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Note from the editor

Dear reader,

Financial markets, stock exchanges, banks, and finance in general have not been intensely focused in economic sociology for a long time. Although classical sociologists as Max Weber worked on stock exchange (*Die Börse* published in 1896), financial markets and stock exchanges later on were regarded as exemplary spheres of "pure economics" (Walras) – working as if they were detached from the social . This was one reason why finance was for a long time not conceived as research field for economic sociologists – and left over to economists.

The situation radically changed ten, fifteen years ago. Different approaches to economic sociology of finance have been emerging and research in this area has been increasing. As many scholars in economic sociology have demonstrated (Mitchel Abolafia, Karin Knorr Cetina, Donald MacKenzie and many others) since then, finance is a sociological field for study *par excellence*. This modern sphere of economy was made possible just because actors, organizations and social groups engaged for and invested in its existence, its processes, as well as in its institutional and cognitive structures (and they have to invest in it anew every day). The promise was to invent an economic institution which enhances collective wealth, bringing in more market efficiency and improving economic allocation.

Nowadays, finance is seen as continuous generator of "XXL-problems" for economies, for national political regulation but also for the global political order. As Michael Lounsbury, Pooya Tavakoly (in the first contribution) and André Orléan (in the interview) argue, the reason for this is not the lack of liberalization of financial markets. The opposite is the case. The public became more and more aware of deregulated financial markets as economic spheres wherein economic actors tried (and still try) to defy regulation and institutional control. Their aim was (and still is) to realize extreme profits for themselves instead of serving the economy and enhancing societal wealth. For Orléan there is a "built in" instability in liberal financial markets, they are multipliers of uncertainty. Also the value of financial assets cannot be seen as grounded in "real" assets (machines, buildings, real estate, etc.) – for identifying a shared recognition of value proceeded by finance in a self-referential manner. For all these aspects financial markets will keep troubling economies and societies. All these aspects make financial markets and financial organizations a highly fascinating and promising object under study for economic sociology.

Still there is no such thing as an integrated "field" of economic sociology of finance. Scholars from different strands of social sciences contributed to the emerging new sociological perspective on finance. But what is named here as "economic sociology of finance" is at the intersection of different current strands as social studies of finance, socio-economic analysis of financial institutions (including banks, rating agencies etc.), accounting, sociology of money and credit, economic sociology of financial markets and financial organizations. ECONOMIC SOCIOLOGY – EUROPEAN ELECTRONIC NEWSLETTER (ESEEN) has proven to be a forum for this research area, as preceding issues demonstrate.[1]

The current issue – **Economic Sociology of Finance** – again presents actual contributions.

The first contribution of *Michael Lounsbury* and *Pooya Tavakoly* analyzes how neoliberal ways of thinking took over financial markets and started the process of demutualization of national stock exchanges. National stock exchanges were privatized and bought by other stock exchanges. But there were also failures on merging national stock exchanges and countervailing forces occurred as national (statist) and international (EU) regulations. Lounsbury and Tavakoly sketch out these processes and refer to the many contributions published in the voluminous and now influential book "Markets on trial" (published in 2010).

In their article *Robert Müller* and *Jürgen Beyer* discuss the institutional nature of stock exchanges. The authors criticize the neo-institutional model of Oliver Williamson arguing that stock exchanges are neither pure markets nor hierarchies (organizations). Referring to Jens Beckert's perspective on the social foundation of market's order,

Müller and Beyer emphasize the role of self-regulating procedures which had to be invented by organizers of stock exchanges in order to stabilize market exchanges and to control market uncertainty. Therefore, they focus the organizational forms of membership, invented by stock exchanges in history to control opportunistic behavior of financial actors.

Klaus Kraemer works out the social mechanisms in financial markets that help actors to deal with extreme uncertainty. Since Frank Knight's classic "Risk, uncertainty and profit" (published in 1921) this topic is a classical economist's problem. However, today it is at first a problem under study in economic sociology and here social mechanisms are important explanatory elements – as Kraemer's contribution shows. His starting point is to question "orthodox capital market theory's" and behavioral finance's view on decision-making in financial markets. Both apply a misleading model of rational actor ("rational investor"). He discusses the influence of social mechanisms and social structures on actor's decisions on (financial) markets. Finally, Kraemer pleads to transgress purely individualistic models of explanations.

The article of *Olivier Godechot* presents results of an empirical study of employer's mobility in the financial sector. He refers to the notion of network convention worked out in Luc Boltanski's and Eve Chiapello's book "The new spirit of capitalism" (published in 1999). Boltanski and Chiapello portrayed the project and the embeddedness in network relations as a new and important logic for work coordination. Employees in financial firms (as banks) – so Godechot – can become a problem when they leave the firm taking with them "moveable assets" as their knowledge, their customer relations and maybe even the team they are leading. In these cases the "mobile" employees can enter into negotiations with actual and possible employers for higher salaries and bonuses. Thereby, the mobile employees appropriate profits immobile employees co-produced. The employer's strategies to deal with this threat and the effects this threat exerts in financial firms is studied in the article using survey data. Godechot concludes that labor contracts are not efficient in controlling this problem and that the concept of the financial firm as owning "its" assets (financial knowledge and social capital) has to be reconsidered.

Magneta Konadu and *Herbert Kalthoff* also study survey data; in their case data collected by the European Central Bank about financial portfolios of private households. But Konadu and Kalthoff do not analyze the data, instead, they analyze the data production process. The authors are interested to make the investments in the validity of financial data more aware and to bring to the fore the statisticians' practices which are important for the building of "trust in numbers".

Almost ten year ago the first interview with a representative of the French approach of economics of convention (EC) was published in ESEEN.**2** Meanwhile, an international reception of the works of EC has emerged and ESEEN published more interviews with representatives of EC.**3** Today, EC can be regarded as the core of "new French economic sociology". *André Orléan* is one of the founding members of EC. His main areas of research are finance and money. In the interview he gave to ESEEN he presents research contributions of regulation school and EC. Also Orléan introduces newer developments of his works and introduces his new book of economic value (with special focus on financial assets and money).

With the publication of the third issue of volume 14 my term as ESEEN-editor ends. It was an honor to serve ESEEN and a pleasure to exert this task.**4**

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Endnotes

1See ESEEN 12(1-3) in 2011, ESEEN 10(2) in 2009, ESEEN 8(3) in 2007, and ESEEN 3(3) in 2002. All back issues of ESEEN are available at:
http://econsoc.mpifg.de/newsletter/newsletter_archive.asp .
2See for the interview with Laurent Thévenot ESEEN 5(3) in 2004.
3See for the Interviews with (again) Laurent Thévenot ESEEN 8(1) in 2006, Robert Salais ESEEN 9(2) in 2008, Olivier Favereau ESEEN 14(1) in 2012, Christian Bessy and Claude Didry ESEEN 14(2) in 2013.
4I would like to thank the MPI staff, Christina Glasmacher und Mark Lutter, for the excellent cooperation.

Stock Markets on Trial: Towards an Understanding of *Great Recession* Consequences

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Market failures can profoundly reshape economy and society (Polanyi 1944). This is particularly true of failures related to financial collapses such as that which triggered the Great Depression (Abolafia 2010). While there has been some scholarly attention to analyzing the U.S. subprime meltdown in 2007-8, the concomitant global financial collapse, and related aspects of the so-called Great Recession (e.g. Lounsbury/Hirsch 2010; Campbell 2010; Mizruchi 2010; Krippner 2010; Swedberg 2010; Carruthers 2010; Rona-Tas/Hiss 2010), we still have a limited understanding of how these dramatic events have begun to reshape broader trends related to neoliberal thought, practice and policy including financialization (Davis 2009; Krippner 2011). What is the status of these powerful movements rooted in the growth and proliferation of free market ideology, underpinned by what we refer to as the neoliberal logic, beginning in post-WW II Western economies? Are they being challenged? Are alternative possibilities emerging and taking root?

We aim to seed interest in exploring such questions more systematically with an illustrative vignette of how the dramatic consolidation of stock markets pre-Great Recession has seemingly stalled since 2008, enabling a nationalistic logic to re-emerge and challenge the now more corporate-driven neoliberal globalism logic (Crouch, 2011) – at least for the moment. Securities markets are at the heart of Capitalism, providing key symbolic markers of modernity, as well as an infrastructure for trading securities and allocating capital. The number of countries having stock exchanges nearly doubled in the past three decades with aggregate global market capitalization growing to $64 trillion by 2007, although many stock exchanges remain small and have difficulty attracting indigenous investors (Weber/Davis/Lounsbury 2009; Yenkey 2011). While consolidation efforts have been prominently supported by adherents to the neoliberal logic – touting the value and efficiency gains that accrue to a more centralized and globally interconnected stock exchange system – it is apparent that tight coupling and consolidation in financial markets can heighten systemic risk, lead to normal accidents, and result in substantial negative outcomes (e.g. Fligstein/Goldstein 2010; Guillén/Suárez 2010; Palmer/Maher 2010; Perrow 2010; Schneiberg/Bartley 2010).

The remainder of the paper proceeds as follows. We first provide a brief background of how the logic of neoliberalism has reshaped the securities market industry, with emphasis on the recent trends of stock exchange consolidation via mergers and acquisitions as well as alliances. We then note major stock market merger deals that have been blocked after the crisis (*NYSE-Euronext and Deutsche Börse, London and Toronto stock exchanges, and the Australian and Singapore stock exchanges*), arresting further consolidation and indicating that the neoliberal logic underpinning the globalization of financial markets is being challenged by a nationalistic logic. We close by calling for research on the emergent tension between these and other institutional logics (Thornton et al. 2012) that provide opportunities for reshaping society and economy in the early 21st century (Davis 2010).

The neoliberal logic and consolidation of stock markets

After enjoying centuries of monopolistic power, stock exchanges have experienced a fundamental transformation over the past half century. The rising allure of neoliberal thought and policy, notably promulgated by the postwar University of Chicago economics and finance departments (the so-called *Chicago School*), facilitated deregulation of extant financial systems, the general privatization of economies, the rapid creation of new exchanges around the world (trading, stocks, options, futures etc.), the development of electronic trading and state of the art IT platforms,

as well as the demutualization/privatization and consolidation of stock exchanges (Hart/Moore 1996; Karmel 2002; Pirrong 2000; Treptow/Wagner 2005; Hughes/Zargar 2006). Historically, stock exchanges were organized as non-profit mutual organizations working as isolated monopolies, not subject to competitive forces. They were physical places where a community of traders met and negotiated transactions face to face. However, the advent of IT and electronic trading helped to facilitate increased stock exchange competition around the world. For instance, corporations increasingly began to strategically assess exchanges on which to list, and felt free to switch exchanges (see Rao et al. 2000 on switching between the NYSE and Nasdaq). In addition, investors and the investment industry became globalized, and capital became increasingly mobile. These overall trends have their roots in the 60s and 70s, but began to accelerate in the 80s and 90s.

Stock exchange demutualization and consolidation are recent outgrowths of these wider shifts. A movement, supported by rhetoric of increased efficiency and the free flow of capital, emerged in the early 1990s to transform exchanges into for-profit shareholder-oriented corporations (Rydén 2010). Through 2007, 40 major exchanges around the globe had demutualized including major ones in New York, London, Toronto and Frankfurt. The move towards this form of privatization transformed mutual exchanges into 'regular' corporations with a 'price tag', and thereby reduced barriers to consolidation – via mergers and acquisitions (M&A) as well as alliances.

Consolidation of exchanges has occurred at many levels. At the country level, multiple stock exchanges created across different regions and major cities merged with each other to increase trade and liquidity (Lee 2010), and sometimes to create a "national stock exchange". Examples of this trend occurred in Germany (Deutsche Börse), Switzerland (SIX Swiss Exchange) and Canada (TMX Group). For example the TMX Group was created as a result of separate mergers of Toronto Stock exchange, Alberta Stock Exchange, Vancouver Stock Exchange, Winnipeg Stock Exchange and Natural Gas Stock Exchange of Canada.

In Europe, there were efforts to create a "Pan-European Exchange". While not fully achieved, Euronext was created in 2000 as a result of the merger of the Paris, Amsterdam and Brussels Stock Exchanges, later acquiring the London International Financial Futures and Options Exchange (LIFFE) and the Lisbon Stock Exchange. In the same vein, Nordic exchanges created OMX AB – created as the result of the Swedish options exchange OM AB acquiring the Stockholm Stock Exchange. In 2003, this entity merged with the Helsinki Stock Exchange, creating the OM HEX and then renamed itself to OMX. Subsequently, OMX bought several Baltic stock exchanges (the Tallinn, Riga and Vilnius Stock Exchanges), as well as the Copenhagen and Iceland Stock Exchanges, and bought a 10% share in the Oslo Børs. Several exchanges tried to acquire the London Stock Exchange (LSE), but all were unsuccessful; but LSE acquired Borsa Italiana.

Finally, consolidation efforts unfolded at the intercontinental level. NYSE Euronext was created as a result of New York Stock Exchange (NYSE Group Inc.) acquiring Euronext NV in 2007. Currently, NYSE-Euronext is an international for-profit company running the New York Stock Exchange in the U.S., and 5 more exchanges in Europe. NASDAQ OMX was created as the result of the merger between the NASDAQ Stock Market, Inc. and OMX AB in 2008.

Figure 1 presents counts of alliances and M&A activities in the industry over the past three decades, showing that from 1995-2008, interconnection and consolidation activities grew dramatically. As many observers have noted, this consolidation activity substantially transformed the securities market industry in terms of structure, stratification and power. "In a matter of less than 20 years, the exchange industry structure changed from one characterized by many small member-driven, not-for-profit organizations to one dominated by a few global, listed corporate groups operating clusters of exchanges" (Rydén 2010). Christopher Cox, chairman of the U.S. Securities Exchange Commission said it is "inevitable that our parochial national market system will give way to the reality of a global market" (Financial Times, 13 July 2006:13, Jeremy Grant).

See Appendix, Figure 1

It is important to emphasize that this consolidation trend was justified and promulgated by prominent elites in government, finance and academia who were unabashed carriers of the neoliberal logic – the beliefs, ideals and practices associated with free market economics, financialization, globalization and limited governmental interference (see Campbell/Pedersen 2001; Krippner 2011; Lounsbury/Hirsch 2010). Paralleling the creation of superbanks in the U.S. and elsewhere that has led to popular post-crisis discussions of "too big to fail" and "systemic risk", politicians seemed to go out of their way to ensure each other

that global consolidation will not entail cross-border legal complexities or other complications. That is, there seemed to be shared beliefs and norms supporting the notion that every effort should be made to keep politics separate from markets, and allow markets to be self-regulating with as little interference as possible from regulators.

For instance, when European regulators were concerned about the potential spillover of American regulations into Europe with the NYSE-Euronext deal, the U.S. Securities and Exchange Commission assured them that "there is no risk of U.S. regulatory or legislative encroachment in Europe" (Dow Jones News Service, 1 December 2006, Arien Stuyt and Nicolas Parasie). Such efforts (perhaps due to the spirit of the time) were able to easily overcome appeals to "economic patriotism" (Callaghan/Lagneau-Ymonet 2010). Even the European Commission took a back seat…

The European Commission Friday said it would not favor one deal over another in the bidding for European exchange operator Euronext NV after the German government said it favored an intra-European deal. "It is up to the sector itself it to determine what it wants," said Oliver Drewes, an E.U. spokesman for financial affairs. (Dow Jones Capital Markets Report, 2 June 2006, William Echikson)

In the old days, when most big exchanges were 'quasi-public utilities,' political considerations mattered more…'What really matters now is what do the shareholders think (Dow Jones News Service, 5 October 2006, Gaston F. Ceron).

Retreat from the neoliberal logic?

In the wake of the financial crisis beginning in 2007-8, skepticism began to be expressed about unbridled free market thinking and the associated neoliberal logic. Most prominently, Federal Reserve Chairman Alan Greenspan admitted, "those of us who have looked to the self-interest of lending institutions to protect shareholders' equity, myself included, are in a state of shocked disbelief" (New York Times, 24 October 2008, Edmund L. Andrews). He subsequently acknowledged a "flaw in the model that I perceived is the critical functioning structure that defines how the world works" (PBS News Hour, 23 October 2008). Within the discipline of economics, the ideas of Keynes and Minsky are being revitalized (Skidelsky 2009), and the self-regulating capacity of markets is receiving increased scrutiny (Cassidy 2009).

In addition, it appears that there was a concomitant re-emergence of a nationalistic logic. For example, it was reported that "South Korea is one step away from bringing the country's stock exchange under state control, a move that could sit uncomfortably with Seoul's ambition to cast itself as a financial hub. One of the exchange's executive directors said: The government move basically means we will come under state control... It's a step back and totally against global standards. Foreign institutional investors could lose confidence in our capital market" (The Financial Times, 11 December 2008: 19, Christian Oliver and Song Jung-a).

The Swiss Exchange was among the few western exchanges that did not demutualize and remained nationally committed despite the great consolidation. "To me, the top goal is not to bring as much money to the shareholders, but the top goal is to serve our country. ... We don't have to really squeeze out every dollar, because we are more interested in the infrastructure for Switzerland" (Interview with Peter Gomez, Swiss Stock Exchange Chairman, 2009). Another informant said "he spared no criticism for what he called the 'stupidity' of German banks in allowing the demutualisation of the German market. That had opened the door to short-term hedge fund investors, to the potential detriment of the country's longer-term status as a financial centre. "We don't intend to perpetrate a similar stupidity here." (Peter Gomez, Swiss Stock Exchange Chairman, The Financial Times, 13 Sep 2007, Haig Simonian). Overall, while the pre-crisis rhetoric was around adapt to the new order "or die", claims emerged after the crisis that "No one governance model is globally optimal for all market infrastructure institutions in the securities markets" (Lee 2010: 221).

The emergent nationalistic logic also became vivid with respect to M&A. Early on in the financial crisis, arguments emerged questioning the rationality of consolidation: "Today, the combined NYSE Euronext entity is worth just $5.5bn, barely a quarter of the $20bn price tag when the deal was struck. The LSE group has also been hit hard, its value dropping to £1.2bn from £3.9bn when the Borsa bid was announced. Nasdaq OMX escaped more lightly, its market value falling to $4.4bn from $7bn…The magnitude of the writedown and the value destruction implicit in the lower share prices raise the question of whether the mergers were a good idea in the first place" (Financial News, 19 February 2009, Tom Fairless).

However, by 2010-11, free market advocates started reasserting the value proposition of consolidation and financial liberalization. "Ten years ago, stock exchanges were national institutions with hundreds of years of history that governments would protect to the death. Now, there's a rush to get global and, in the face of the competition, there's no time for nationalism." (The Daily Telegraph, 10 February 2011, Louise Armitstead) "As the global economy regains its footing, another wave of consolidation of financial markets appears to be sweeping four continents". (Xinhua News Agency, 12 February 2011, Christine Xu); "The burst of merger activity – and the astonishing speed of the announcements – shows that exchanges once again believe that bigger is better after taking a break during the financial crisis." (The Globe and Mail, 10 February 2011, Boyd Erman, Eric Reguly & Joanna Slater)

Starting with the Singapore Stock Exchange's bid to acquire the Australian Stock Exchange, major M&A efforts re-emerged. The London Stock Exchange made a bid to acquire the TMX Group (parent company of the Toronto Stock Exchange), and on the same day, the NYSE-Euronext announced that it was in advanced talk to merge with the Deutsche Börse. With respect to that latter deal announcement, George Ball, a former governor of the American Stock Exchange and the Chicago Board Options Exchange, noted: "mergers and consolidations come in waves, and the NYSE-Börse deal is probably going to force other exchanges to combine whether they want to or not" (The Wall Street Journal Online, 9 February 2011, Brendan Conway and Chris Dieterich).

However, newly active regulators and public officials, carriers of an ascendant nationalistic logic, began to challenge these efforts.

It used to be said that each country had an airline, a flag and a stock exchange,' said Ruben Lee, CEO at Oxford Financial Group. The crisis of 2008 has deepened politicians' suspicions toward the financial industry. 'There is political support for intervention that wasn't there before'. In a range of countries, politicians have grown more confident pushing 'national interest at the expense of the global. (The Wall Street Journal, 15 April 2011, Aaron Lucchetti and Gina Chon)

Ultimately, all three deals were aborted. The proposed merger between ASX-SGX was blocked by the Australian government. Australian Treasurer, Wayne Swan, who had the final say over the deal said: "this was the wrong deal for Australia. It's not in our national interest." (Australian Treasury website, Accessed May 2012) The proposed deal between the London Stock Exchange and the Toronto Stock Exchange was stopped by the participating exchanges as they found out they could not secure shareholders' approval. In response the Ontario Finance Minister Dwight Duncan stated: "This is the kind of response that I had hoped would come from the private sector." (The Globe and Mail, 30 June 2011, Boyd Erman and Karen Howlett) And finally, the proposed merger of NYSE-Euronext and Deutsche Börse got blocked by the EU Commission on competition grounds. We present this last case in more depth to illustrate how the rise of the nationalistic logic went hand-in-hand with the growing politization of markets.

The Failed Consolidation of NYSE-Euronext and Deutsche Börse (NYX-DB).

