Abstract
Can observers observe the economy from the outside? Recent developments in economic sociology tend to blur the classic
distinction and combination of economy and society and to move to a model in which the observer is necessarily inside the society
he describes. The behavior of financial actors can then be analyzed by combining two concepts: beauty contest and moral hazard
– a combination that allows for a translation of their behavior into the terms and the tradition of observation theory. Keynes' beauty
contest can be interpreted as a systematic recognition of second - order observation: financial op - erators primarily observe other
observers and what they observe. This observation produces particular circular ities - including the insoluble problem of moral
hazard, which reproduces Merton’s famous model of self - defeating/self - fulfilling prophecies in the field of finance. If finance
consists in second - order observation, however, then its movements can no longer be explained in reference to the world, but in
reference to observation and its structures: the reality reference of finance is increasingly provided by ratings, which can only offer
information concerning what others observe. The spread of ratings in recent decades and the doubts about their reliability are
related to the generalized move of modern so - ciety to second - order observation, which produces specific problems and specific
puzzles, as well as structures and constraints.

Keywords
KEY WORDS, Observation Theory, Embeddedness, Performativity, Ratings, Finance, Beauty Contest, Moral Hazard.