the instituted tests are lightened, even suspended, to the benefit of

accomplishments evaluated in a more tolerant format of the appropriate action.

This form of interaction is most often considered only negatively in relation to the instituted action, as an "informal" or "local" action. Our conception is rather of a coming and going between the different levels of coordination, that highlights the benefits of people drawing closer together. This type of dynamic perspective has to be careful to avoid two frequent reductions of institutions: a holistic conception that presents them as collective structures which rigorously determine all social practices, and an individualistic conception that limits the institution to an aggregation of self-interested individual actions. These two options substantially reduce the range of forms of evaluation that guide people in their ways of apprehending their own behaviour and that of others. Taking into account the law implies that it also be considered from the point of view of its procedures in action, by situating it in this type of differentiation of levels where it is not reduced to the a literal interpretation.

By construction, institutional rules mobilize general categories needed to build equivalence, due to the cognitive constraint of generalization and the political constraint of identical treatment of actors by the institution. They also imply an evaluation of a wide-ranging common good, where the actors act as "legislators" by adopting a critical stance on what a good rule ought to be. As regards this judgement, the level of situated interaction and the coming-and-going that it allows with more formalized coordinations, present four types of opening.

First, evaluation can depart from general categories that allow pre-judgments, to move on to an individualized judgment which takes into account a series of the individual's actions. Less formal than a degree or diploma, this judgement allows an assessment of the individual's competencies attested by his/her actions, and that have not been publicly formatted. Instituted categories such as degrees are not enough to guarantee an accurate evaluation. Taking into account abilities to act,

revealed in interaction, can lead to more accurate treatment owing to a weakening of the biases induced by these instituted categories.

Second, the evaluation is finalized by the objectives pursued in the situation, that frame it in a more restricted plan than the goal of a common good. When it transcends the frame of a well-accomplished individual action, the targeted good can remain local, beneath a goal of universalization. Thus, firms are supported by arrangements that are usually satisfied only by local demands for coordination, and the targeted good is limited to the firm without spreading to society as a whole.

Third, evaluation can open up to the plurality of legitimate principles of justification that often enter, by compromise, into more local goods supported by compound arrangements. This type of opening creates the unexpected by revealing the situation from a new angle. The judgement can be said to be "balanced" when it becomes stable after variations induced by these changes of principle, and not by prior "purification" of the situation so that it qualifies for only one of them.

Fourth, evaluation can generate dialogue in interaction, that helps to reduce asymmetries between evaluator and evaluated, and thus to benefit the most disadvantaged by making it easier to take into account their rights. We can then talk of "negotiated" judgment and consider that it facilitates the expression of injustices that previously had no access to critique. This regime of interactions must not be reduced to a deterioration of justice, with the explanation that equality is undermined by the breakdown of general categories, and objectivity of judgment jammed by the plurality of principles. It affords the conditions for an enrichment of evaluations of individuals.

Note, to conclude, that this form of situated interaction is found in a range of diverse institutions, including the market when the evaluation of goods exceeds pre-judgments based on general categories.

Beneath the individual subject: familiar engagement that maintains the person

When public policies are amended to bring them closer to people, as regards the return to employment, reintegration, habitat or, more generally, social work, they appeal to a plan, a project, to individual wills and intentions that have to prove themselves. They target a state of the person as an individual capable of coordinating him/herself within his/her plan and of demonstrating an autonomous will and opinion. This appeal causes a demand to weigh on the people concerned, that is taken to be the prerequisite of their access to a more public level of coordination, based on the most legitimate conventions. If the individual's state thus constitutes the basis of engagement in the public sphere, it already corresponds to a level of consolidation of the person in the accomplishment of appropriate actions, as noted in the preceding section.

Yet the experience of the agents of these public policies reveals failures to achieve this required individual autonomy. Most often, they are referred to a set of failings: lack of will or perseverance, passiveness or inactivity, incapability of keeping promises. Economists never fail to see in this a preference for inactivity. In contrast, sociologists highlight social factors and determinations that relieve individuals from the responsibility for such shortcomings.

These two approaches overlook the fact that before reaching the stage of the autonomous individual, a person must first be maintained by close ties that engage him/her in the familiar. The various personalized accompaniments extending public policies are grounded in this type of relation of familiarity participating in this maintenance of a person, below the state of the individual, the subject of action. The dynamic of personal conveniences is based on landmarks that appear with use, during frequentation of the surroundings in which the person is accommodated. That is where he/she resides above all, maintained by attachments. The social sciences commonly grasp this dynamic of familiar adaptation with a bias in the discredit of a passive dependence that hinders the subject's autonomy, using the rigidified and repetitive notion of routine or a

deformation that shows up these personal preferences collectivized in customs or culture. Political constructions cannot ignore this essential good engaged in a familiar in which the person is anchored, if they care about dignity, promise a more hospitable common world to that in which persons differ, and preoccupy themselves with forms of recognition of these differences and of the struggle against the discriminations they spawn.

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At the end of this journey that we concluded with the characterization of a second pluralism, "vertical" pluralism distinguishing more local conveniences from essentially public conventions, we again encounter the limits of standard economic theory. But we have the means to shed new light on the extensions from which we started at the beginning of this text. In opposition to the social scientist criticized for his/her openness to collective beings, the supporter of an extended standard theory claims to address all human actions – including those that other disciplines treat in terms of social collectives or political communities –, by limiting him/herself entirely to what he/she has of the most elementary and realistic state of the human being, that of a self-interested individual. In our construction, the individual incorporates into his/her behaviour a normative design on coordination with others and the common good, instead of withdrawing into a selfish calculation. Moreover, we can now recognize that this individuality, which in particular makes the person a centre of decision-making and calculation, is neither the prime state nor the base of all human coordinations. This autonomous individual format is accessible only on the basis of a personality maintained by familiar engagements that, if they are torn apart by a disintegrated activity or habitat, deprive the person even of his/her privacy. We thus understand the dual weakness of the extensions of standard theory when they treat of social policies, especially integration. They ignore reference to the

common good in coordination with others, here a civil good of solidarity, and take for granted this individual state that, precisely, integration policies aim to reconstruct.