On February 9th 2012, hours after TMX and LSE announced that they have been in merger talks, NYX-DB revealed that they were also in advanced merger negotiations. Soon thereafter, they announced that the boards of both companies have approved the deal and planned to incorporate as a new holding company in the Netherlands. Upon completion, Deutsche Börse shareholders would own 60% of the combined entity while NYSE-Euronext members would hold 40%. A fact less emphasized publicly, especially at the beginning, was that 35% of DB itself was owned by Americans; therefore the majority of the combined entity would be American. But both parties emphasized that it was "a merger of equals". DB would have had 10 out of the 17 board members of the merged company until 2015 when shareholders could elect their candidates "irrespective of their nationality". In addition, the combined company's leadership group and executives were proposed to be drawn equally from both companies. The deal was to be finalized by the end of 2011.

Aside from creating one of the world's largest exchanges with regard to revenue and profit, it was also argued that there would be EUR 300m in cost savings due to economies of scale in IT platforms and operations; it would also be a world leader in capital raising, product innovation, derivatives, and risk management; it would offer clients global reach, enhanced technology and market information solutions, a simplified clearing processes, and an attractive revenue mix; and finally it would create a transparent and well-regulated market for issuers and clients around the world. Reto Francioni, Deutsche Börse's CEO, noted:

This combination will create significant value for all stakeholders. This transaction brings together two of the most respected and successful exchange operators in the world to lead the way in global capital markets and set the standard for growth, quality and market reach. The combination makes sense for all of our constituencies. Shareholders of both companies will benefit from unique growth opportunities and synergies. Clients will have unparalleled access to markets, products, information, world-class technology, clearing services and settlement – globally and around the clock. (NYSE Website, Accessed 01 October 2012)

Like any other deal in the industry, the transaction was subject to regulatory and shareholder approval. However, while a deal like this would have sailed through the approval process just a few years prior, the crisis had altered the politics of markets. As a result, some expressed skepticism about U.S. governmental approval because of the iconic status of the New York Stock Exchange, while others were doubtful about the likelihood of approval by the E.U. commission given the desire to create a more powerful Euro-centric financial market.

The nationalistic logic became apparent in the rising chorus of commentaries by political elites. Some were urging a retreat from "financial Darwinism" and to stop Wall Street from becoming “Wall Strasse". U.S. Representative Ed Royce said: "We've eroded the dominance of the U.S. capital markets." (The Wall Street Journal, 11 Feb 2011, Jessica Holzer, Michael Howard Saul and Patrick O'Connor) "It's just a frightening thought to believe that a symbol like the Statue of Liberty…may not be ours" said Rep. Charles Rangel (Dow Jones Business News, 10 February 2011, Jessica Holzer). Hatch, Republican on the Senate Finance Committee and a member of the Senate Judiciary Committee said: "I think that we'd be crazy if we allowed that to happen…When the Germans are talking about taking over the New York Stock Exchange and the Chinese are demanding that the yuan be the world's peg – that's very disturbing." (Dow Jones Commodities Service, 15 February 2011, Siobhan Hughes)

Nonetheless, shareholders of both Deutsche Börse and NYSE Euronext overwhelmingly supported the deal. And it is important to note that the main competitors of the NYSE-Euronext did not pose a roadblock, publicly stating that the deal will not change the competitive dynamics of the industry significantly. CME Executive Chairman Terry Duffy said. "Yes, they are a formidable competitor, but so are we." Nasdaq OMX CFO, Adena Friedman indicated that "we don't see any significant competitive dynamic that changes" (The Wall Street Journal Online, 15 February 2011) and Brodsky from CBOE said "I don't think…[competition] is going to change in a meaningful way." (Dow Jones Business News, 08 February 2011, Jacob Bunge)

In addition, NYX-DB received regulatory approvals from multiple responsible authorities including the Committee on Foreign Investments in the U.S. which concluded there are no national security grounds to oppose the tie-up. "BaFin's overall conclusion was that there are no grounds against the merger in Germany in terms of banking supervisory regulations" (Dow Jones Business News, 12 September 2011, Neetha Mahadevan). In addition, the Antitrust Division of the United States Department of Justice as well as the U.S. Securities and Exchange Commission (SEC) cleared the proposed combination.

So what happened? Even though the to-be NYX-DB’s CEO stated that they "had been in touch with regulators in Europe and the U.S. and didn't anticipate significant resistance" (The Globe and Mail, 16 February 2011, Kevin Carmichael), European antitrust authorities began to raise concerns. The EU commission studied the deal, surveyed banks, trading firms and other relevant groups and had two rounds of negotiations with the NYX-DB, and despite remedies offered by the NYX-DB, the EU commission ultimately concluded that combining NYSE Liffe and DB’s Eurex – the region's two dominant venues for listed derivatives trading – would dampen competition in Europe. "The proposed merger would remove a strong competitor from the market and would give the merged company by far the leading position in derivatives trading in Europe" said Joaquin Almunia, competition commissioner (Agence France Presse, 4 August 2011) The commission "needs to make sure that markets which are at the heart of the financial sector remain competitive." (Associated Press Newswires, 4 August 2011). "Another concern about creating dominant derivatives markets is the potential threat to systemic stability in the event of a major financial crisis if most derivative trading is being cleared and settled within a single entity." (Business Spectator, 11 January 2012, Stephen Bartholomeusz) On January 26, 2012, it was officially announced that the EU Commission decided to block the merger (Zephyr, Accessed on 1 October 2012).

While it is clear that issues of systemic risk related to concentration of assets and activity in a single, large entity was a key rationale behind the decision, the rising specter of governmental control is the result. "The collapse…offers another reminder that the fate of merger activity often

rests with government regulators…Many analysts and investors now expect that exchanges, whose various merger efforts had to confront antitrust concerns, nationalist sentiment and shareholder resistance, will likely take a breather from ambitious deal pursuits." (Wall Street Journal, February 2, 2012, Jacob Bunge)

Certainly the failed merger attempt gave more credence to those trying to roll back and resist the relentless drive of financial globalization…

"The ASX/SGX and TMX/LSE deals failed, not on competition grounds, but because of parochialism, the fear of a loss of sovereignty and some concerns…about the potential for threats to the integrity of the local market…in the event of a financial crisis…It is apparent that regulators and politicians don't like exchange mergers of any real scale and import, whether it is for political reasons or on competition grounds. The continuing financial crisis and its politicisation of anything to do with finance, the fear of derivatives and any concentration of activity in them, and narrow and arguably outdated definitions of the boundaries of securities markets make it unlikely that any merger of significance will get past them smoothly any time soon. The era of exchange consolidation and the notion of global exchanges may not have ended, but it does appear to have paused." (Business Spectator, 11 January 2012, Stephen Bartholomeusz)

Such commentaries suggest a move towards financial market protectionism and nationalism, while also a sensibility that we must be wary of creating "too interconnected to fail" organizations. Antitrust law may become a growth industry once again. But time will tell how long it takes governments and policymakers to forget the lessons learnt (Wade 2009); NYSE-Euronext CEO Niederauer suggests: "I still think we'll get there … it is going to take one more deal to have success, to break the ice again." (Bloomberg Interview, 27 January 2012) Thus, it is unclear whether the Great Recession will have an enduring impact that redirects the forces and trends that led to the current calamity. And while regulators and political elites have asserted their authority, widespread social mobilization seems impotent – for instance, the Occupy Wall Street movement, one of the more visible global reactions to the crisis, seems to have devolved into a sanitary bourgeois enterprise.

Discussion

Our aim in this article is to encourage more systematic research on the unfolding process of the Great Recession in order to understand how society and economy are changing, and to ascertain what sorts of alternative possibilities for social organization may be emerging (Schneiberg 2007). While we have used the case of the arrested consolidation of stock exchanges to highlight how a renewed nationalistic logic may be arising to challenge the neoliberal logic, more empirical and conceptual depth is needed to flesh out the processes that are unfolding. The relationship between states and markets is very complex and highly variable across space and time. As Block (2010) reminds us, despite the moral principles – especially vivid in conservative U.S. politics – that strive to maintain the imagery of a state segregated from markets, economic sociologists have tirelessly argued that markets and politics are always intertwined.

Thus, it would be useful to explore in more depth how the neoliberal and nationalistic logics are intertwined, how the content of and relationships between these logics shape the role and orientation of regulators and policy makers, and how these vary across space and time. For instance, how different are the mindsets and behaviors of regulators today as compared to 1980, 1965, and 1920? In the context of our case, it is clear that EU regulators came to a very different conclusion than U.S. regulators with regard to the proposed NYSE-Euronext and Deutsche Börse merger. Have U.S. regulators been fully co-opted by the neoliberal logic? Is the neoliberal logic weaker in Europe? Perhaps. But there are also other institutional logics in play as continental states often have stronger commitments to the interpenetration of society and economy than the U.S. state.

Building on the ideas of Friedland and Alford (1991), a wider literature has developed around understanding the relationship of different institutional orders and how these wider societal beliefs and practices shape behaviour – this has resulted in what Thornton, Ocasio and Lounsbury (2012) have labelled *The Institutional Logics Perspective*. They highlight the importance of seven institutional orders – the state, family, religion, market, profession, corporation and community. Each of these orders has a variety of symbolic and material elements associated with them, and each order can spawn multiple manifestations of institutional logics. In addition, any given context can be influenced by logics which reflect hybridizations of elements from different orders, and also contain multiple institutional logics that can influence behaviour in an institutional field.

Thus, different stock exchanges (e.g., in Sweden vs. Canada) would most likely be influenced by a different set of institutional logics. While what those are is a matter for

empirical investigation, it seems likely that for core capitalistic institutions such as stock exchanges, the logics at play will be most likely reflective of the inter-field relationships between politics and markets in a society (Fligstein/McAdam 2012) as well as the particular content of the ideas and beliefs that inform and shape political and economic practice in a society. Furthermore, other logics deserve attention. For instance, in different societies, logics associated with religion may play a much larger role in influencing the functioning of stock exchanges and financial systems more generally (e.g., the role of islam in Turkey, Egypt and elsewhere). And professional logics will have variable influence across stock exchanges due to the fact the finance professionalism is much more developed in the West than elsewhere. To flesh this variety out, it would be especially helpful to have more comparative research (McDermott, 2010).

Furthermore, as Davis (2010) has highlighted, the financial crisis seems to have already facilitated the rise of alternatives; he argued that the corporate-centered, ownership society that dominated the U.S. through much of 20th century has now given way to a more dynamic, "Lego entrepreneur" economy where firms are assembled with "off-the-shelf" components and contracts with various suppliers of key services (e.g., Vizio). While new forms of entrepreneurship go hand-in-hand with the construction of new logics, it would be useful to probe in more detail the challenges to large multinationals as a result of the Great Recession, and whether other alternative logics and associated forms, cooperatives for example (Schneiberg 2002; Schneiberg/King/Smith 2008), can take root. It goes without saying that much more detailed research is required to ascertain how much of Davis' argument holds merit, or whether Crouch's (2011) claims about *The Strange Non-Death of Neoliberalism* are more accurate. The value of the institutional logics perspective is to emphasize the heterogeneous ways in which economy relates to society, how heterogeneity in capitalist organization is mobilized or suppressed, and how a variety of outcomes and kinds of forms and practices result and shift across time and space. To the extent that the Great Recession has opened up a variety of new possibilities and experimentations, we as social scientists have a tremendous opportunity to document socio-economic change efforts, and understand the microprocesses associated with institutional reconfiguration and change. Noting the contemporary challenge of the re-emergent nationalistic to the neoliberal logic just scratches the surface.

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Endnotes

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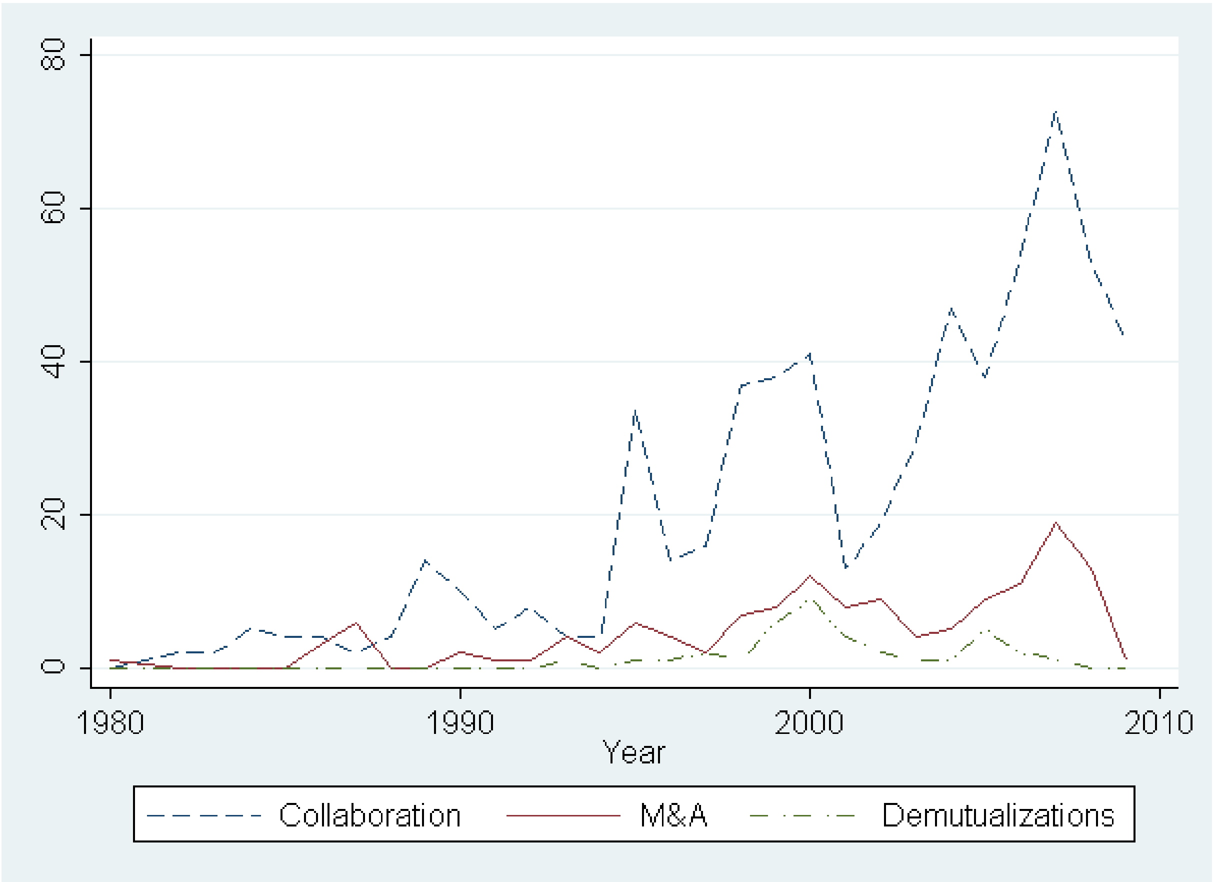
Appendix

Figure 1: Counts of demutualization, collaboration and M&A events (1980-2009)



Market and Hierarchy – What the Structure of Stock Exchanges Can Tell Us about the Uncertainty in Early Financial Markets

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Stock exchanges are central institutions in modern capitalism, however they do not fit into new institutional economics' explanatory scheme. Stock exchanges organize markets using formal organization components like hierarchical decision-making and membership. Therefore, they cannot be classified in terms of either "market" or "hierarchy" or some intermediate hybrid form. Instead, stock exchanges combine institutional elements of both arrangements. In this article, we argue that the difficulties that arise in theoretically classifying stock exchanges are due to an insufficient understanding of uncertainty in markets. By definition, the narrow understanding that is represented in Oliver Williamson's new institutional economics excludes uncertainty as a problem of market-based transactions. An analysis of historical exchange by-laws shows, by contrast, that uncertainties represented a considerable problem in the early securities markets. Viewed from a perspective of the sociology of markets, we argue that the dual structure of exchanges can be explained as a result of these market uncertainties. The formal membership regulations and hierarchical control of stock exchanges separated barely solvent fortune-seekers from solvent investors and served in this way as a functional equivalent to contract law.

1 Exchanges and institutional economics

According to the Oxford English Dictionary (1991), a stock exchange is "A market for the buying and selling of public securities; the place or building where this is done; an association of brokers and jobbers who transact business in a particular place or market". By contrast, a securities market according to the dictionary is "A place where stocks or securities are bought and sold", and/or "The traffic in stocks and shares at such a place". Aside from the words "market" and "place" and the addendum that an exchange is an "association", the definitions are identical. According to this definition an exchange is simultaneously a market and an organization. This ambiguity about the nature of stock exchanges is echoed in social scientific debates. For instance, after surveying the economics literature, Di Noia (2001: 47) concluded that stock exchanges are sometimes defined as markets and sometimes as organizations.**1**

This finding cannot be reconciled with Williamson's (1975, 1985, 1991) conclusion that markets and hierarchies**2** represent different institutional arrangements with varying costs for specific forms of transactions. His reasoning leads to a juxtaposition of markets and hierarchies as opposing and mutually exclusive institutional forms. However, stock exchanges cannot be classified in terms of either institutional arrangement, for they are neither entirely classifiable as hierarchical organizations or markets. Nor can they be understood as hybrids in which the polar-opposite forms merge in an attenuated, intermediary form. Stock exchanges rather possess a dual structure in which both forms are strongly expressed. On the one hand, markets organized by stock exchanges embody to a large extent the pure ideal type of a market, a notion underlined by the fact that they were the blueprint for the general equilibrium model formulated by Léon Walras (Aspers 2011: 122). On the other hand, because exchanges, with their separate "internal" jurisdiction existing outside of the legal system of the state, (as we will describe in greater detail below, above all in relation to the Anglo-American countries) exhibit the decisive feature of an organizational hierarchy (in Williamson's sense, Williamson 1991: 274).**3** Exchanges therefore exist in contradiction to the notion that market and hierarchy reflect two opposite ends of a continuum. How can this contradiction be explained? In the following, we will argue that it could be attributable to the specific and very narrow understanding of uncertainty that Williamson subscribes to in his analyses.

2 The blind spot of the new institutional economics: uncertainties on markets

The "parametric" uncertainty that Williamson proposes reduces the concept to the inability of individuals to anticipate potential future adaptations and to take them into account upon the contract's drafting (Williamson 1985: 79).**4** This concept shrinks uncertainty to a problem of contract design, irrelevant by definition for market transactions. Only recurring transactions associated with high transaction-specific costs can thus be opportunistically exploited as a result of insecurity about future developments. Due to this, contract parties in these circumstances cannot switch to alternative contracts without incurring high costs. Conversely this form of uncertainty will by definition have no importance for market transactions when these transactions are characterized by minimal or non-existent transaction-specific investments and short durations, as Williamson makes clear. "An increase in parametric uncertainty is a subsequent matter of little consequence for transactions that are nonspecific. Since new trading relations are easily arranged, continuity has little value, and behavioral uncertainty is irrelevant." (Williamson 1985: 59)

Williamson constructs an image of markets that resembles their depiction in the orthodox neoclassical theoretical tradition, even though he explicitly rejects the latter's "heroic" assumptions regarding the human capacity to obtain and process information. In this tradition, markets form the starting point of economic analysis in a twofold sense. On the one hand, the idealized market embodies the normative standard according to which transactions are measured. The market defines the standard for efficient exchange relationships and all deviations from this ideal are seen as "market failures". On the other hand, the analysis begins with the market, i.e. economic relationships are first taken into consideration once the "invisible hand" has taken effect.**5**

From this perspective, the development of markets not only appears essentially unproblematic and "natural"; it cannot even be seen anymore. Beckert (2009) has convincingly criticized this point of view for its blindness to the social requirements of markets. Expanding on a critique of the behavioural assumptions made by the neoclassical market understanding, Beckert points out the uncertainties under which actual market-exchange relations are carried out. According to Beckert, it is not until the heroic rationality assumptions are rejected that the uncertainties of market transactions can be recognized. Then the social structures that serve to process and, ideally, resolve the real uncertainties can be analysed. From this perspective, markets can be understood as demanding social structures that only function when the uncertainties of real social situations are overcome or at least minimized to a tolerable degree.

3 Uncertainties in markets: A sociology of markets perspective

Beckert notes three coordination problems that must be solved for the market to establish itself under the uncertain conditions of real exchange situations. (1) The value problem connotes the difficulties in judging the value of goods and lies with the demander. (2) The problem of competition concerns the uncertainty that arises when producers are in competition with each other and concerns the issue of what competitive practices are legitimate. (3) The problem of cooperation, by contrast, refers to the relationships between suppliers and demanders and centres on the uncertainty that results from having incomplete knowledge of one's counterpart's intentions. According to Beckert, for a functioning market order to develop, a solution to each of the three problems must be found, in the form of binding formal or informal agreements, rules and norms embedded in institutional structures, social networks, and horizons of meaning. The development of markets, then, can be grasped as a problem of social order formation, thus making it amenable to empirical investigation.

4 The problem of cooperation in securities markets

By looking through the prism of historical literature on the beginnings of the major capitalist-oriented exchanges, like the London Stock Exchange (LSE), the Paris Bourse or the New York Stock Exchange (NYSE), it is possible to infer the epistemological value of the market-sociological-based understanding of uncertainty. Historical sources show that exchanges developed in a time of high market risk and increasing social uncertainty. The London Stock Exchange, for instance, was established as an immediate reaction to the massive increase in fraud and market manipulations at the end of the 18th century. Along with the rapidly expanded market at the turn of the century, numerous opportunities for high-risk, but also frequently highly lucrative, business deals arose that enticed a large number of professional traders, as well as unscrupulous wheelers and dealers and risk-takers, from throughout Europe (Michie 1999: 34). With a steady influx of new faces, the terms of

doing business changed: volumes and volatility increased and the market situation became more complex. With the increasing anonymity, the difficulties in assessing the trustworthiness of business partners grew. Traditional mechanisms of behavioural control such as the merchant's principles of honest trading, which were still upheld in the small, tightly knit networks before the turn of the century (Morgan/Thomas 1962: 55), lost their efficacy with the market expansion. The extent of frauds, market manipulations and payment defaults consequently also increased – as did the call for market reforms from the established traders (Michie 1999: 34). The situation was further complicated by Barnard's Act, a law prohibiting all forms of the so-called "time" bargains (Morgan/Thomas 1962: 62). On 3 March 1801, the reform efforts culminated in the creation of by-laws that limited the public's access to the market.

By contrast, in New York the growing competition through street trading and exchanges in Boston and Philadelphia motivated the professional traders to establish the New York Stock Exchange Board (Schwartz 1988: 127). As Sobel (1965: 30) has noted, complaints about deception and manipulations in unregulated street trading also played a role. The traders of the "Buttonwood Agreement" hoped to increase the attractiveness of their market by means of a stricter regulation and monitoring of trading activity. Membership was further attracted given that most forms of time bargains were unenforceable in the courts until 1858 (Banner 1999: 250).

Unlike the historical events that resulted in the establishment of exchanges in London and New York, the founding of an exchange in Paris was directly related to initiative of the French Crown. The undertaking in Paris, however, was also tied to hopes for a more stable market that would provide more favourable opportunities for selling government bonds (White 2003: 34). Despite the decisive influence of the state, the Paris exchange developed into an organized market with broad self-regulation powers in the areas of recruiting, disciplining and regulating (Davis/Neal 1998: 43; Neal/Davis 2005: 305; Vidal 1910: 25). However, these powers clearly differ from those possessed by the exchanges in London and New York in one area: disputes that could not be resolved by the authorities of the exchange were adjudicated by a federal commercial tribunal that sat in the exchange building.

5 The self-regulatory answer to the problem of cooperation

Even more than the reports of historians, individual regulations from the by-laws make plain precisely those concerns that moved the market participants to establish exchanges. Aside from the individual differences, the act of founding an exchange centrally involved establishing a social mechanism for the selection of trustworthy individuals to form a reliable market. The aim of market stabilization was supposed to be achieved through a strict separation of appropriate and inappropriate persons. This was made possible by a formal membership that was tied to numerous preconditions. Alongside the selection of the trustworthy individuals from the ranks of the professional traders of the city, a selection mechanism was also devised whereby swindlers could be excluded from the market.

The mechanism of positive selection that was to ensure the admission of trustworthy individuals was based, first, on a checking the general socio-structural characteristics like class, nationality, religious affiliation and professional experience. In the final years of the Ancien Régime, for instance, applicants for a license on the Parisian exchange had to be at least 25 years old, of French nationality and catholic. Business relations with persons from a lower class were forbidden under the threat of imprisonment. From 1781, applicants also needed to show that they had at least five years professional experience at a bank, notary or trading house (White 2003: 45). Before 1871, a minimum age of 16 years was mandated for applicants to the London Stock Exchange. Applicants also had to have at least two years of professional experience as an employee with a trader and been born in Great Britain (Neal/Davis 2005: 300). Comparatively fewer formal demands were placed on future members of the "New York Stock & Exchange Board": the by-laws of 1817 simply mandated that an applicant be able to demonstrate at least one year of professional experience as a broker or an apprentice (Banner 1999: 254).

In addition to the general socio-structural characteristics, the applicant's personal reputation was also scrutinized. The review was based on the traders' first-hand knowledge, but also on any circulating rumours. Since many members (at least in New York and London) also pursued businesses outside of the exchange, the traders could draw upon an extensive network of business related and private relations that included both the "coulisse" (or the "curb market") and the banks and long-distance trad-

ing circles. In order to check on a person's business reputation, information was used from the network, where the names of applicants were published early, the exchange members could vote on admittance and what mattered was the number of votes to reject of a candidate. An example of this can be found in the by-laws of the NYSE of 1817: The acceptance of an applicant was voted by secret ballot. Three dissenting votes were enough to turn down a candidate (Banner 1999). The selection process of the LSE was even stricter. Here, members had to be readmitted every year to the exchange by the steering committee. The committee was selected by the vote of members from the preceding period. The names of the applicants were visibly posted in the exchange eight days before the ballot for admittance in order to give participants ample opportunity to submit written objections prior to the vote (Neal/Davis 2005: 299 – 300). In Paris, the names of traders who defaulted on their payments had already been regularly publicized on a board since 1724 (Preda 2005: 71).

There was a further hurdle in that a candidate required the active advocacy and sponsorship of a member for a successful application. On the NYSE, according to the rules of 1817, an endorsement by one member was sufficient, whereas on the LSE an applicant for a seat needed to be recommended by at least two members (Banner 1999: 254). In response to the increasing number of default payments, every sponsor for a candidate since 1812 also had to put up a sum of £250 as collateral against future losses by the applicant.

Neal and Davis provide a detailed description of the finely graduated review process on the NYSE:

"By 1900 a prospective member, having insured himself that he could meet the requirements of the Committee of Admissions, and having provided himself with two sponsors, entered into negotiations with the secretary of the Exchange for the purchase of a seat. Once having completed those negotiations and paid the $2000 initiation fee, he and his sponsors presented themselves before the Committee of Admissions. 'This committee first calls his proposer and his seconder, and they are subjected to a careful inquiry as to how long they have known the candidate, and whether in a business or social way; his qualifications for membership, his health, his character and reputation, and his previous business experiences are all subjected to a microscopic scrutiny. His sponsors are asked if in the ordinary course of business they would accept a check for $20 000. If the answers to these questions prove satisfactory, the candidate himself is summoned and put through a similar examination.' He was then, of course, still subject to election by the membership." (Neal/Davis 2005: 303)

The social mechanism of positive selection did not mean that the exchange members no longer took excessive risks and were always in a position to meet their payment obligations. To limit this risk, exchanges developed extensive regulatory capacities and subtly graded disciplinary records. The members empowered the exchange committees to issue reprimands, impose fines, seize capital and, in extreme cases, even to suspend or completely cancel memberships. Thus, in addition to the mechanism of negative selection, exchanges obtained wide-ranging instruments for monitoring, controlling and disciplining members. Early examples of this development may be found, for instance, in the amended version of the NYSE by-laws from 1820: members that did not honour their contracts or became insolvent could be barred from trading on the stock exchange for as long as they had failed to meet their outstanding obligations toward other exchange members (Mulherin/Netter/Overdahl 1991: 596-597). The exchange charter from 1865 further provided that traders could be indefinitely barred from the exchange if they were accused of violating the rules, the accusations were confirmed after being examined by the steering committee and two-thirds of the members agreed with the decision (Hamon 1970: 16). After 1868, the amount of money that an applicant had to pay for a seat on the NYSE was utilized as both a deposit and as a penalty in the case of unmet debts (Mulherin/Netter/Overdahl 1991: 598). At the Parisian exchange, traders also had to pay a considerable deposit of FF 250 000 as a security against default payments (Weber 1894: 41; Vidal 1910: 16).

These procedures laid the foundation for the development of exchanges into powerful "self-regulating" organizations equipped with federal powers for monitoring and regulating the market, as was the case in London and New York (Coleman 1994; Lütz 2002). The NYSE – for instance – established a highly specialized internal system of justice where the procedures required for forming committees, writing reports, convening hearings and imposing punishments quickly became routine just within a few years after its foundation (Banner 1999: 272).

6 Organizational membership and hierarchy as market stabilizing mechanisms

The key mechanism for stabilizing behaviour in the early securities markets was the organizational mechanism of membership, a widely discussed topic in organizational sociology. After all, what was true for other organizations was also true of exchanges: "Membership is bound more or less stringently, but at the very least 'formally' to the requirement to follow the rules. Only those who recognize the rules of the organization may join in the first place. Those who no longer wish to follow these rules must leave." (Luhmann 2005: 50, our translation) However, the membership rules of exchanges exhibited also a deviation from the organizational norm. The traders on exchanges in London or New York certainly were subjected to the disciplinary hierarchy of the exchange's internal judicial system. Still, this system could only exercise its authority when there was a violation of market regulations, and not arbitrarily through members' activities within a "zone of indifference" as is typical of most organizations (Barnard 1968: 167).

Certainly, the actual intentions of an applicant or member could not be discovered by means of strictly controlling the formal criteria for membership. Nonetheless, relying on the experiences of traders and the verification of various formal preconditions proved to be useful information at least for keeping out fraudsters, conmen and compulsive gamblers. Through membership a pool of individuals was selected that the traders could consult during the daily course of business so that they did not have to inspect the credit worthiness of their counterparts in every given instance. This was an essential precondition that enabled the market to realize its full potential. Spontaneous deals conducted in quick succession with a variety of business partners – the characteristics of an ideal marketplace – were first made practical by the combination of hierarchy and formal membership.

7 Conclusions

The regulations stemming from the by-laws of early exchanges indicate the uncertainties that business partners on the early securities markets had to face. As Beckert notes, "Market relations are risky when one exchange partner makes an advance payment without being sure whether the other party will actually fulfil the contractual obligations, or when contracts are incomplete" (Beckert 2009: 259). In our view, the cooperation problem that "arises from the social risks that market actors incur because of their incomplete knowledge of the intentions of their exchange partners" (Beckert 2009: 259) was the main driving force behind the founding of stock exchanges. When viewed from the perspective of Williamson's new institutional economics, this particular connection is ignored. The presupposition of a contract law that fulfils its purpose masks the institutional prerequisites of emerging markets. By contrast, from the more comprehensive market-sociological perspective, one can see that the self-regulations in the case of the New York and London Exchanges served as a functional equivalent to contract law. Through the organizational hierarchy, an internal judicial system was established using the formal membership rule to punish undesirable behaviour. In view of a lack of alternative powers to punish fraud effectively, at least compared to the encompassing ability of the state, the ultimate threat to withdraw access to the market was used as a substitute for contract law.

To be sure, the establishment of exchanges was not exclusively attributable to the designated cooperation problem. It is indeed possible to detect other motivations with regard to different charter regulations, such as the desire to minimize competition through cartel like structures, customer non-solicitation agreements and permanent commissions. Moreover, it is not possible to show with available historical material that the similarity in the regulations can be ascribed to identical functional requirements and not, for instance, to processes of institutional isomorphism (Meyer/Rowan 1977; Powell/DiMaggio 1983). Nonetheless, in our view the formulations provide clear indications of the aims that the period's contemporaries pursued with the regulatory frameworks they installed.

With regard to the current debate that has unfolded since the financial crisis of 2008 on the need, scope and direction of new market regulation, the following observations are interesting to note: in devising regulations, the practitioners on the early modern financial markets did not rely on the "invisible hand" as the free play of market forces between supply and demand, but rather preferred to take on the problem themselves by establishing an exclusive, institutionally confined and bureaucratically controlled marketplace. The very actors who produced and reproduced the market through their everyday interactions did not, at the time, trust in the currently much-lauded capacity of markets to self-regulate. On the contrary, they expected that comprehensive regulatory measures would be necessary to ensure the reliable functioning of the market.

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Endnotes

1A third alternative includes the view that exchanges are simply "broker-dealers" or financial intermediaries.

2Organization and hierarchy are used synonymously here, even though organizations consist of more than just hierarchies (see for instance, Ahrne/ Brunnsson 2011).

3What's more, they drew upon an extensive bureaucratic organization; the New York Stock Exchange in 1978, for instance, had approximate 1000 permanent staff according to an estimate from Coleman (1994: 255).

4Along with the concept of "parametric" uncertainty, Williamson also discusses "behavioral uncertainty" as the motivation behind diverse forms of contract (Williamson 1985: 56f.). The potential of this concept, however, is not fully exhausted, as the analysis of this form of uncertainty remains limited to its interaction with the "parametric" form. In Williamson, opportunism proves to be an auxiliary hypothesis that is not investigated with regard to its impact on market behavior, but is used to merely substantiate why "parametric" uncertainty can be a driving problem behind transaction costs in long term contracts with high transaction-specific investments.

5Williamson explicitly adopts this point of view, when he states that: "In the beginning there were markets" (Williamson 1975: 20).

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Imitation and Deviation. Decisions in Financial Markets Under Extreme Uncertainty

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Uncertainty is a fundamental problem facing economic actors. This is true especially in the case of volatile financial markets. In financial markets, market actors permanently make decisions to buy and sell without being able to anticipate the economic consequences. Even the decision to delay a decision or to not decide at all, i.e. to neither buy nor sell securities, has to be made under conditions of uncertainty. Decisions and non-decisions in financial markets are "bets on the future." Taking this irreducible uncertainty as the point of departure, the present article moves the problem of decision-making to the center of attention. It asks how financial actors make decisions at all under conditions of inescapable uncertainty and which social mechanisms can be identified that enable them to handle the problems of decision-making in these circumstances.

1 Efficient market theory and behavioral finance

Orthodox theory of capital markets gives us answers to the problems of decision-making that bear few surprises. As we all know, efficient market theory describes financial markets as informationally efficient arrangements (Fama 1970). The basic tenet is that financial actors factor all available information on current and expected future profits of listed companies into current stock quotations. It is further assumed that new information on a company is promptly reflected in security prices. The model thus implies an infinite speed of adjustment as market prices adapt to changes in available information. The efficiency hypothesis builds on portfolio theory (Markowitz 1952), which asks about the optimal diversification of investment capital. Portfolio theory assumes investors who are exclusively oriented toward cash flows. In this model, investors maximize expected utility: They obtain information about the respective conditions in the capital market to make rational decisions. The assumption is that investors are able to weigh opportunities of profit and risks of loss in light of their own liquidity. While it deems deviations from this rational model likely to occur in reality, the critical aspect is that it interprets these deviations as "irrational behavior" or "market anomalies." This orthodox view fails to recognize that it is not possible to make decisions in financial markets based on "rational" expectations in the sense implied above. Of course, this does not allow us to conclude that we can detect no regularities at all in the expectations of financial actors.

The shortcomings in the explanations offered by orthodox capital market theory have elicited responses from behavioral finance approaches (Shefrin 2007). Behavioral finance analyzes decision-making from the perspective of individual or cognitive psychology in situations where financial actors act in ways that are inconsistent with the rational actor model. An abundance of evidence has accumulated in the meantime: Actors in financial markets ignore information that contradicts their own views. They also only rely on information that is readily available. Investors furthermore tend to neglect information that initially appears to be unimportant. In addition, they overestimate their own judgment and neglect risks over the course of time. Finally, they frequently give greater weight to losses compared to gains so that they wait too long in realizing the former and are too quick in cashing in on the latter. As illuminating as these findings are, the problem of behavioral economics is that this kind of observable investor behavior is interpreted exclusively as deviation from the "rational investor" model, for instance, in the sense of "overreactions," selective processing of information, or "herding." Here I cannot discuss the potential of the various concepts of behavioral theory, such as value added theory, cognitive dissonance theory, or noise trading theory. An aspect that I want to point out nonetheless is that behavioral finance approaches rarely transcend a perspective that centers on and isolates the individual in explaining investment behavior while leaving sociological factors aside (Abolafia 2010). For instance, they fail to consider the influence of collective patterns of interpretation, socialization in professional milieus, or reference group of similar status on investor decision-making but also the impact of institutional settings on investment decisions. Cultural patterns, social structures, and institutions are ultimately not taken into account. In the following, I would like to discuss in detail some sociological prob-

lems with the model of "herd behavior," which is widely debated in behavioral economics.

2 Financial markets and imitation

The concept of "herd behavior" refers to situations where financial actors display herd-like behavior in their decisions to buy or sell. Upon closer inspection, herd behavior is described as an expression of so-called contagion effects and is mostly attributed to information cascades (Banerjee 1992). In cases where market participants believe that other participants possess better information than they themselves do, they will interpret others' expectations of rising or falling stock market prices as a consequence of the others being better informed and align their own expectations accordingly. The herding model helps us understand that copying others' behavior is a plausible mode of decision-making in situations where financial actors have no way of knowing what to base their decisions on (information problem). Such fundamental uncertainty pertains not only to forecasts of future market performance but also to the act of determining a company's current market value. Even the assessment of investment alternatives – in the sense of weighing all relevant information – is impossible. Yet on a critical note, it needs to be pointed out that there are also other factors beyond the information problem that explain the emergence and spread of parallel expectations (imitation) and are not considered in the herding model.

What is specific about parallel expectations? Parallel expectations point to the cognitive and social frames and conventions (Orléan 2011: 260ff.) shared by a group of market participants. This is the case, for instance, when market participants have similar academic or professional backgrounds. Professional financial actors, in particular, have frequently pursued similar education and career pathways and subscribe to similar methods of analysis. Oftentimes they also share the same conceptions of economic rationality (MacKenzie/Millo 2003) and apply similar criteria in assessing companies. In this vein Hong, Kubik, and Solomon (2000) have shown that similarity in analysts' valuations of stocks can be traced to similar career aspirations and status positions. At the same time, professional cultures of interpretation encourage the pursuit of common lines of action. This is the case, for instance, when financial communities apply the same mathematical instruments in valuing companies. Popular benchmarks, such as price-earnings ratio (P/E ratio) and price-sales ratio (PSR), serve as "calculative frames" (Beunza/Garud 2007) that also foster action going in the same direction. Mention must also be made of chart indicators (e.g., 200-day line) or professional market analysts' consensus estimates of expected quarterly earnings per share, which are regularly issued by specialized financial services providers. Other studies have attributed similar trends in stock prices to the simple fact that analysts have classified them as belonging to the same economic sector (as in the case of "Internet stock"; Zuckerman/Rao 2004). Last but not least, role expectations and normative constraints affect investment decisions as well. Professional fund managers are under the pressure of collective expectations that they achieve above average performance rates by sector standards or compared to other indices. Since investment funds are rated on an annual basis, institutional investors tend to engage in window dressing by acquiring high-performing and dumping low-performing stocks to pretty up their portfolio as reporting deadlines come closer. Hence, not only the prevailing social and cognitive frames foster congruent patterns of action, but the structural pressures of competition for investment funds do so as well. The stronger the pressures are the greater is the similarity in the decisions to buy and sell. This has little to do with "irrational behavior," as behavioral economics would have us believe.

3 Gradual and radical deviation

Another problem of herding models is that it remains unclear why some market participants do not entertain the same expectations as the "herd" of like-minded investors does. Why do some investors refrain from imitating other investors' expectations and hold different expectations instead? How can we explain decision-making in situations where – to stay with the popular metaphor – the herd becomes a herd only if there are also deviators who do the exact opposite? I have just argued that parallel expectations are the product of commonly shared cognitive and social frames. Such framing provides a roadmap for future action and relieves actors of the need to make decisions on a case-by-case basis. Yet decision-making routines of this kind are not without problems. They can be called into question when unexpected events trigger a sharp drop in stock prices. However, routine expectations shared by a majority of market participants do not erode "spontaneously" just as they do not emerge so.

Herding models ignore the question of why some market participants buy precisely when majority opinion recommends selling and vice versa. How can we explain behavior that goes contrary to where the herd is going, i.e. that

strays from the common line of action? The fact that herding models typically focus on one side of the market is problematic for an obvious reason. In stock markets, market transactions only take place if buyers are also sellers. The trivial insight that each market transaction involves at least two actors remains without consequences in herding approaches. If all market participants pursue the same line of action, for instance, want to sell in the absence of buyers, no market transaction will take place. A market functions only as long as there are buyers who act against the trend and purchase from those engaged in herd selling and vice versa. Deviating expectations are therefore not a rare occurrence but ubiquitous. They represent the flip side of those shared expectations. The social and cognitive framing among analysts is also never uncontroversial. Quite to the contrary, rivalry between different interpretations is omnipresent, for instance, between expert cultures oriented more toward economics or business administration or more toward fundamental analysis or chart analysis. Oftentimes deviations from majority expectations are only of a gradual nature. Such deviations qualify as gradual as long as they only modify and not radically break with the conventional frames of valuation. From gradual deviations, we must distinguish another type of deviation that not only draws specific parameters into question but also the underlying frame as such. In the following, I will refer to this type of divergence as "radical deviation."

Deviators stray from the majority path if they are convinced of the accuracy of their non-conforming expectations. But why do deviators believe in the accuracy of their expectations? A belief of this kind is anything but a matter of course since deviating expectations violate conventional beliefs and (investment) norms in financial markets as in other settings as well. They require justification, especially if they not only call majority opinions into question (*isomorphic expectations*) but also accepted minority expectations (*gradualistic deviations*). In the case of radical deviation, conventional measures of securities valuation (e.g., P/E ratio or PSR) are drawn into question, the frame of expectation applied in assessing profit opportunities is radically transformed, and, in consequence, the hitherto legitimate views of what qualifies as a rationally still tolerable investment risk and what does not are rejected. Expectations of being able to achieve previously unachievable profits by transcending the hitherto commonly accepted frame of expectation call for justification also for another reason. Routine expectations that have proven successful in the past and have relieved investors of having to answer the agonizing question of whether the right decisions have been made now become obsolete. A radically new frame of expectation must be legitimated, particularly if we consider the fact that this new frame involves much greater levels of uncertainty than the established majority and minority expectations.

When does a radically new frame of expectation find approval and acceptance among financial actors? First of all, there must be plausible reasons in support of the new frame of expectation; otherwise financial actors will hardly be willing to take financial risks that they normally would not. A radical reassessment of market opportunities and risks will find supporters only if they believe that there are rational reasons to substantiate expected profits. My argument is that this belief is supported and socially stabilized by ideas that are not of an economic nature (Kraemer 2012). This has nothing to do with "capitalism of the adventurer" (Weber 1978: 1395) nor with "irrational" investment behavior. The only thing happening here is that an established set of rational expectations is replaced by a new set of rational expectations.

What is specific to the nature of these non-economic ideas? First of all, we can hold that these ideas are not adequately described as "grand narratives" (Froud et al. 2006), "stories" (Harrington 2008: 49f.) or "collectively shared stories" (Schimank 2011: 120f.). Popular stories circulate all over the financial world. As Harrington and Schimank, for instance, show, these stories promise to provide orientation to small investors in a hypercomplex maze of potentially infinite investment opportunities. "Stories" function as decision-making aids. They serve as mental maps and, if shared collectively, provide plausible lines of reasoning to direct the focus of attention to previously neglected companies or stock market segments and to modify hitherto commonly accepted models of securities valuation. Among this category of stories, we can count, for instance, the labeling of Brazil, Russia, India, and China as BRIC countries, by which Jim O'Neill – the chief economist of Goldman Sachs – in 2001, sought to direct the attention of the financial world to the tremendous potential for economic growth in these countries. In the following years, these stories found resonance among a number of companies and led to the creation of financial products accordingly.

Just as Harrington (2008) described the functioning of "stories", non-economic ideas in the sense above provide an explanatory context that alters the perspective on financial markets. Yet, much more so than in the vague notion

of a "story", it becomes manifest that a community of believers utilizes a non-economic idea to not only modify but to even radically overturn the prevailing frame of interpretation underlying the valuation of stock. Such ideas transcend, as it were, macroeconomic or sector-specific lines of argumentation. They are not limited to forecasting the economic success of certain companies or entire world regions. The non-economic message contained in such ideas is rather that they symbolically frame forecasts of a sector's or world region's future economic development in specific ways. What is more, predictions of profitable markets of the future are based on arguments and legitimated referring to the normative idea of a "better society." This precisely is the non-economic argumentative core of such an idea. Economic rationality certainly has its well-established place in the realm of such ideas. Yet it is assigned no other purpose than to serve as a means to "higher" value-rational ends.

The dissemination of normative ideas of this kind in the financial world can be observed particularly well in periods of rapidly advancing new basic technologies, which typically go hand in hand with deep economic and social transformations. The 1990s are particularly well-suited for this purpose. The decade is marked by the rise of the "New Economy," which evoked not only hopes of extraordinary growth but also utopian visions of social order. Some of the cultural messages circulating were, for instance, that the new information and communication technologies would make modern life easier, economy and society more efficient – and hence society more just; that the Internet would make equal access to the knowledge of the world possible for all, beyond the boundaries of class, ethnicity, nationality, and place of residence, and that visions of democratizing culture "from the bottom up" as well as of a fully informed "knowledge society" were within reach; that genetic engineering in agriculture and medicine would eradicate the "scourges of humankind," such as disease and hunger; or that industrial use of renewable energy would make a "clean," "green future" possible. Just as technological or organizational innovation in the production economy requires visionary social framing (Deutschmann 2011: 100f.), we also encounter normative ideas and guiding visions in a financial world seemingly governed by economic benchmarks only – much in the sense of Weber's metaphor of "world images," created by ideas, that act like "switchmen" to determine "the tracks along which action [is] pushed by the dynamic of interest" (Weber 1946: 280). At least the history of American capitalism seems to be marked by a peculiar synthesis of economic interest and utopian social thought. The rise of the commercial use of renewable energy in Germany suggests that this synthesis is by no means a unique trait of American capitalism only. The burst of the "Internet bubble" in stock markets at the turn of the millennium, but also the sharp drop in stock prices of listed solar companies in Germany after 2008 testify to the fact that the boldest non-economic ideas shared by a community of believing investors quickly lose their appeal and legitimacy (Kraemer 2010: 195 ff.) once expected profits prove illusionary (see the stock market segments "NASDAQ" and "Neuer Markt" after the year 2000).

4 Imitation, deviation, and varieties of capitalism

In the previous sections, I have proposed that we must not confine ourselves to the perspective of individual or cognitive psychology in analyzing the imitation of majority expectations (2) and (gradual or radical) deviation from the shared set of mainstream expectations (3) but are well-advised to adopt a sociological perspective instead. In adopting such a sociological perspective, we need to consider yet another aspect that has been ignored so far, namely that acts of imitation and deviation are embedded in institutional conditions.

According to Weber (1978: 43), action in markets is determined exclusively by "pure self-interest." Acceptance of this classic argument leads to an understanding of the modern economy as governed by nothing other than monetary transactions. If we, on the other hand, apply Weber's (1946: 280) thoughts on the interconnectedness of ideas and interests to the decision-making of financial actors, we come to see that stock market activity can hardly be reduced to the pursuit of pecuniary interests only. Even if monetary interests are the starting and end point of all transactions, ideas, as demonstrated above, nevertheless act as "switchmen" that influence the direction that speculative decision-making takes. However, we can expect that it is not the same ideas that circulate in all societies and that they thus do not affect stock trading everywhere in the same way. Investment behavior can be assumed to also be influenced by the particular institutional make-up of different societies.

This leads to another weakness of the herding model. The model assumes that herd behavior can be observed in isolation from the institutional arrangements of a national social order. It creates the impression that we can discern

herd behavior among investors irrespective of the institutional order that provides the framework of action. Above all, it fails to explain why we see country-specific differences in the common course of action and the intensity by which it is pursued. The social institutions upon which assumed herd behavior is based remain out of sight. From professional market observation, we have known long since that investors differ considerably by country in terms of the asset classes favored. In all advanced capitalist societies, a sizeable amount of financial assets have been accumulated over recent decades. This has led to increasing demand for professional investment management services (Deutschmann 2008: 503f.). From the mere fact of an increase in rentiers and financial assets (Dünhaupt 2010), however, we cannot automatically conclude that there exists mass demand for equity investments irrespective of country. In the USA, for instance, approximately 22 percent of the population owned stock in 2011, whereas the rate in Germany was substantially lower at 13%. These differences indicate not only country-specific variations in how profit opportunities and investment risks are perceived ("investment culture"). The propensity, or even the opportunity, to invest in fixed-income securities, stock, real estate, raw materials, or alternative investment products, such as private equity, hedge funds, or derivatives, ultimately depends on the institutional conditions that investors face. In more strictly market-based economic environments (USA, UK), private investors prefer other investment strategies compared to those favored in more strongly coordinated economies (Germany, France, Austria) where state-based collective protection schemes still play a greater role in the event of unemployment, disability, and old age. Apart from macroeconomic variables, such as the distribution of wealth and the income structure, the institutional frameworks of welfare societies have a crucial influence on whether investors are more likely to acquire shares in listed companies (market-based investment shares) or prefer savings accounts and fixed-term deposits (bank-based deposits). It will certainly make a major difference for a household's financial planning whether a family can expect its children to attend publicly funded educational institutions or whether it must make provisions to privately finance their education, whether a public health insurance scheme is in place or private health insurance must be acquired individually, or whether retirement plans are funded (based on capital market investments) or unfunded ("pay as you go"). In societies with institutional arrangements that require citizens to predominantly make private provisions for tertiary education, illness, and old age, private households will be more inclined to engage in market-based investment than in social systems where provisions for education, health care, and social security are organized collectively. Accordingly, we must not neglect the respective structure of the welfare state as a significant factor in explaining the country-specific variability and persistence of investors' investment propensities.

In this vein, it would seem a promising endeavor to explore ways of fruitfully applying the *Varieties of Capitalism* approach (Hall/Soskice 2001) to the microsociological analysis of private investment decisions (Lüde/Scheve 2012). In so doing, we would, however, have to consider more closely to what extent the strengthening of market-based instruments in coordinated economies, witnessed since the 1990s, has had an impact on the propensity of private investors to stray from the institutionally inscribed traditional paths of investment. Schimank (2011: 126f.) at least expects private investment behavior in Germany to converge toward "stock market populism" (Harrington 2008: 11f.) as has emerged in the USA in the 1990s. This convergence is currently debated against the backdrop of the erosion of key institutions that once defined the "Rhenish" welfare state. It is fair to speak of erosion here if for no other reason than that the hitherto guiding principle of safeguarding social status and the standard of living respectively has been replaced by the principles of "activation" and "individual responsibility" (Lessenich 2008). Under the bottom line, this has resulted in privatizing and individualizing market risks and the hazards of life to a much higher degree in hitherto coordinated welfare economies. Such institutional erosion has not only contributed to cementing poverty on the social margins of society. At the same time it has evoked intra- and intergenerational fears of social decline extending well into the middle classes. In line with Schimank, we can go on to argue that to the extent that in coordinated market economies the taken-for-granted social model of integration based on stable gainful employment erodes, small middle class investors are more likely to push into financial markets in order to quickly achieve speculative gains so as to offset as much as possible the consequences of a situation where the opportunities to achieve income from gainful employment and collective systems of social security have become uncertain. Yet we must also take the following into consideration: There is no doubt that during the period of the New Economy we witnessed an unprecedented turn to American "stock market populism" in certain cohorts and among certain educational groups in the core countries of "Rhenish" capitalism. It is also true that privately funded retirement plans gained significance compared to statutory retirement schemes al-

ready in the 1990s. The recurrent crises that have hit international financial markets (2000 and 2008) have nevertheless left their mark on small investors' propensity to engage in speculation. If we believe major market reports, societies with coordinated market economies are witnessing a trend among small investors away from stocks and an increasing turn to bank-based deposits or investments in real estate and other tangible assets.

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Can the Immobile Stop the Mobile?

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In their pioneering book *The new spirit of capitalism* (2006) Luc Boltanski and Eve Chiapello explain how a new form of capitalism – network capitalism – produces a new form of exploitation. For this aim, they reformulate analytically the concept of exploitation as a reversal of the classical redistribution formula whereby *the fortune of the great men makes the fortune of the little people* that prevails in polities governed by rules of justice. Exploitation is where the *misfortune of the little people makes the fortune of the great men* (Boltanski/Chiapello 2006: 375). In a network world mobile workers exploit immobile workers in a sense that *some people's immobility is necessary for other people's mobility* (Boltanski/Chiapello 2006: 362). A mobile employee acquires this position by threatening the immobile employees with moving or disconnecting them and manipulates the immobile to serve his/her ends.

Our study of mobility in the financial industry can be seen both as a test and an extension of Boltanski's and Chiapello's characterization of exploitation in network capitalism. We have shown in a detailed case-study how a head of equity derivatives trading-room and his deputy were respectively granted 10 and 7 million euros in bonuses for the year 2000. They were threatening their bank by warning that if it did not match a rival offer, they would move their teams very shortly to a rival bank. Finally, under urgent pressure, the bank applied the conditions of the rival bank, which led both of them, at the end of a great year on the market, to earn such unusual bonuses (Godechot 2008). In this case, the mobile (the two heads of room) extract a larger share of the rent at the expense of the immobile, that is not only the firm as a collective actor, but all its stakeholders, classical shareholders, and moreover the more immobile finance workers like traditional banking and back-office staff. Moreover, the differential of mobility becomes a key as Boltanski and Chiapello stated it only if we take into account the fact that the mobile move more than their single person: they can move both productive assets (knowledge, know-how, routines, algorithms, clients, etc.) and workforce (teams). Moreover, we have shown on the basis of an internet survey, that financial mobile workers that could move assets or teams during their last move were granted wage increase at the moment of their recruitment and earned higher salaries at the moment of the survey (Godechot 2010).

Nevertheless a question remains pending. Do the immobile try to stop the mobile, in order to prevent such form of exploitation? This question can be related to a classical debate in economics on the possibility of *hold-ups* in labor contractual relations. While neoclassical economists claim that it is possible to prevent such *hold-ups* with binding – complete or almost complete – contracts (Nöldeke/Schmidt 1995), transaction costs economists following Williamson (1975, 1985) consider that such contracts, demanding a complete nomenclature of the future states of the world, are far too complex and out of reach (Malcomson 1997). Moreover, the legal enforceability of some common contractual solutions viewed as possible solutions (Edlin/Reichelstein 1996), like non-compete clauses, is questionable under many labor legislations that prioritize work freedom over contractual freedom. Finally, this debate focuses mainly on the feasibility of binding contracts and misses an important issue, the willingness of firm actors to adopt and enforce those contractual solutions. As firm are not blocks and perfect alignments of interests is impossible, this issue becomes determinant. Some immobile workers might favor conserving the link with mobile rather then stopping them efficiently.

Our 2008 internet survey on job change in French financial industry offers the possibility of exploring this issue (Godechot 2010). It describes with a fair amount of details the last job change. It collects elements both on the job change (contacts involved, wage increase) but also on barriers to mobility (retainment devices), renegotiation with previous firm and contacts kept within the firm. This data enables to see concretely if the immobile really tried to stop the mobile. After a brief description of data and main variables, we will offer a more detailed answer to this question.

Data and variables

The survey is based on collaboration between the author and *eFinancialCareers.fr*, the French branch of *eFinancialCareers.com*, the leading global career-site network for

professionals working in the financial sectors. The questionnaire, launched in September and October 2008, is divided into three parts. The first twenty questions focus on the last move in finance for those who changed job at least once within that industry. The next dozen questions concern the desire to move, but only for those that had never changed job within finance. The questionnaire was accessible to people both through the website and by email to *eFinancialCareers.fr*-registered contacts.

995 persons answered the first question. After the first question on the number of job changes in finance, 22% of the sample stopped answering. Only 66% of the 995 continued to the end of the poll. Therefore we can rely on 454 complete and 78 incomplete questionnaires for those who did change job, and 209 complete and 28 incomplete questionnaires for those who never changed job.

Due to the fact that there is no random sampling here, it is important to know to what extent our data is representative of the financial industry beyond the fact we can expect that it represents merely the visitors of *eFinancialCareers.fr*. The respondents are mainly working in Paris (66%), 12% work in the rest of France, 5% in London, 5% in the rest of Europe, the rest elsewhere. They work mainly for banks (47%), for other financial firms – asset management, brokerage – (16%), or for insurance firms (4%). 22% work in a business that serves the financial industry such as law, consulting or IT firms and 10% among other types of firms.

The comparison with data from a leading bank that we were able to gather during our fieldwork (Godechot 2007, 2010) shows that our sample provides a fairly accurate representation of the financial industry at large. The biggest bias of our sample (which may account for the above discrepancies) is that of age.

In order to capture the abstract idea of moveable assets, we've used multiple choice questions on the elements that were at stake during the recruitment process. While the first two items, replacing someone (27%), or reinforcing a team (55%), were considered as ordinary factors of recruitment, we have interpreted the four last answers, bringing new techniques (21%), bringing new clients (7%), providing new clients (7%) and providing new strategies (11%), as a proxy of the assets held by the employees. If the issue of the recruitment was to bring something "new" to their employer, should it be "new techniques", "new clients", "new strategies" or a "new business", it is most likely that those assets were based on assets acquired during the career in finance. In order to rely on a robust measure of key moveable assets, we construct an index adding the four standardized last items.

In order to measure collective moves, we rely mainly on four questions: Knowing former colleagues (22%) or former business partners (13%) in the service where one was hired, having moved in teams at least once in the career (15%), hiring former colleagues (14%). Those cases reveal situations where a financial worker has a certain propensity to take part to a team move. As previously for assets, we construct an index of moveable workforce as an addition of the standardized minimum number of people involved in a team move, the standardized minimum number of the former colleagues hired and the number of types of professional contacts known in the service where one was hired.

Results

The Mobile are not just persons that like moving according to some kind of "Wanderlust" (Anderson 1923) but are more entrepreneurs in the sense of Ronald Burt (1992, 2005) that manage their connections or their social capital in order to maximize diverse type of wealth (Bourdieu 1986). Moving is all the more profitable when you can move the most profitable elements, like productive assets or teams. Team moves begin to be documented in immaterial services, like law firms (Lazega 2001) or financial industry (Groysberg 2008; Godechot 2007, 2010). Such moves are dangerous for the firm since they deprive it of key assets and collaborative teams that it financed. Since formal hierarchy is not sufficient – contrary to the claims of the first versions of transaction costs economics (Williamson 1975) – we can therefore expect firms, as far as they are conscious of this danger, to protect their assets from transfers or hold-ups through contractual devices (Williamson 1985; Edlin/Reichelstein 1996).

In order to measure this phenomenon, we asked, if – before their move – people were subject to conditions that could hamper it. 8% said they were subject to differed bonuses, 13% to non-compete clauses, 10% to long notice of departure and 4% to "other" devices. Altogether 28% were subject to at least one retainment device, i.e. 21 % to one device and 7% to two and more devices.

As transaction costs theory predicts, people susceptible of moving key assets or productive teams are generally more subject to retainment devices than other workers (table 1). This result applies in particular in the case of differed bonuses and long notices of departure, but does not apply in

the case of non-compete clauses. One reason for the comparative scarcity of non-compete clauses at the core of financial markets is that they are not very efficient. In France, as in many countries, non-compete clauses must not prevent the freedom of work. In order to be legally enforceable, they cannot prevent from having the same job elsewhere, their scope must be limited in time and in space. The usual space limitation is not broader than for instance of a few French departments. Therefore people subject to a non-compete clause in Paris will still be able to work with the same assets, the same team and the same customers in London, which is why the clauses will not prove very effective.

See appendix, table 1: Assets and team protection through retainment devices

Table 1 seems to indicate that firms try to manage as best they can the threat of departure by using available contractual devices. Among those devices, differed bonuses seem the most efficient. Table 1 shows that this device appears designed to prevent people who can move teams to move. Moreover if we compare people who moved with people who did not, we can see that for the latter differed bonuses are twice as common as for the former (16% against 8%), a differential that turns into a factor of three in a logistic regression when we control for sector, function, experience in finance, age, sex and diploma, suggesting that differed bonus did prevent part of the turn-over.

However, our survey suggests also that in practice the efficacy of those retainment devices is undermined by workers' capacity for renegotiating their removal. Non-compete clauses, long notices of departures and not paying differed bonuses to those who resign are not only legally fragile and highly susceptible to being overturned in the courts but also because, even without any trial or threat of trials, firms can simply exempt the departing worker from respecting the contractual clauses or agree nevertheless to pay him/her the accumulated differed bonuses.

Employees are aware of this fragility and of the possible removal of those devices through renegotiations. Among those transferring to new jobs and subject to such retainments, 42% successfully negotiated their removal, 21% renegotiated unsuccessfully and 37% did not renegotiate. Among the workers who did not move, 40% think that it is possible to obtain the removal of the retainment devices, 54% find those devices somewhat annoying but not enough to prevent departure, and only 4% think that they really inhibit mobility.

Long notices of departure are quite easy to remove (we estimate that the rate of successful removal is 60%) and it is quite common in the financial industry to exempt the worker from respecting his/her notice of departure once he/she finds a job elsewhere. The firm is often concerned that employees serving their notice might actually be working in advance for the interests of a future employer. But non-compete clauses and differed bonuses do not represent a significant hurdle, with 35% of successful renegotiation.

Although the holders of moveable workforce and moveable assets are the people that the firm will try the hardest to retain, by various means, we can expect those people to be the most successful in circumventing retention devices. Renegotiation with the firm is not a highly abstract process. It is generally a renegotiation with the supervisor and sometimes with the latter's line-manager. Someone departing with assets and collaborative ties could be for many of his contacts a person worth following in his new firm immediately, worth doing business with in the future or worth collaborating with again a few years later thanks to another reconfiguration of industry through turnover. Far from being a scapegoat that everyone will try to punish, the employee leaving with assets is an attractor to whom everybody wants to remain connected.

See appendix, table 2: How collaborative ties smooth transfers on the labor market

In the first three columns of table 2, we estimate the impact of moveable workforce and of moveable assets on the probability of successfully renegotiating the removal of retainment devices. Moving workforce or moving assets or even a combination thereof increases the likelihood of success. As we do the regression on the full mobile sample and not conditionally on the subjection to retainment devices, we can suspect that we capture only the probability of being subject to retainment devices. This is not only the case since the regression parameters are higher and more significant than in table 1. Furthermore, when we estimate a regression on the probability of not renegotiating or having no success renegotiating on the same sample, the parameters for moving assets and moving workforce index are very close to zero and not significant at all. In the second column we do the same regression but only on the sample of people subject to retainment devices. The parameters are positive, but probably due to the small size of

the sample (n=129) and the important number of control variables (k=17), parameters are not significant. It is worth noting that without those control variables, correlation between successful renegotiation and our indexes of moveable workforce and of moveable assets is positive and significant (regressions III, table 2).

Removing retainment is not the only way of smoothing transfers that moving assets or moving workforce permits. They enable staying in the same firm with a better wage should the job change fail or if does not seem sufficiently profitable. Column IV shows that moving workforce and notably moving assets favors wage renegotiation in the firm in order to avoid resignation. Being an attractor leads many people to help you in order to benefit from your social capital or from the productive assets you carry with you. Column V shows that, in such cases, contacts in the new firm are indeed willing to help to hire and play a key role. It is also much easier to name some referrals that can corroborate the achievements claimed during the hiring process (regressions VI, table 2), both because, thanks to collaboration ties potentially involved in team moves, referrals are easier to propose, and because referrals are probably more inclined to support the recruitment through their testimony in order to remain in contact with the quitting financial worker. Although those moves might hurt the team and the firm left, people leaving with productive assets and social capital do not suffer from any kind of informal punishment or social exclusion. On the contrary, compared with other employees moving on they are more likely to maintain good relations with the colleagues they leave, since those good relations are crucial for both sides in order either to follow that person or to bring to the new firm colleagues left behind (column VII).

Concluding remarks

This statistical demonstration knows some limitations. As in many studies, we did not identify any evident exogenous instrumental variable, and our result can still be due to some unobserved heterogeneity. Nevertheless, although empirical demonstration is not perfect and although it needs further work, confirmation of our results – even when we control for a detailed human capital nomenclature and for position within the firm – pleads in favor of the robustness of our argument.

While the firm tries through contractual devices to protect itself against dangerous departures, employees moving assets or workforce are successful in circumventing those limitations. We have here a situation where the immobile – for instance people in the support departments – will contribute to the assets that the most mobile appropriate and move elsewhere, and in order try to remain connected to the mobile will serve their interest even in the mobility episode. Developing the analysis of Boltanski and Chiapello (2006) we document how mobility, moveable assets and moveable workforce are linked and produce such inequalities. Hence, exploitation in a network world is not orthogonal to the issue of property as they claim in their argument, as long as we can consider mobile property, such as social and technical moveable assets.

Hence, we would like to discuss the way we should view firms and market in the financial market. In the financial industry, mobile workers leaving the firm in order to start to work for a competitor enjoy a rather unusual fate. In a war situation, someone so doing would be considered a traitor and would risk death row. In a political situation, switching from one party to another may be seen as a mere sign of opportunism and remains suspect. In traditional oligopolistic industry, quitting for a competitor may not be officially condemned, but rumors can spread in the abandoned firm about the lack of loyalty of the ex-employee. Here the situation is different. The mobile worker, moving assets and workforce, far from being condemned, is an attractor whose environment is willing to help, either to follow him/her quickly or to remain in contact with – in hope of future collaborations.

Finally, the importance of turn-over and the attractiveness of mobile workers also challenge our view of the firm and of competition. Since mobile employees can move a bundle of assets and people and deprive the firm and the stakeholders of a significant fraction of the capital, this obliges us to reconsider the frontier of the firm (Zingales 2000). Shareholders do not really own the firm as they own classical industrial firms. It is not only human capital that falls out of their perimeter, as explained by Zingales, but also social capital, with its multiplicative capacity, through collaboration ties, to bundle all sorts of assets as knowledge, know-how, software and customers. Not only do the firms not belong totally to their shareholder but we should also reconsider their locus. First, we can identify the teams moving from one firm to another as the real micro-firms. Moreover, considering the intensity of turn-over and the fact that the frontier of a team remains fuzzy and is renewed by old or new collaborations across firms, we might see the real firm between nominal firms in the networks of past and present collaboration ties that can at

any time coagulate into a new productive and moveable team. This direction challenges our vision of competition on the market. A universe where one competitor is a former colleague that may also become a future colleague or even a future supervisor is likely to be less competitive than a universe where clearly separated rivals compete. Although financial competition over exchange opportunities remains stark, several studies find evidence that competition on prices is somehow tempered (Christie/Schultz 1994), and this is probably related to the network of collaboration ties. The study of this latter phenomenon could therefore help to explain part of the wage rent in the financial industry.

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Endnotes

1Although it would have been a better methodology to ask the questions on the desire to move to the full sample, *eFinancialCareers.fr* was very concerned that the questionnaire would as a result become too long for an internet survey. As we will see further, this concern was wise. It must therefore be noted that when we analyze the desire to move, there might be a selection bias due to the fact it deals with those who never moved (and who therefore are maybe less inclined to move).

2For team moves (*Team_move* variable), the values are 0 if the respondent never moved in teams, 1 if he/she moved with one or two other colleagues and 3 if he/she moved with more than three colleagues. For hiring colleagues (*Hire_coll*), the variable is given a value of 0 if the respondent did not try to hire former colleagues, 0.5, if he/she tried but with no success, 1 if he/she helped to hire 1 or 2 former colleagues, and 3 when he/she helped to hire 3 or more former colleagues. The professional contacts (*Pro_Cont*) has a value of 0 if the respondent knew neither former colleagues nor business partners in the service where he/she was hired, 1 if he/she did know either former colleagues or business partners, 2 if both types are known.

3We must remain cautious in our interpretation. The question on the retainment devices concerned the current job in fall 2008 for employees who never moved and the previous job at the time they quit for those who did move. Information on the differed bonuses for the latter is on average three years earlier (on median two years earlier) than that for the former. The financial crisis led to discussions on the possible impact of compensation on global turmoil and to recommendations in favor of differed bonuses. It is possible that the more frequent presence of retainment devices among those who did not move is also the result of the recent modification of compensation practices.

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Appendix

Table 1. Assets and team protection through retainment devices

Model specification	Variables	Differed bonuses	Non compete clauses	Long notice of departure	At least one type of retainment device	Number of types of retainment device
a)	Moving workforce index	0.41 ** (0.15)	0.078 (0.15)	0.35 * (0.15)	0.23 * (0.11)	0.093 ** (0.032)
b)	Moving assets index	0.39 * (0.16)	-0.10 (0.16)	0.33 * (0.15)	0.18 (0.11)	0.066 * (0.032)
c)	Moving workforce index	0.34 * (0.16)	0.10 (0.15)	0.29 * (0.15)	0.20 * (0.12)	0.083 * (0.033)
	Moving assets index	0.31 * (0.16)	-0.12 (0.16)	0.26 * (0.16)	0.14 (0.12)	0.048 (0.033)
d)	Combined index (a+b)	0.51 *** (0.16)	-0.01 (0.16)	0.44 ** (0.15)	0.27* (0.12)	0.10** (0.03)
pseudo R^2 or R^2 for d) models		12%	11%	9%	15%	7%
All models	Controls	Yes	Yes	Yes	Yes	Yes
N		441	441	441	441	441

Note: Each a, b, c, d cells correspond to a different regression. All 20 models contain the following control variables: sector, function, experience in finance, age, sex and diploma. Standard errors are in parenthesis. In the first four columns, logistic regressions are performed while in the last column we use OLS regressions. We computed likelihood pseudo-R^2 for the d type models (or the classical R^2 for the last column). *p <0.1, **p <0.01, ***p <0.001 (two-tailed tests).

Table 2. How collaborative ties smooth transfers on the labor market

Model specification	Variables	I. Successfully renegotiate retainments	II. Successfully renegotiate retainments/ subject to retainments	III. Successfully renegotiate retainments/ subject to differed bonuses or non compete clauses	IV. Negotiation of a wage increase in order not to quit	V. Contacts played a key role/ People had contact	VI. Supplying references	VII. Keeping good relations with former colleagues
a)	Moving workforce index	0.24 * (0.13)	0.083 (0.180)	0.32 * (0.18)	0.23 * (0.12)	0.27 * (0.14)	0.24 * (0.13)	0.25 * (0.12)
b)	Moving assets index	0.27* (0.14)	0.16 (0.22)	0.36 * (0.21)	0.54 *** (0.12)	0.17 (0.15)	0.28 * (0.13)	0.17 (0.11)
c)	Moving workforce index	0.19 (0.14)	0.053 (0.185)	0.19 (0.21)	0.11 (0.12)	0.25 * (0.15)	0.20 (0.13)	0.22 * (0.12)
	Moving assets index	0.22 (0.14)	0.15 (0.23)	0.41 (0.27)	0.52 *** (0.12)	0.12 (0.15)	0.25 * (0.13)	0.13 (0.11)
d)	Combined index (a+b)	0.33 * (0.14)	0.15 (0.20)	0.44 * (0.21)	0.50 *** (0.12)	0.30 * (0.15)	0.36 ** (0.14)	0.28 * (0.12)
pseudo R^2 for d) models		26%	18%	8%	14%	27%	19%	12%
All models	Controls	Yes	Yes	No	Yes	Yes	Yes	Yes
N		441	129	92	441	242	441	441

Note: Each a, b, c, d cells correspond to a different regression. All 28 models contain the following control variables: sector, function, experience in finance, age, sex and diploma except the four models in column 3 that are estimated with no control variables. All models are logistic regressions. Standard errors are in parenthesis.

We computed likelihood pseudo-R^2 for the d type models.

*p <0.1, **p <0.01, ***p <0.001 (two-tailed tests).

The Infrastructure of Financial Markets. The Case of Statistical Information

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Introduction

Recent sociology of economic knowledge practices – Social Studies of Finance – has intensely examined the situational and technological fabrication of international finance sectors in the last years. In the course of this, diverse phenomena came into view, such as trading on FX-markets, the mechanism of price formation in the stock exchange, the development and implementation of formulas and also the organizational and interactive setting of financial trade (for example Knorr Cetina/Brügger 2002; Beunza/Stark 2004; MacKenzie/Millo 2003; Preda 2009; Muniesa 2000). Conceptual recommendations formulated within this research have (a) stressed, from the perspective of the science and technology studies, how economic (theory) models enable economic practice, and thereby ascribed a performative power to these models, (b) described, from a micro-sociological point of view, the technological appresentation supporting and actuating the trade apparatus and (c) drawn the attention to the performativity of those calculative and representing devices actors use in order to implement transactions.

In the course of this discussion the role of (technological) infrastructure supposedly constituting trade was often emphasized. It is this infrastructure that makes trade in its rapidity (time dimension), in its intricacy (material dimension), and in its cooperative accomplishment (social dimension) possible. Repeatedly, it was also investigated what exactly is represented mathematically or economically through technology (see for example Kalthoff 2011; Kalthoff/Maeße 2012; Lépinay 2011). In these studies, technology is considered as a medium facilitating other media. Representation on the surface of the screen happens through alphabetical or mathematical script, signs or symbols. This means that technical artifacts blank out their own texture in order to make the other visible. The research at hand responds to the relevance of the depicted: Watching finance traders as subjects of financial trade, one sees that it is exactly this visualization of economic information which matters for them. The notion of information is somewhat colorful in these terms: "information" is viewed as an entity bearing an omnipotent power. One needs to possess it (manifold) in order to make reasonable and foresighted decisions. This is linked to a second aspect: "information" seems to embody vividness and transparency; owning it enables decision-making. Both aspects suggest a transparent intentionality, as everyone understands what is called "information" without further ado. The notion of information thus achieves a double status: on the one hand it becomes central to every sociological analysis of economic processes, because market actors constantly depend on obtaining and evaluating information; on the other hand the term is not sociologically examined, as simply postulating information is not sufficient.

This problem is twofold: firstly, information is not distributed evenly, but asymmetrically (Akerlof 1970) and it is often incomplete; secondly, there is no inherent evidence within information on how to interpret it, but it rather offers spaces for interpretation which result in different possible decisions. Third, and last, information is not accessible in the pure ("naked") form, but is always bound to forms of expression such as tables, diagrams, scripts or charts. This is to say that information always appears in a medium formatting that what it depicts in its own way. „Acting on the market" or „acting economically" thus means having displays storing information at one's disposal and being able to decode these displays.

Following the studies outlined above we will look at one case of the creation of statistical information, which – besides much other information – is (or can be) used by finance traders. We address the issue of statistically determining household finance in Europe; the material we show was generated during 18 months of ethnographic fieldwork at the Deutsche Bundesbank (German Central Bank). We will not, however, go into detail about the ways in which these and other financial statistics are used by finance institutions.

1 Financial Statistics as Survey Statistics

Surveys are, beside experiments, observations, polls, and administrative record keeping, a modern tool for gathering valuable information about large populations. Surveys are mostly implemented to collect facts about social and economic matters. There are ample surveys on various topics that are conducted on a regularly basis. There are surveys on unemployment, crime, assessments of educational performance and consumption, which give answers to questions that are highly relevant for society as such. In surveys, data is collected, processed and analyzed by research groups, which often consist of survey methodologists. Surveys are not conducted arbitrarily but rather follow a systematic set of applicable methods and theories that frame the inquiries and interviews that are performed. A major characteristic of surveys is the fact that they produce statistical, thus quantitative descriptions of populations. The construction of figures by appliance of statistical methods has to be understood as a procedure of making numbers valid. In order for numeric descriptions to be exact and the data to have a high quality, sources of error must be identified. In the context of surveys errors can be understood as "deviations from the true values applicable to the population" (Groves/Floyd/Coupler 2009: 3). The existence and longitude of panels prove that there are people, groups and institutions who are convinced that surveys provide relevant information and are therefore important. Survey statistics are used as data basis to "prepare reports, policy recommendations, scholarly publications, testimony for congress and documentation for use in court." (Groves/Floyd/Coupler 2009: 14)

Recently, the interest for surveys on household finance has increased in the economic field. Besides corporations and financial market agents, private households and their finances have become the center of attention. Economic researchers have recognized that private households face new challenges and possibilities due to several factors such as massive effects of financial crises, demographic changes (aging society) and retirement provisions, new financial products being installed and innovative investments emerging. How do different households react to sudden incidents (e.g. financial crisis) and institutional changes? What kind of assets do private households invest in? How diversified are their portfolios? How large is the financial burden which has been placed on households by transmitted loans? These are only some questions among many that can be answered by household surveys on finance.

A scientific study of private household finances that collects information about the above mentioned entities and novelties has been introduced by the European Central Bank (ECB). The primary goal of this European survey is to create a comprehensive picture of the financial situation in private households and to be able to compare results between Euro-countries. Included is information on wealth (e.g. money, estate), assets, income, insurances, inheritance and employment. The study generates a detailed dataset for scientific research and a basis for monetary policies made by central banks. A survey design drafted by researchers of the project "Household Finance and Consumption Survey" (HFCS) was adapted by the participating countries of the Eurozone. "Core-questions" and methodological steps are the same in all countries in order to assure comparability among the participating countries. With this endeavor micro-data about households can be used to complete already existing aggregated data. Moreover a thorough analysis of the financial portfolios of private households can be undertaken due to the detailed structure of the questionnaire. Household surveys in general consist of the sum of decisions that need to be made during survey design, data collection, data processing and data analysis. These multiple and interconnected decisions are made with the intention to preserve the quality of a dataset by identifying and minimizing anticipated mistakes and errors:

"The total survey error approach means taking that broad perspective and ensuring that no feature of the survey is so poorly designed and executed that it undermines the ability of the survey to accomplish its goals. […] When a well-trained methodologist makes these decisions, it is with a total survey error perspective, considering all the implications of the decisions that are at stake and how they will affect the final results." (Groves/Floyd/Coupler 2009: 34)

The construction of the financial household survey of ECB is based upon the survey error approach since all activities and procedures are reflected in terms of foreseeable mistakes that should be avoided. The researchers have a strong and pronounced "consciousness of error" which leads them to implement search engines in order to detect different kinds of errors and inconsistencies. Finding mistakes, recognizing patterns and identifying interconnections of variables require an "immersion" into the micro-data. The micro-dataset is the starting point for a proper understanding of the unique character of the entire data. A bottom up perspective is applied in order to get a grasp of the complex dataset.

2 The Working Steps of Survey Construction

The fabrication of a household survey on finance is a process which implies many work steps. Each step has its own exigency and questions which need to be met. The working stages indicate the necessary "work" which is required in order to establish financial statistics based on household surveys. Like other forms of quantification1 survey statistics involve effort, coordination and different kind of resources such as time and money. "Quantification requires considerable work, even when it seems straight forward." (Espeland/Stevens 2008: 410)

See appendix, Figure 1

The process that has to be followed begins with the survey design which partially consists of drafting a questionnaire, pre-testing and evaluation of questions, creating an outline of decisions, which have to be made in the course of construction and finding solutions to the following questions: What is the target population? How are the respondents selected? (sample design), How is the data collected? (mode of data collection). Thereafter follows the selection of the sample. Household surveys currently use "area probability sampling" to select households. This means geographic areas are sampled as clusters by listing the housing units in these areas and providing all households with the same chance to be sampled. The collection of systematic data is the next step. Historically, gathering information was first done by means of paper questionnaires in state census since they were considered a low cost option for measuring populations. Today the means of data collection have broadened with proliferate use of telephones and the invention of computers. Beside pen and paper interviews (PAPI), there are, amongst others, computer assisted personal interviews (CAPI), computer assisted telephone interviews (CATI), and more recently computer assisted web interviews (CAWI). These methods of data collection vary particularly regarding the degree of privacy, in-depth interaction with respondents, and interviewer involvement.

After collecting the data there are further set-ups that need to be made, which leads to a continuous processing of the dataset. The following actions appear after data collection (also Groves/Floyd/Coupler 2009: 330-331):

a) *data entry* – the entering of numeric data which has previously been transformed from textual answers into data files

b) *data editing* – the dataset is screened for errors and inconsistency that are discovered and corrected

c) *imputation* – missing item values are replaced by estimated values; it is a method of reconstructing missing data and a scientific way of handling item non-response

d) *weighting* – adjustments of computations that are made to compensate for unequal probabilities of sample selection, unit non-response and deviations of key variables of the population that are known from other surveys and censuses

e) *anonymization* or de-personalization – the data is transferred into a form in which based on given information the identification of survey respondents is impossible.

The focus of this paper is on the process of data editing since this is one of the most complex and at the same time delicate stages of data manipulation that is relevant for the accuracy of a survey data. Data editing secures "trust in numbers" (Porter 1995) by scrutinizing the entire dataset and by a rule based transformation of values. The entire process of survey construction might be linear in its design, but that does not exclude overlappings, circularities, and repetitions of segments. In complex household surveys data collection, data editing and preparations for imputation might all occur simultaneously since there are different groups (e.g. researcher, interviewer, coder), each assigned with a specific task to accomplish.

3 Data editing

The main goal of data editing is to increase the quality of the dataset by detecting and correcting errors and logical inconsistencies in the data. Data editing directly prepares for imputation and weighting. In essence it deals with the manipulation of recorded data to improve the condition of the data. With the use of software such as, for example, Stata the complete dataset is screened for errors and the dataset is restored. The correction of survey data generally consists of the following activities as observed in ECB's survey on household finance: Assessments of information on conduct of interview, evaluation of interviewer comments on interviewee's specifications, coding of open

answers, formal data checks, plausibility tests and outlier analysis.

Assessments of information on conduct of the interview

It is common in household surveys that paradata are generated at the end of the interview. The interviewer is requested to answer questions for example on the outward appearance and interior conditions of the home, and to comment on the interview process. Was the interviewee suspicious before and after the interview? How was the interviewee's understanding of questions? How do you judge the reliability of the information provided by the interviewee? Did the interviewee consult any documents to provide answers? How was the interest in the interview? These are some of the questions that are posed. The interviewer comments are analyzed as background information on the interview itself in order to get a general impression on the overall quality of answers. Another factor is the duration of the interview, which is also an indicator for the quality and thoroughness of the interview. All these pieces of information are analyzed and summed up in a short report including the editor's notes on complications. Afterwards the households are categorized as problematic or unproblematic cases.

Coding of open answers

"Coding is both an act of translation and an act of summarization." (Groves/Floyd/Coupler 2009: 332) It is a translation in the sense that it translates textual information into numeric data. Variables which differ qualitatively such as "highest vocational training" (categorical variable) and "income" (continuous variable) are commensurable – they can be related and compared to each other – because the same metric is used. Commensuration transforms differences into quantity. It unites objects and entities by encompassing them under a shared cognitive system (Espeland/Stevens 2008: 410). Coding also summarizes by assigning individual textual answers into one code category. Since the majority of the questions asked in a household survey are provided with code categories, there are only a few questions or variables which allow open answers that need to be coded a posteriori. In those cases the non-numeric answers have to be categorized and then attached to distinct numbers. There are other cases where the coding structure includes the option "others" which should be used exclusively when the answer does not match any of the given codes. However, experience has shown that many of these open answers under "others" can be assigned to the actual codes.

Variable HF1240 Type of fund
What type of fund does your household have?
1- Funds predominantly investing in equity
2- Funds predominantly investing in bonds
3- Funds predominantly investing in money market instruments
4- Funds predominantly investing in real estate
5- Hedge Funds
6- Other fund types (specify)

For example, a respondent answers the above question with the statement that the household owns a "real property". The interviewer overlooks for instance code *4-Funds predominantly investing in real estate* or does not find the same wording in the given code structure, he will code the answer "real property" in *6- Other fund types*, although it definitely should be assigned to code 4. Wrong classifications can also occur for example with NACE and ISCO codes for the description of occupations since these are complex and differentiated.2 The overall aim of checking pre-codes and coding open answers is to assign as many open entries as possible to a numeric code.

Evaluation of interviewer comments on interviewee's specifications

Interviewers have the possibility to comment on every question that respondents are supposed to answer. They can highlight on issues and aspects that are judged as relevant for noting. The annotations can be included into the CAPI in a text field that is hidden behind a button that can be clicked on by the interviewer. Important references on inconsistencies, wrong specifications, and elaborations on the given answers can be found in the commentaries. These interviewer comments can help in deciding whether it is necessary to edit a value or not. They can give clues on how to evaluate and comprehend a given answer by the respondents. Besides, they can be taken into account while doing the formal consistency checks. The question "how did your household acquire the main residence you own? Did you purchase it, did you construct it yourself, did you inherit it, or did you receive it as a gift?" can be answered by a respondent by mentioning "inheritance". The respondent might go on with an elaborate account of how he received the house some years ago as an inheritance from his grandparents. The interviewer will save this additional information as a comment, since it is an important example of intergenerational transmission of wealth. The

interviewer's comments on each question have to be reprocessed by categorizing the entries and by computing a frequency distribution for every interviewer.

Formal data checks

Data editing is accomplished through different kinds of checks. Core activities in any household survey are the formal data checks. They comprise of a number of checks that are implemented in order to look for inconsistencies in responses. Stata codes are used to screen for errors that then are corrected, also in Stata, by recoding the actual answers.

Formal data editing has to be well organized because if it is not done with care and if it is not rule abiding it can lead to endless changes in the data, which reduces the quality of the dataset.

See appendix, figure 2

The code in figure 2 is an example for a filter-value check of the continuous variable "number of private businesses a household owns" (hq0210). The first stanza checks the values and range of the variable hq0210: it should neither be less than zero nor higher than 20. Besides the numeric digit other acceptable values are "don't know" (-1), "no answer" (-2) and "question filtered" (-3). If the rule is violated and other unacceptable values are falsely recorded Stata computes errors and lists all the IDs of the cases where an error occurred. The two stanzas bellow are both filter checks that look out for errors in the logical tree that brings forth the assessed variable (hq0210). The second stanza computes an error under the condition that a household owns a business partially or fully (hq0100==1) and someone in the household is either self-employed or has an active role in running the business (hq0200==1), but the variable on the number of businesses is filtered or does not have any value. This is a logical error in the sense that if hq0100 and hq0200 are answered with yes (1) then the variable with the question "how many private businesses does someone in your household own entirely or in part?" has to follow up. The last stanza is the opposite filter-check of the second stanza: if hq0100 and hq0200 are not answered with a "yes" (hq0100!=1/ hq0200!=1), meaning if a household does not own a business and does not specify whether there is someone from the household in charge of it, the question on the number of private businesses should be omitted and not be asked in these cases. These filter errors and value errors can be ascribed to interviewer mistakes or CAPI-errors.

Plausibility tests

Plausibility tests are conducted in order to detect frictions regarding the content of the data. Quantitative single entries are compared among each other and with aggregated context information. The underlying question that has to be answered is how probable the occurrence of a particular event is. For example, assume that a check on "employment" and "income" leads to the finding that an unemployed person has a monthly income of 5000 EUR. This amount of money is quite unlikely for a non-worker. It appears as if a wrong amount has been reported, which might turn out to be an interviewer error. But a further look at the aggregated monthly income reveals that the unemployed receives revenues from apartments he or she rents out. In this case there is no need for recoding and changing the income value. Besides internal plausibility tests there are external tests that compare aggregates from the dataset with average values from external data resources. For instance information from the dataset on the size and price of dwellings can be compared to figures from other established household surveys. Major differences may cause an adjustment of the data. Plausibility tests lay the ground for weighting.

Outlier Analysis

Statistical outlier analysis is important for the identification of extreme observations that deviate strongly from the normal distribution of sample members. Methods often used to find outliers assume that variables that are assessed have a normal distribution. They identify observations considered to be implausible based on mean and standard deviation. With the help of outlier analysis rare combinations of attributes can be found. This is, moreover, relevant for the anonymization of the data because rare constellations of values can disclose a household and therefore violate the protection of data privacy.

Data editing facilitates the recognition of patterns and since it is an in-depth micro-analysis it also trains the "eye" for discovering errors and inconsistencies. The constant and repetitive pattern of data editing consist of a) discovery of an error via Stata code, b) rule based manual recoding of incorrect values, c) documentation of errors and elimination strategies and d) reiteration of checks to avoid new errors while changing the data. The Stata codes that

are applied to detect errors together with the statistic software can be perceived in a more abstract way as a microscope, with which entities are seen in a close up and different layers of an object become visible.

Altogether, editing work in household surveys is laborious and standardized by guidelines that have to be followed. It is sequential and based on rules. Some of the activities involved are repetitive and therefore easy to automatize. Nevertheless there are various stages in the editing process where techniques of objectification are not possible, but rather a keen sense for possible errors might be the effective way.

Conclusion

In the text above we have depicted the generation of statistical information, information that is used by financial institutions for their business. The goal was to open the black box of this form of economic research in order to find out how it is implemented, how errors and inconsistencies are detected and eliminated, and which methodological knowledge flows into them. Thus we were able to show how defective datasets are transformed into (allegedly) "valid" statistics. Hence, the "numeric" figures generated in the process of fabrication are social as well as statistical constructs in many ways. Using the example of financial data, we have examined how the knowledge financial actors draw on is generated. This means that we did not understand statistical displays merely as a resource for actors, but made these displays themselves subject of research. Making large statistical information available does not solve the problem of uncertainty, but it conveys which practices enter these statistics before further use by market actors.

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Endnotes

1Quantification is understood in accordance with Espeland and Stevans as "production and communication of numbers" (Espeland/Stevens 2008: 407).

2NACE stands for systematic statistic categories of economic branches within the European Union. ISCO is the International-Standard Classification of Occupation.

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Appendix

Figure 1

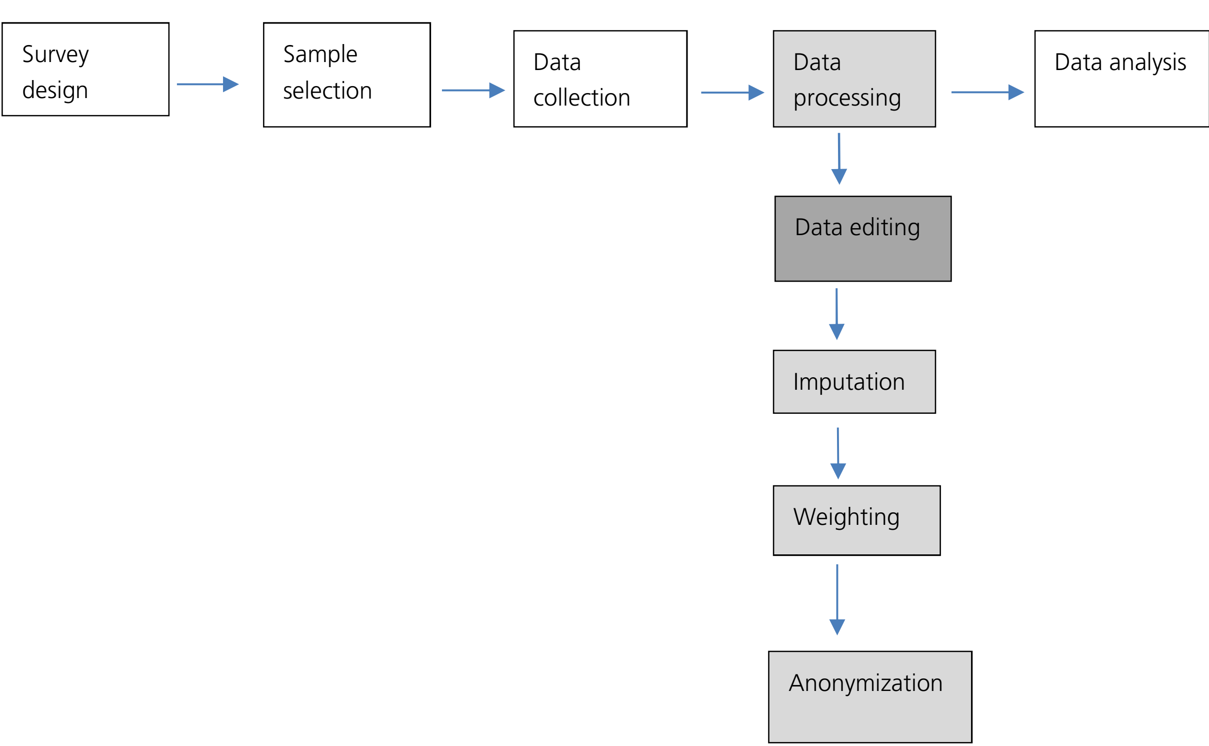

Figure 2

Filter-value check of variable hq0210 (number of private businesses)

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* ---------------

replace fehler=1 if ((hq0210<0 & hq0210!=-1 & hq0210!=-2 & hq0210!=-3) | (hq0210>20 & hq0210!=.))
tab fehler
list caseid hq0210 if fehler==1
replace fehler=0

replace fehler=1 if ((hq0100==1) & (hq0200==1)) & (hq0210==. | hq0210==-3)
tab fehler
list caseid hq0210 if fehler==1
replace fehler=0

replace fehler=1 if ((hq0100!=1) | (hq0200!=1)) & (hq0210!=. & hq0210!=-3)
tab fehler
list caseid hq0210 if fehler==1
replace fehler=0
```

Questioning Economists' Notion of Value

André Orléan interviewed by Rainer Diaz-Bone[1]

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RDB: Could you describe how you became a socio-economic institutionalist and part of the movement of the économie des conventions?

AO: My engagement for this approach, intensively combining the analysis of economy and society, started with the idea that economical facts are social facts as others. To say it another way: there is no epistemological reason justifying the existence of an autonomous economic theory which is separated from the other social sciences. It has to be considered that economic activities follow the same principles as other social activities do. Therefore, my reflections claim to take part at a more general movement which aims for the emergence of a unified social science. This is what I call "unidisciplinarity" (unidisciplinarité). And this is what I conceive to be the present task for socio-economics. To avoid misunderstandings, I would like to emphasize that unidisciplinarity does not engage in suppressing disciplinary traditions (which have to deal with methodological requirements and knowledge – indispensable for social science), but engages in its progressive integration in a general conceptual framework. One cannot "command" the unity of scientific knowledge, this would be nonsense. The task is to make the unity come to the fore, which is now covered by a seemingly heterogeneity of domains as economics, politics, religion, aesthetics etc. – so it is about a radical new theoretical foundation.

In this context one can note that the neoclassical paradigm – today the dominating way of economic thinking – does not define itself by its objects (as one could naively believe), but by a universal conceptual framework dealing with family or crimes as well as enterprises or consumption. As Lionel Robbins has stated, economics is the science which analyzes human behavior in terms of relationships between ends and means under conditions of alternative uses. And for Robbins there are no limitations for this economist's perspective.[4] This way of thinking gives way to the application of marginalist economics to the whole social world – economic facts impose themselves as the paradigm of social facts.[5] In my view what is problematic with such an approach is not its claim for universality but the inadequacy of its proposed conceptual framework. It seems wrong to me for a fundamental reason: its individualism, to be more precise the fact that value is conceived starting only from individual judgments about value. Thereby, any effect of society is denied. The social does only exist as the aggregated result of individual desires. It's this hypothesis of *sovereign individuals* which constitutes the modern economics paradigm – and I refuse it absolutely. So this critique inspired me to develop research in another conceptual frame offering more solid foundations to economic analysis.

To make it clearer, let's have a look at financial markets. Neoclassical analysis – in conformity with its individualistic way of thinking – takes as its starting point the individual estimations of asset values to model how prices will evolve as the encounter of offer and demand. Typically for methodological individualism, this is a bottom-up conform modeling. But in my view reality is of different nature. Financial markets are not mechanisms that "register" in a passive way the estimations of individuals and only aggregate the estimations. Financial markets are essentially normative mechanisms that produce an evaluation *sui generis* in the form of a financial convention. And this financial convention imposes itself on the actors in the financial

market. This perspective reverses the neoclassical one. Here, the individual is not to be conceived as a sovereign actor determining prices. To put it simply: EC is about constructing an alternative approach to neoclassical economics, i.e. an approach grasping the social dimension of evaluation and of prices. Luc Boltanski and Laurent Thévenot (2006) did it that way by introducing the model of cities (cités). In difference to a pure methodological holism, EC seeks to explain the process of interactions which leads to the emergence and the questioning of conventions in markets.

RDB: From the early 1980ies on you integrated Keynesian concepts – as his concept of convention – and cognitive concepts into the analysis of financial markets. Could you sketch how these concepts made a different perspective on financial markets possible?

AO: As Eugene Fama has stated early, in efficient markets the price of an asset can be regarded as a valid estimate of its intrinsic value. To say it in other words, the neoclassical finance believes in an objective value. Therefore, a financial market is efficient when the market price conforms to this intrinsic value.6 As this value is equal to the future revenues being brought in by these assets one must determine what future revenues will be. Not a simple thing. Consider the difficulties economists have to face when forecasting the national economic growth of the next three months – so imagine the difficulties predicting the profits of an enterprise for a time period of ten, twenty or more years! This seems to be a hazardous exercise. At this point, Keynesian and neoclassical approaches radically oppose. For the latter it is possible to describe the future in probabilistic terms. Investors should be able to know an exhaustive list of possible scenarios and their probabilities. Of course, the future is not known with certainty but it is possible to "determine" it by these probabilities. The Keynesian approach does not believe at all in this possibility of a probabilistic description. The ignorance of investors is much more fundamental here. For Keynes there is no scientific basis on which to calculate probabilities.7 As a consequence – if one keeps this conception of Keynesian uncertainty – it is no longer possible to define an intrinsic objective value as neoclassical finance does. There are only highly differing subjective estimations. Therefrom, the only rationality actors are equipped with is not sufficient to build up an evaluative frame of reference that is accepted by all others. Therefore, another mechanism is necessary – precisely the market. This is the idea we want to defend: the financial market is the specific social mechanism producing the legitimate evaluations investors need to coordinate. The intelligibility of financial value does not result from an objective nature. It is not the uncontestable expression of an natural objectivity but of a specific social process: the financial market has as its function making emerge legitimate estimations of values.

In our approach, value does not exist before price: the value is the market price itself. As Simmel said, the value is the epigone of price. Price is enacted value. The price does not refer to an external value of interactions. In a second step my argumentation is interested in financial markets themselves, focusing on the way competitive interactions produce the price. My main hypothesis is that financial speculation is essentially self-referential (*autoréférentiel*) in nature, by what I mean that investors make their decisions not on the ground of what they think intrinsic value is – but on the ground of what the price will be. To say it in another way, the rational investor buy an asset when she believes its price will rise. It's the anticipation of prices which rules the investment strategies. It follows that prices result from the anticipation of prices. This is the true definition of a self-referential process. What really counts for an investor is not objective information as such but information susceptible to affect market opinion and therefore prices. This self-referential rationality which is exclusively focused on the market could be named mimetic: at every moment it is to know where the market goes. What counts on a market is what prices are and not what prices should be according to supposed intrinsic values. Because it is actual prices - and only these - what conditions the gains and losses of investors. In different texts I have tried to model the self-referential logic using the result Judith Mehta, Chris Starmer and Robert Sugden obtained.8 Their fundamental result is: players look out for the salient opinions: the game is always about copying salient behaviors and that is to copy those behaviors that are expected to be properly copied. This is exactly what self-referentiality is about. Applied to financial markets, the self-referential analysis describes an active and anxious community, questioning all the hypotheses and all the rumors to determine the one that will in the end gain the favor of the market. In many cases this exploratory process ends up in a mimetic sporadic unanimity (or polarization) when one or the other opinion is selected simultaneously by a large number of actors because of its expected salience, and this independently of what its real informational content is. Sudden and extreme price variations without any relation to the fundamentals are the consequences of such a mimetic dynamics. The excessive volatility of asset prices so often

observed by economists finds in this cognitive mechanism its understanding.

Sometimes this same process of mimetic exploration stabilizes itself when the polarization selects a robust model of evaluation, that is: a model that temporarily fits the reality of the economic structure and gives rise to predictions that will be globally verified. This evaluative model is what we call a *convention*. It is through the finding of such a convention that the self-referential group (which is formed by the individuals at the financial market) can surmount its lack of an objective backup. When such a convention emerges, the speculative dynamics is greatly simplified because prices can be anticipated through the use of this external interpretative frame. Then it plays the role of an "objective reference". But it is not objective; it is the product of the self-referential dynamics and it lasts as long as it gives rise to correct predictions. When anomalies appear, investors abandon it and try to find new saliences. The financial convention is an example of autopoiesis (*autopoïèse*).

To conclude a last but important remark is necessary. Prices that emerge from this *autopoietic* dynamics cannot be regarded as opinions of persons or as aggregations of individual opinions. They are completely different in nature – an opinion sui generis. Prices are pure creations of the interactive mechanism. They can be analyzed as if they were opinions of markets itself. In other words: in our approach markets are conceived as autonomous entities, constituted by the self-referential structure of interactions. They are independent from individuals which take part in markets. The bottom-up model does not fit any longer and it is pertinent to say: "the market thinks that …".

RDB: Your book* Le pouvoir de la finance *(Orléan 1999) and the new book* L'empire de la valeur *(Orléan 2010) present in a systematic way your theory of financial markets and the problem of economic value. What are the continuities and what are the developments in the newer book?

AO: The continuities are evident. In both books I have relied on the same conceptual frame. It is the theoretical position on finance which I call – depending on the case – Keynesian, conventionalist or self-referential. Now I work on this for about 30 years and it is opposing neoclassical finance and behavioral finance. In *L'empire de la valeur* the results about research on financial markets are now used for a broader reflection on the notion of value. This book tries to demonstrate that the existing schism between economic reasoning and sociological reasoning has its origins in two different ways of analyzing value. On the side of the economists, the value is understood as a substance, could it be labor or utility, and on the sociological side, as an opinion. My position follows Durkheim's one: they are different values, but they all are of the same nature. Economic value is not different from moral value, esthetic value or religious value. This unity of values is at the root of the unity of all the social sciences. For Durkheim, all values – as values – are equipped with a particular kind of authority which is the authority of the social itself. How can their emergence be explained? As Durkheim explained, by the collective effervescence, which occurs when individuals enter in strong interactions and a new collective psychic life of a new genre emerges. Financial markets clearly show these dynamics of intense interactions (between the psyches) which give rise to valuations. Following Spinoza I call this "power of multitude" (*potentia multitudinis*). This is an important novelty in comparison to the analyses offered in "*Le pouvoir de la finance*". Since I analyze financial markets as special structures – producing legitimate evaluations in the sense of Durkheim – I came to insist on the different dynamics of financial markets compared to the dynamics of markets for consumer goods. The classical idea of regulation by "law of offer and demand" cannot so easily be transferred to financial markets. Here, a rise of prices does not mechanically have the effect of a decline of the demand – this is the main reason why the self-regulation (*autorégulation*) by competition does not apply. A consequence of this result is the claim that markets should never be left over to themselves and I assess the movement for the liberalization of financial markets since the 1980ies to be highly problematic. In my view, this difference of dynamics between different sorts of markets can easily be understood. On a market for consumer goods, let's say for cars, two groups of actors with different interests meet. The consumers want low prices and the producers want high prices. Every group "pushes and pulls" for its interest and intuitively one understands that these two oppositional forces will find a compromise. But on financial markets the situation is different. One does not find two oppositional groups but a single community, because it's the same individuals who are alternatively buyer or seller depending on their cyclical and specific need for liquidity. If one conceives the group in its totality, then there is no opposition of interest but the same interest in the growth of prices. So, where from should the self-regulative forces come? Another novelty draws on the concept of liquidity. Of course, it is already present in *"Le pouvoir de la finance"* but still in a prelimi-

nary way. In *"L'empire du valeur"* liquidity receives a central position: Liquidity is the form of power in the market order. It is what economic actors are looking for. There are three important forms of liquidity: cash money, credit money and financial assets that are traded in big financial markets. I conceive liquidity not to result from any kind of substantial property. It results from a self-referential agreement by which a good or a sign is acknowledged by a group as a legitimate expression of value and therefore is accepted as means of payment by the group. Also as a novelty in *"L'empire de la valeur"* I tried to take more care on the the notion of financial market's informational efficiency. This notion has played a main role in theoretical debates concerning financial markets, but it although has ambiguities because different definitions coexist.

In my view financial markets can rightly be said efficient when they adequately informed investors where capital is needed to be invested. This is what economists call "allocative efficiency". This criterion is essential for economics because it avoids the waste of rare resources, in this case of capital.

But how can we be assured of the allocative efficiency of financial markets? As always in economic theory, it is the rightness of prices (the fact that prices are on their correct level) that assures such a result. So we come back to Fama's definition: markets are efficient when prices conform to the intrinsic value of an asset. I call this the financial efficiency hypothesis (FEH). This consideration has guided me to two results. First, since I appreciate the insight into the existence of radical uncertainty I still hold the position of the non-existence of a "true estimation" of intrinsic value. It follows that the FEH has to be rejected. We are not able to know ex ante where to invest our capital. Investments are always bets on the future. Second, I recognized financial economists to stick to another definition of efficiency – Fama included – namely the notion of non-predictability of revenues (NPR). More frequently, people speak of "random walks" (or "martingales"). This definition has been proposed because FEH cannot be tested directly: economists cannot compare the price with the true value because this true value is not known and cannot be observed. So economists do test NPR, which is a consequence of the preceding hypothesis, but which does not presuppose the calculation of intrinsic values. However, the important point to keep in mind is the fact that if FEH implies NPR, the reverse is not true. Consequently, to prove NPR to be true does not inevitably imply that FEH is verified. It is absolutely possible not to have any correlation between returns although the prices are not on their true level. For example, a financial bubble is perfectly compatible with NPR but contradicts FEH. To confuse FEH and NPR is not marginal because some economists argue as if the two were equivalent and entertain with force the position of efficient markets – even after the crisis because NPR is verified. I say that efficiency in the sense of NPR is secondary. From the point of the common good is FEH decisive. But FEH will not be verified for reasons which stem from the very nature of economic markets: radical uncertainty. If we take this result for serious, our way of thinking about problems of financial markets will radically change.

RDB: How does your conventionalist work relate to the other French approach of the regulation school? And how did this relation change over time?

AO: This question is asked to me frequently. I do define myself as conventionalist as well as regulationist. I accept both memberships without rejecting others as for example institutionalist or Marxist. Why is this possible? The basic reason from this in view is that EC and the regulation school are not contradictory but complementary approaches. To answer schematically, the regulation school is in first instance a macroeconomic theory while EC is more about microeconomics. Some have even said that EC is the microeconomics of the regulation school. This is an extreme statement but it has a true core. For example, EC does not propose a general understanding of the capitalism. This is not what EC is looking for. If the regulation school has proposed a typology of regimes of accumulation shown by capitalism and if, to do this, it has studied closely their institutional architecture, this study is focused on the macroeconomic effects of institutional forms and not on their internal constitution, precisely what EC is mainly interested in. It is why one can talk of two complementary approaches. So, when you recognize this complex "conceptual geography" my position in it is easy to understand. I do research on two objects: money and finance which are part of the research agenda of both approaches. In fact, I propose to study both objects by posing two questions, "What is their nature?" and "What is their impact on economy?" The first question belongs to EC, the second one to the regulation school.

RDB: So this combination of the two named approaches should offer a specific perspective on the causes and effects of the financial crises in the years 2008/2009. What is your analysis and does it differ from analyses of mainstream economics?

AO: A question not easy to answer and by the way, I devoted a small book to this question.9 My first point of difference to mainstream economics is because of its diagnosis. For example. if one reads the declaration of the G20 from London (April 2009) one gets astonished about the long list of listed causes and problems pointed to: excessive salaries and bonuses, inadequate regulations, procyclic accounting norms, opaque financial innovations, incompetent rating agencies.

It looks as if all institutions which organize financial competition at the planetary level were guilty, but the only institution that escapes from this general disapproval is the market itself! The market which means the principle of financial competition for the international allocation of capital is not questioned. The integrity and primacy of financial markets still stay the final goal which the G20 is looking for. I guess this is a mistake, because the instability is inherent in financial competition itself. The factors G20 listed certainly have their part in the cause of the financial crisis but the principle of competition applied to financial assets is most responsible!

This is because of its inner logic: financial competition does not work the way competition does in markets for ordinary goods. It produces no self-regulation: in finance, prices can vary strongly up or down without producing countervailing forces that would bring them back to their equilibrium level. And it is wrong to believe transparence to be the solution as it is proposed in today's reforms. The internet bubble at the end of the 1990ies gives us an example for this. The stocks of the New Economy were perfectly transparent. Investors always knew what they were buying. This did not prevent them to believe price will rise on. This anticipation made the bubble possible. The proposed measures against the present crisis will be inadequate as long as economists and public authorities will be kept prisoners of the idea of financial market's self-regulation. Only a change of the paradigm will enable us to imagine new schemata for the mastering of financial markets.

RDB: You mentioned your work on money. What is your conception of money?

In my approach money is essential. It's the foundational institution for market economies. It is through money that economic value comes to social existence. Money and value are two sides of the same coin. They cannot be separated. The real question is to ask why economists reject this very simple and natural idea. According to neoclassical logic which emerged from the 19th century marginalist evolution, individuals only have one goal: to get useful objects. The quest for utility makes economic actors act. In this perspective market economy is analyzed as if it contained a collection of useful objects to be distributed to individuals. For neoclassical thinkers the distribution does not require money, but markets. Only markets allow actors to coordinate themselves. Neoclassical theory of value without money has its achievement in the theory of general equilibrium. This theory can be traced back to the work of Léon Walras. His theory is about an economy of barter in situations of perfect competition. In *"Elements of pure economics"* Walras (1954) established the idea that exchange values are proportional to scarcity. Scarcity is defined in relation to the intensity of desire in barter. Money is introduced only in a second moment as a supplement, as an optional instrument facilitating exchanges not affecting the market values. In neoclassical thinking, therefore, money is a neutral veil. Money is only conceived as purely instrumental. In my eyes this conception radically underestimates a reality which plays an essential economic role, namely uncertainty. What is proper for market economy is to be the perpetual place of important variations in consumers' taste, technologies of production – and of price. As a consequence the social existence of every producer-exchanger becomes uncertain. If he has been successful the day before in selling and buying goods, nothing guarantees him to achieve this tomorrow. It follows, for every individual, a situation of great instability and – consequently – a request for security. Economic actors have a need for something like a "power of control" over the circulation of goods by which everyone's existence will be less threatened by uncertainty. In market economies this power of control is a power to buy because buying is the only way to obtain goods in a legitimate way. This power to buy has to fulfill two requirements: all goods must be accessible and the power to buy must be preserved in time. In "L'empire de la valeur" I developed a long term perspective on this specific kind of goods which are widely accepted in exchange. I call them "liquid goods".

Money is a liquid good whose liquidity is absolute. Because of that, it is absolutely desired by everyone. Therefore, it is possible to define the value of goods as the amount of money the good can achieve in exchange: its price. In my view, it is through money that a society defines what is value and what is to be valuated. In this conceptual framework, it is possible – as it is possible in the real life – that a same good, at the same instant, can be exchanged at two different prices. This situation shows that competi-

tion is weak but it is no problem for my conception of value because I do not believe that the objectivity of value is the objectivity of a magnitude that can be calculated as does the neoclassical theory of value. The objectivity of value is nothing else than the objectivity of the money that is received through the exchange. The main question is therefore: "Where does the money get its authority from?" Why is it accepted by everyone?

The answer to this question is in the collective affective investment focusing on money as its object. Nevertheless this general acceptance is always in danger because in market societies always strong social forces try to push new forms of liquidity which are more favorable for their interests. In the realm of economy there is a constant conflict about the legitimacy of money.

RDB: In your work there are not too many references to the foundational book "On Justification" written by Luc Boltanski and Laurent Thévenot (2006). In which way did it have an impact on your work?

AO: The work of Boltanski and Thévenot has always been some of the most interesting works for me. Their model of orders of worth explains many of the problems economists and sociologists have to deal with. Sociologists proved norms to be important for coordination while economists proved rationality to be important. The model of Boltanski and Thévenot demonstrates these two disciplinary perspectives to be declinations of their more general model – very convincing to me! My analysis of the general equilibrium I offered in the first part of "L'empire de la valeur" owes a lot to Boltanski and Thévenot. General equilibrium is not to be conceived as a spontaneous encounter of individuals. Instead, institutional mediation – what I call markets' objectivity – plays a crucial role in economic coordination in qualifying goods, organizing the price mechanism and constructing the aims individuals try to achieve. So we are far away from the Austrian catallaxy. Unfortunately, the role of money is not considered by Boltanski and Thévenot. In some aspects their market world (*cité marchande*) is too close to the Walrasian model. Here, Boltanski and Thévenot offer an analysis of neoclassical thinking, which differs – in some points – from my perspective. For example: They do not account for rarity of goods as I tried (see chapt. 3 in "*L'empire de la valeur*") and I see individuals not so much desiring for goods but for money itself. But these differences can be explained by the fact that our analytical perspectives are different: I want to analyze how market economies work as such, while Boltanski and Thévenot are interested in the analysis of the operations of justification in the course of disputes.

RDB: What are trends and perspectives for your future work?

AO: The theory of value I propose modifies in a foundational way social sciences' perspective on economy. For mainstream economics everything comes from the individual looking for utile goods. For this individual the only obstacle to realize its desires are other individuals who are equally sovereign and also interested in realizing their desires in relation to goods. From this point of view, the world is understandable composing individual actions – Hayek called this the individualist and compositive method of the social sciences (Hayek 1964). The conception of the social world I propose is radical different in nature. It's basically the desire for money which is the main principle in market economies and the concept of the sovereign individual does not adequately understand this desire. Individuals are not the source of this desire for money, instead it imposes on them. The economic world can no longer be modeled out of individual's sovereign will as the mainstream does. Then the question is how individual agents deal with this powerful force – money –, that they do not fully understand neither control. The use of economic theories is part of the answer. They are tools and because of that they impact directly the functioning of the economy. In the last period, it is easy to see the great impact of the theory of efficient financial markets. Its role has been huge. In my future research I would like to test this new hypothesis which meets the idea of performativity of economics.

Also I would like to study the evolution of capitalism and the change in its values. Here, I think of the financialization of the world. This has brought up new indicators for new ways of evaluation totally different from a "Fordist" capitalism. To say it in other words one can observe a fundamental disturbance of all behaviors and strategies. We have to speak of a mutation of economic values. Therefore, my aim is to study empirically the birth of neoliberal capitalism at the end of the 1970ies and the beginning of the 1980ies. And it will focus the changing role of money which was necessary for this upcoming and which is – in my view – closely linked to the emergence of new ways of evaluating goods and assets.

Endnotes

1The interview was done in French and afterwards translated by Rainer Diaz-Bone.
2The English translation of *L'empire de la valeur* is forthcoming (published by MIT Press).
3This interview continues the series of interviews in this newsletter with representatives of the French approach of the economics of convention (EC). See the interviews with Laurent Thévenot (2004, 2006), Robert Salais (2008), Olivier Favereau (2012), Christian Bessy (2013) and Claude Didry (2013).
4See for more details Robbins (1935).
5See for this economic imperialism Lazear (2000).
6See Fama (1965).
7See Keynes (1937).
8See Metha, Starmer and Sudgen (1994).
9See Orléan (2009).

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Financial Markets. Institutional Embeddedness, Organizational Structures and Contours of a Monetary Order

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"Financial markets. Institutional embeddedness, organizational structures and contours of a monetary order" was the title of a conference held at the University of Hamburg on March 21st and 22nd. The aim of this joint conference of the sections Economic Sociology and Organizational Sociology of the German Society for Sociology was – as the conference flyer states – to *"contribute to a better understanding of the functioning and structure of financial markets"*. The conference clearly demonstrated that sociology has a variety of perspectives on offer for a better understanding of financial markets. Theoretically the presentations covered a wide range of approaches from sociology of practices (Kalthoff/Vormbusch) to neo-institutional analysis (Senge, Nagel), sociology of conventions (Langenohl, Knoll) and heterodox economic approaches (Sahr, König). This variety of theoretical perspectives facilitated an analysis of financial markets from different perspectives from the micro-level of the trading floor to the macro-level of a global financial class.

Preceded by opening statements of the organizers of the conference Jürgen Beyer (Hamburg) and Konstanze Senge (Bielefeld/Hamburg), Jan Fleck and Rolf von Lüde (both Hamburg) talked about the relationship between financial systems as one building block of national "Varieties of Capitalism" and the risk preferences of consumers of financial products. Von Lüde and Fleck focused their talk on the following three questions: Can national trust cultures persist in spite of a global financial system? What is the relationship between bank based financial systems and bank based trust cultures? How do national trust cultures shape the dynamics of persistence and change of national financial systems? In the second presentation of the panel "Financial institutions and social embeddedness" Herbert Kalthoff (Mainz) and Uwe Vormbusch (Hagen) argued that financial markets and financial institutions are embedded in the everyday routines of market participants, displaying and interpreting the economic sense of concrete investment decisions. Kalthoff and Vormbusch argued that doubts about the possibility of modeling economic processes and the completeness on the representations of the models are part of such *"epistemic practices"*.

In the first presentation of the second panel on *"Emotions and Investment Behavior"* Konstanze Senge (Bielefeld/Hamburg) analysed the influence of emotions on investment decisions from the viewpoint of organizational sociology. Arguing that regulative, normative and cognitive institutions cannot reduce the complexity of financial markets completely, Senge suggested treating financial organizations as dependent upon affective institutions as well. Since affective institutions are not predictable, financial organizations could benefit from applying insights from normal accidents theory and the high-reliability approach. Markus Lange and Christian von Scheve (both Berlin) asked, taking the perspective of economic sociology, how emotions contribute to the coordination of economic actors in financial markets. Lange and von Scheve argued that emotions matter on the level of investment decisions of market actors as well as on the level of the market as a whole. With regards to the former they distinguished between a *"fundamentally qualitative"* market actor who relies heavily on his gut feelings and is opposed to econometric models and a *"quantitative modeler"* whose decisions are based upon market signals. Emotions matter as well as *"market feelings"* which are diffused through trading floors by verbal and non-verbal expressions in the trading room. Such market feelings act as an additional indicator in determining whether a market crisis is eminent or not.

In the third panel on *"Contours of a Monetary Order"* Aaron Sahr (Hamburg) discussed Hyman Minkys approach for an explanation of financial market crises. Following Minsky he argued that the socio-political techniques supporting the belief in the creditworthiness of banks (mortgages, regulatory capital requirements and central banks

as lender of last resort) historically lost effectiveness. Recent state actions such as rescuing system relevant banks replaced rather than reinforced the creditworthiness of banks. Tilo König (Tübingen) discussed recent economic proposals for a "carrying tax" on money from a sociological perspective. Confronted with the uncertainty of future economic development carrying money has the benefit, for the individual, of allowing to adapt more flexible to changing economic circumstances, but in times of crisis individual preferences for holding money may decrease aggregated demand. Therefore König argued that a tax on free flow money could be supportive to avoid a "dilemma of uncertainty absorbtion".

In the fourth panel two contributions discussed *"Actors and Actor Constellations"* in financial markets. Lukas Hofstätter (Frankfurt) suggested that financial market actors similar to traders or investment bankers are developing into a new global financial class. Being socialized and embedded in the structure, culture, politics and cognition of global financial markets these actors share similar social practices, worldviews and a common habitus and form thus some sort of "financial market class" emanating from financial markets rather than their institutions. Furthermore the financial class can be interpreted as a carrier for specific monetary and ideal interests. Pierre de Larminat (Frankfurt) analyzed how the figure of the investor is constituted by market devices and information technologies as well as a specific division of labor in and between financial market organizations. Especially de Larminat showed that the figure of the investor rests on the symbolic form of the financial assets portfolio.

In the first presentation of the fifth panel on the *"Organization of Risk Assessment"*, Andreas Langenohl (Gießen) presented findings from a qualitative study of renegade investment consultants and private investors. Arguing that the relationship between consultants and consumers is crucial for the legitimacy of retail banking, in his analysis of interview data Langenohl asked if a de-legitimation of investment consultation by banks is eminent. He presented findings regarding specifically the criticism of renegades and consumers in bank consultations, how their criticism was shaped by their involvement in the consultation process and the consequences they drew from their criticism. Next, Natalia Besedovsky (Berlin) focused on credit ratings as mediating devices between financial markets and political fields. The concept of risk of governments is orientated at risk minimizing while financial markets perception of risk is about risk management. Besedovsky argued that ratings serve as a mediating device allowing both fields to maintain their conception of risk. However the recent financial crisis unveiled differences and tensions between both perceptions of risk.

Sebastian Nagel (Jena), presenting a talk prepared with Stefanie Hiß (Jena), compared recent changes in the regulation of rating agencies in the United States and the European Union. He demonstrated that rating agencies where regulated in the US and EU at different times and with different regulatory approaches, both not leading to robust financial markets. Nagel argued that prior to the adoption of the EU regulation strategies and ideas became legitimized by theorizing and institutional work and not by the belief in the possibility to prevent financial crisis. Filling in for the ill Anita Engels (Hamburg) Lisa Knoll (Hamburg) talked about markets for carbon dioxide as compromises, applying the perspective of sociology of conventions. Presenting this example where market activity and industry activity differ intensely she asked whether financial markets are potentially compromises as well.

As Jürgen Beyer remarked in his closing statement the presentations and lively debates clearly demonstrated that financial market sociology has become a vibrant field of study in the German sociological community.

Society – Conventions – Organizations: Explorations of French Conventionalism in Bringing Society Back into Organizational Analysis

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Since *De la justification*, by Luc Boltanski and Laurent Thévenot, translated into English *On Justification* in 2006, Economics of convention (EC) has received growing interest in international organizational research. EC shares an interest with recent developments in organizational institutionalism and its current focus on institutional logics. How actors cope with institutional complexity and how they deal with a variety of social orders is at the core of both – institutional logics (IL) and EC. However, questions remain open on how to push the research agenda of EC forward and how to successfully contribute to the body of knowledge of institutional studies on organizations by applying EC as theoretical foundation.

Against this backdrop, about forty scholars convened in Innsbruck, for a workshop from 11.-12. April, organized by Julia Brandl (University of Innsbruck, Austria), Thibault Daudigeos (Grenoble Ecole de Management, France), Tim Edwards (Cardiff Business School), and Katharina Pernkopf-Konhäusner (University of Innsbruck, Austria). The idea of the workshop was to explore possible contributions of EC to organizational institutionalism, especially the IL perspective. The workshop assembled high expertise in EC – not only because Laurent Thévenot attended the workshop. Rather, several researchers who are interested in and are working with EC joined the workshop. In order to facilitate a dialogue with the mainstream perspective of organizational institutionalism the organizers invited Roger Friedland and Eva Boxenbaum as leading researchers from organizational institutionalism.

The overarching issue of the workshop was the commonalities and differences between EC and IL. Friedland and Thévenot opened the workshop with key notes and a discussion. Both stressed the common interest between IL and EC. By reading *On Justification* from IL-perspective, Friedland experienced a "familiar room". Thévenot stressed that EC and IL researchers widely "would agree [on several issues] if we understand well". But there are also differences. Especially Friedland's focus on religion and his statement that "institutional substances functions like a god" were questioned by Thévenot – who conversely stressed that individuals "rest on" logics (orders of worth). This slightly but important difference opened up more room for critical capacities of actors in EC. What became clear in these key notes was that although the two research perspectives sympathize with each other, the question about how to bring them together is challenging. In her keynote, Boxenbaum argued that EC becomes increasingly important for IL research, because research on IL currently shifts towards "perceiving and studying institutional pressures from the vantage point of institutionally embedded actors". By stressing critical and reflexive capacities of actors, EC could contribute here and could refine the concept of actorhood in the IL perspective.

The plethora of interesting and relevant research presented on the workshop made evident that it's a promising endeavour to use EC in organizational research. The papers demonstrated the variety of topics in which EC can contribute understanding organizational issues. Interestingly, a quarter of the papers discussed aspects of sustainability in areas such as waste management, sustainable development, responsible investment or ecological product quality. Christel Dumas and Emmanuelle Michotte analysed socially responsible investing (SRI). They showed that although SRI was a field in which a fragile compromise exists between market, industrial and civic world, the market world remained the main anchor for SRI's. Dumas and Michotte concluded that SRI's as a phenomenon within the investment market was "the solution offered by financial markets to appease the critique, rather than being itself a critique of financial markets". The paper from Stephane

Jaumier and Vassili Joannidès – to give a further example – discussed how specific organizations like co-operatives respond to pluralism in their institutional environment. Theoretically, the paper sheds light on the idea that the same logics could be interpreted differently within given organizational contexts. Hence not only could different logics bring pluralism but also the interpretation of the same logic. Taking this argument into the discussion of institutional logics question arose about how actors were conceptualized and which competencies they have to interpret and reflect upon logics – questions where EC has relevant answers and could substantially contribute to institutional logics perspective. There were more interesting and highly valuable papers, which cannot be mentioned here.

But there have also been critical comments on the current research that used EC as theoretical foundation. As Thévenot argued, the concept of the orders of worth were partially used as a typology of existing rationalities – without embracing the complex theoretical assumptions of EC like the concepts of actorhood, materiality or regimes of engagement. In a similar vein, Rainer Diaz-Bone argued that research using convention theory intensively refers to the seminal publication *On Justification*, but partially overlooks other key publications of EC such as *Worlds of production* written by Michael Storper and Robert Salais. Lisa Knoll made a point by arguing that EC researchers should be more reflexive about methodologies. She stressed that especially when using interview data researchers should treat them as interactive situations, as "local accomplishments". In her presentation, she argued that we should have a detailed interest in how orders of worth appear to be ordered in ambiguous situations. Methodologically, this implies studying pragmatic *participation* in interactive situations rather than just content-level *information*. Other participants shared the point that discussing methodological issues of EC's research would be an important challenge for the future. Participants also identified open questions beyond methodological issues. Thévenot argued that "we should try to understand which worlds are more pressing towards the others and how the (power-)balance between them unfolds", when actors in organizations establish compromises between different worlds. Further, decoupling and the role of emotions in institutional theory were identified as promising starting points for further research.

An interesting fact was that the workshop focused mainly on the question what the IL could learn from EC – but not conversely. Yet, seeing the relationship between EC and IL clearer would also require discussing what EC can learn from IL. Further, workshop participants did not really enlarge upon the question whether researchers in the field of EC should more straightforwardly push a research agenda of EC on the floor of leading international organizational research on its own right and how to pursue such an aim. At the moment EC is not scarce of interested researchers but lacks a canonization of its theoretical language and school building processes in the English speaking realm. There is, as Diaz-Bone exemplified a low visibility on at leading international conferences and a lack of more substantial introductory and state of the art publications.

After the two days of intensive discussions the perfectly organized workshop was a worthwhile event that gathered momentum for the further progress of EC and its organizational research agenda. Everyone who is interested what comes next can follow this discussion by looking at www.societyconventionsorganizations.org.

Endnotes

*I would like to thank Nina Hansen and Lisa Knoll (both University of Hamburg) for helpful comments.

Book Reviews

Book: Heiner Ganßmann, *Doing Money: Elementary Monetary Theory from a Sociological Standpoint*. London: Routledge, 2011.

Reviewer: Karsten Köhler, University of Leipzig,
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Anyone can use money as money without necessarily understanding what money is. (Karl Marx)

In everyday life we do not bother with tricky questions about the nature of money. We just try to maximise our income and minimise our expenses. In that sense, money certainly increased the "Rechenhaftigkeit" (Max Weber) of modern man. Albeit for other reasons, "Rechenhaftigkeit" also arises in the context of economic theory. Modern micro-economic theory is based on complex formalised models, but these do not address the very object that plays the all-important role in economic science, namely - money. Recent sociology has also not expended a great deal of effort on the question of money, except for a few authors.

One of these authors is Heiner Ganßmann. Following his book "Geld und Arbeit" (1996) and a couple of articles about money, he recently published his new book "Doing Money" (2011) that offers a theory of money "from a sociological standpoint". This piece of work is a dense and clearly arranged study that develops an individual approach through a critique of classical and current monetary theory.

Ganßmann understands money as a social fact that is created and reproduced by agents. He tries to show how this process works on the micro-level, what the consequences of money use are and why sociology and neoclassical economics have notorious problems grasping the nature of money.

His starting point is the basic institutions of capitalism. Capitalism is a decentralised economic system with a division of labour and private independent producers. Coordination of economic activities only takes place only *ex post*, through the market. Producers need the information whether their economic activity is a valid contribution to the reproduction of society or not. This is given by the monetary price for their commodities. However, money not only functions as a medium of exchange, but also serves for the profit-oriented use of wealth. Entrepreneurs borrow money to finance their production. The interest rate defines the minimum returns on the investment. These are only a few crucial elements, clarifying that capitalism is essentially a monetary economy.

Why does neoclassical micro-economics ignore this obvious fact? Its models do not start with social interaction, but with the isolated economic agent endowed with fixed preferences and resources in a material environment. There is no place for money in this world since money use only makes sense in a setting of more than two agents. The bilateral exchange is therefore modelled as barter. Money is introduced at a later stage only as a "veil" that facilitates exchange.

Sociological theories of money suffer from their adherence to an analogy of money use and language leading to more confusion than clarity. If money is a symbol, what does it symbolise? If money is just a medium of communication, how can I exclude others from its use?

After this critical examination of established theories, Ganßmann proposes to understand money as a symbol that does not symbolise anything. Money is rather a symbol signalling what game is being played: the money game, which is defined by the monetary system as a social institution. The holder of a bank note has the power to execute certain actions within the context of the money game. Ganßmann does not need to refer to any notion of "value" to explain that. Thinking of money use as a kind of measurement of value appears to be more of an obstacle than a help in the conceptualisation of money.

In the third part of the book Ganßmann develops his own elementary monetary theory. He starts with the two-player interaction characterised by "double contingency": "If what I get depends on your choice and what you get depends on my choice, and if we are both free to choose, there cannot be a determinate result unless we introduce further factors allowing for a structuring of the situation" (p. 67). As long as there are no such additional factors, the agents have to cope with uncertainty, because no one wants to reveal his preferences. But supposing that agents are able to assume the perspective of the "generalised other" (Mead) and extend the time horizon of the ex-

change situation, agents are also able to introduce money to reduce the uncertainty of barter. The use of money constrains the set of possible actions. Everybody knows that everybody wants to maximise his monetary income. The money owner "can select when, where, with whom and for what to trade" (p. 78). The economic agents can now form expectations about the behaviour of others. A common unit of account makes it possible to negotiate an effective price being observed by others and functions as a medium of information. Every single exchange of commodities against money provides information for the producers about the demand for their product, because all qualitatively different commodities become commensurable. Money also depersonalises social interactions. You do not have to trust your exchange partner, but only her money. If all agents accept money and mutually expect that, money does not need to have an intrinsic use value. It becomes a self-referential phenomenon that is only understandable within a time frame. Agents expect to be able to buy useful commodities with intrinsic useless money objects in future transactions.

On the other hand, the reduction of uncertainty through money use is undermined by a new cause for uncertainty: credit relations. A creditor can never be sure of his debtor being able to repay his debt. But the financial sector also offers short-term returns as an incentive for speculation. This might lead to "bubbles" through cumulative positive expectations in spite of an increasing risk. A financial crisis might destroy these expectations, so that economic agents leech on to central bank money that functions as a means of final payment.

So all in all, Ganßmann provides a coherent and plausible account explaining why and how agents create money as a social fact in the economic sphere. His preference for a micro-foundation of money leads him to a denial of approaches that rely on a collective agent like the state as a creator of money. This also involves disadvantages, e.g. explaining the origin of money use. Ganßmann, by his own admission, cannot provide any satisfying answer to that question.

The transcending of established disciplinary boundaries between sociology and economics seems to be very fruitful. It is conceivable that excessive much specialisation has been an obstacle to the understanding of money. Ganßmann describes money use as an agent-object-agent relation that cannot be grasped by reducing it to an object-object relation (economics) or agent-agent relation (sociology). To achieve this aim, he makes use of the best concepts of economic sociology from Marx, Weber and Polanyi, as well as current post-Keynesian economics.

Another exemplary feature is his reference to the ongoing financial and economic crisis at the end of the book. This demonstrates once more the deficits of mainstream monetary theory and the urge for an alternative.

Despite its clear structure, the reader might get confused in a few places in the book because Ganßmann does not develop every argument step by step, but sometimes introduces concepts that are only explained at a later stage. Furthermore, the book merely provides the foundations of a comprehensive monetary theory which has not yet been developed. This leaves several questions open, such as about the relation between money, labour and domination which Ganßmann explored in his earlier works. One might argue in the vein of Marx and Weber for a combination of a theory of money and capital, because a concept of capital was necessary to understand the nature of money. In this respect, further developments of the theory by Ganßmann or other authors would be welcome. There seems to be no alternative in dealing with money only as a disruptive factor or a soft medium of symbolic communication, in the face of the current situation of the global economy.

Book: Knoll, Lisa, 2012: *Über die Rechtfertigung wirtschaftlichen Handelns. CO_2-Handel in der kommunalen Energiewirtschaft.* Wiesbaden: VS Verlag für Sozialwissenschaften.

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How do enterprises legitimize decisions in an institutional environment that is structured by heterogeneous institutional demands? Lisa Knoll addresses this timely question in her work *On Justification of Economic Action. CO_2 Trading in the Communal Energy Sector* (originally in German, my translation J.B.) which is grounded on her PhD thesis. Based on a case study of two communal power supply enterprises in Germany, Knoll uses group discussions and interviews to analyze how these organizations use rationalities for dealing with uncertainties in the trading of CO_2 certificates. I will start with an overview of the book and

then reflect on the theoretical positioning that is located at the intersection of institutional theory and French convention theory as well as discuss possible areas for extension.

The book opens with a review of recent changes in the power generation sector and focuses specifically on the CO_2 certificate market that has operated within the European Union since 2005. Over the course of these developments communal power supply enterprises have confronted new decisions (e.g., calculation of prices, managing portfolios) and have been encouraged to integrate the principles of economic rationality into their activities. Against this background, Knoll is interested in exploring how enterprises adjust to new regulations and what relevance market rationality has in particular. The theoretical framing of the study builds on sociological institutionalism (Thornton/Ocasio/Lounsbury 2012) and convention school (Boltanski/Thévenot 2006) which, as Knoll suggests, both have something to offer for understanding the handling of problems with heterogeneous demands in economic fields. With her attempt to systematically relate these two streams of literature, Knoll positions her work at the heart of an emerging debate on how convention school can be used for elaborating the institutional logics perspective (see Cloutier/Langley 2013 for an overview). Pointing out prominent problems in the current institutional debate (e.g., need for a micro-foundation, reflexivity of actors), Knoll suggests that the concept of situated conventions enables the study of how coexisting institutional logics in an organizational field are handled on a day-to-day basis. On the other side, convention school lacks an elaborate concept for the organizational environment offered by the field concept in institutional theory. For the organizational field of communal power supply enterprises, Knoll argues that the conventions of the market, industry, environment and civic convention are particularly relevant. The book outlines the constitutive elements of these conventions based on Boltanski and Thévenot's framework.

In the next section of the book, an empirical study of two communal power supply enterprises seeks to reconstruct how and in relation to what the organizations legitimize solutions and forms of managing with the new decision-making problems (p.87). Following the convention school's view (and extending theorizing in the institutional logics perspective), Knoll states that justifications are constantly created and recreated in interactive processes and that they are connected with material activities. Consequently, group discussions with organizational staff, complemented by interviews and document analysis of actual trading activities are the basis for data collection in the study.

The findings are presented in four steps that build on each other. Firstly, Knoll displays the topical areas for decision-making on CO_2 trading and compares the management of CO_2 trading activities (e.g., calculation of CO_2 certificates) in the investigated settings. This is followed by an exploration of two economic conventions that inform the interpretation of CO_2 trading activities: the market and industry. Knoll shows how these conventions differ along core aspects such as their understandings of useful trading behavior, reference objects (CO_2 price vs. CO_2 emission) and calculative techniques (value at risk approach vs. supply-based planning) (p.137). She illustrates how calculative instruments like supply portfolios contain market as well as industrial justification possibilities, thereby acting as compromising devices (p.140ff.). In the third step, the use of four conventions for legitimating and de-legitimating decisions in the group discussions is explored across a range of situations (e.g., the rationality of energy saving programs, market competition, and the promotion of activities for environmental protection). Finally, the developments in the organizational field of communal power supply enterprises are theorized through changes in the composition of conventions. The discussion indicates that new decision-making problems such as climate protection and price calculations have made the legitimation activities in the organizational field heterogeneous. Actors' legitimation repertoires include not only civic and industrial conventions, but also environmental/green and market conventions. Nevertheless, the market convention has not become dominant in any circumstance.

The book concludes with a wrap up of the study's contributions to the understanding of implications of the heterogeneity of institutional logics in fields for organizations and a critical assessment of the debate on CO_2 trading activities.

For the growing community of scholars interested in how the convention school can complement the institutional logics perspective, the case – trading of CO_2 certificates in the Communal Energy Sector – is an interesting setting for investigating how organizations respond to pluralist institutional demands. This is largely because recent developments like the liberalization of the power generation sector as well as debates on climate change and environmental pollution have called into question old principles (e.g., "Bedarfswirtschaftlichkeit", p.87) while simultaneously

introducing new ones which are accompanied by considerable uncertainties. While the book convincingly explains *how* the institutional perspective can benefit from convention school, it raises few doubts on the limitations of the integration of the two streams (which is a project that goes beyond the scope of this book). Such skepticism would be useful not only for the assumptions on the reflexivity of actors but also for the distinction of micro- and macro levels that is taken-for-granted in the institutional logics perspective, but has no equivalent in the convention school (Diaz-Bone 2011).

A very valuable aspect of the book is that it gives up the monolithic view of organizations without replacing it with autonomous individuals. In contrast to many contemporary institutional studies that conceptualize organizations as coalitions of members or as micro-political arenas, Knoll's approach highlights that organizational reality is a joint effort that continuously needs to be created and recreated. Such an understanding has similarities to the concept of inhabited institutionalism (Hallett/Ventresca 2006). The group discussion that is used for accessing the legitimating and de-legitimating of decisions of organizations not only extends of the repertoire of current methods for institutional research within organizational settings from one-to-one interviews with researchers to collective situations where other organizational members are present. It also reveals a dynamic perspective of organizations where conflicts and ambiguity are situationally handled as the discussion continues. Group discussions for investigating legitimation in organizational settings may also be helpful for studying power differences in the negotiation of the multiplicity of meanings among organizational participants, an aspect that is currently not fully addressed in institutional research (and maybe convention school as well). Knoll's work provides some hints concerning how power matters in meaning making, and this deserves further elaboration.

I'm not fully convinced that using Boltanski and Thévenot's framework on justification as a "sensitizing concept" is *enough* for the interpretation of negotiations. A systematization of all situations with macro orders seems to be at odds with the idea of communicative vagueness referred to in the study. While the civic, environmental, industrial, and market conventions certainly constitute important legitimation efforts available in organizations, a restriction of the analysis of legitimation activities to these four conventions may overlook other forms of legitimation that refer to less public forms of communicative conflict handling that prevail in organizational settings (Thévenot 2006).

Nyberg and Wright (2013) have suggested in a recent study on conventions for legitimation of environmental activities in organizations that there is an increasing prominence of market conventions over time. Since Knoll's study indicates that the CO_2 trading activities have made the organizational field more heterogeneous, a longitudinal analysis would merit showing how the field evolves in the long run and whether or not the organizations turn more to an interpretation of problems through market conventions.

In sum, the book is highly recommended to readers with an interest in the economic sociological analysis of CO_2 trading as well as for organization researchers working at the intersection of institutional analysis and convention school who are looking for suitable methods. Unfortunately, the book is currently accessible in German only.

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Book: Lépinay, Vincent-Antonin, 2011: *Codes of Finance: Engineering Derivatives in a Global Bank.* Princeton NJ: Princeton University Press.

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Lépinay is a sociologist of science and technology who has, among other things – including an introduction to French social scientist Gabriel Tarde's economic anthropology (Latour/Lépinay 2009) – studied financial markets, their institutions, professionals and "innovative" products for the past decade. In 2000-2001, he worked for the Societé Générale, one of the largest French banks, well-known for its trading and derivative teams, its 5-billion loss incurred by one unleashed and fraudulent trader, as well as its current difficulties in the post-2007 context.

Drawing on Michel Callon and Bruno Latour, Lépinay elaborates on his work experience in this bank. More precisely, his book tags one structured product (CGP) that *derives* – a keyword of the book – its value from the variation of various stock-indexes across the globe. Then, the book exposes the unexpected organizational consequences for the bank of its professionals' ambitions (be there quants, engineers, traders, sales, accountants and risk managers) to modelize, master, sell and *in fine* monetize the dispersion of stock markets and their correlations into one synthetic contract. The first chapter describes the product and the tensions it imposes between its creators (quants, financial engineers) and its maintainers on actual exchanges (traders). The second chapter explains the inherent difficulties in handling such a complex and unique product: its fluctuating value is related to a variety of indexes according to the clients' objectives but its in-house mark-to-model valuation cannot be confronted to actual prices, since there is no secondary market for CGPs. The third chapter offers a topography of the bank trading floor. The fourth chapter focuses on how the back-office struggles to meticulously keep record of customized contracts designed by engineers, sold by salespersons, revised by clients and executed by traders. The fifth, sixth and seventh chapters develop on the customization of structured products (for clients whose preferences are anchored by the salesperson's persuasion to the characteristics of the products designed by engineers) and its costs, *lato sensu*, for a bank, which is also a publicly-listed company.

At its best, *Codes of Finance* offers flashes of knowledge for socio-economists. First and foremost, it forces the readers to abandon the description (*a fortiori* the justification or condemnation) of derivative products to analyze the process of derivation as a key feature of modern finance: *"derivations are shifts and flights from existing frames. […] The drive of derivation is opposite to that of social engineers' shaping of the economy through scripts: building and stabilizing the morphology of economies is not the goal but the resource to be exploited without reciprocity. Existing institutions, and the wealth of untapped information and resources they exude, are the building blocks of derivatives enterprises. The moment of formation is skipped altogether and a restless business venture replaces an organization"* (Lepinay 2011: XVII-XVIII). Also, the book punctually addresses crucial questions for social scientists interested in the sociology of markets, but here declined at the firm level: cooperation between departments of the bank, competition among its employees (or *vice versa*) and the role of IT in maintaining the firm as an on-going entity, rather than a quasi-portfolio of assets (Biondi, Yuri et al. 2007). What Lepinay labels "reverse finance" displays the in-house attempts to contain the conflicting logics of financial innovation, product customization, risk management and financial reporting. Through the lines, financialization can be read as a "clash of temporalities". The paces of the markets clashing with the clients' expectations, with the cycles of the firm and the projects that reshape its organization, with the employees' careers, and, in the long distance, with the rules and policies implemented by regulators and politicians.

Unfortunately, *Codes of finance* suggests more than it demonstrates. The book remains often abstruse, because of the lack of contextualization – the environment of the bank and its competitors (Lordon 2002), the absence of social characterization of the individuals – the material and symbolical resources they dispose of – (Godechot 2005; 2007) and, eventually, because of its elusion to clearly address the crucial question of modern finance: Can uncertainty be turned into risk? The answer commands the way financial instruments, institutions and practitioners operate and are perceived by the rest of the society. It also frames the future of financial regulation. If you consider that uncertainty can be transformed into risk, then regulation would only be refinements of the standard-surveillance-compliance regime, which has prevailed from the late nineties. In such a case¸ the guiding principle of the regulatory regime remains the promotion of a level-playing field for the transparent provision of financial services

worldwide. On the contrary, if you consider that uncertainty cannot be turned into risk, reforms should aim at containing financial markets, in order to weaken the domination of their operators over the rest of the society, *i.e.* to disentangle the time of politics, entrepreneurship and management from the pace of financial markets (Orléan 2011).

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Review Essay

Books: Kraemer, Klaus and Sebastian Nessel (eds), *Entfesselte Finanzmärkte.* Frankfurt: Campus, 2012.

Kalthoff, Herbert and Uwe Vormbusch (eds.), *Soziologie der Finanzmärkte*. Bielefeld: transcript, 2012.

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The euphoria of "conquest"

Persisting since 2008, the financial and economic crisis has turned into a productive subject for the social sciences. By analyzing actors, instruments as well as mechanisms operating in financial markets and critically examining outcomes, sociology has entered one of the last provinces of economics. Due to "conquests" like these, social scientists may feel elated. Translating this into the national context, the German debate on finance capitalism is now available in two new readers.

Both books under review convincingly challenge the tenets of market fundamentalism and expose the social dimension of financial markets. They do so by conceptually working out and empirically revealing social construction mechanisms located in each phase of the economic cycle. To get there, they use different theoretical approaches and concepts as keys to a very social phenomenon.

Entfesselte Finanzmärkte (*Unleashed Financial Markets*, as from now: EF) edited by Klaus Kraemer and Sebastian Nessel, assembles eighteen papers by twenty-three authors. The reader compiles a broad sociological perspective on financial markets. The first of five sections is a discussion on different theoretical approaches. The second addresses the relation of financial markets with the real economy. The third section focuses on the economic crisis and the role of (lacking) regulation on all three levels of analysis (micro, meso, macro). The fourth section explores various rationales of actors and organizations and, finally, the fifth is on global prospects. The choice of concept, theories and foci are mainly in line with the idea of markets-as-structures of economic sociology. Accordingly, it is a book on the change of mentalities, the penetration of shareholder-value orientation with all disturbing effects on society as well as institutional logics defining opportunities and constrains of market actors.

Soziologie der Finanzmärkte (*Sociology of Financial Markets*, as from now: SdF), edited by Herbert Kalthoff and Uwe Vormbusch, brings together contributions by fourteen authors from a social and cultural science background. As outlined in the introduction, the reader is aimed at crossing empirical data and theory on financial market phenomena and their social implications. Primarily, it compiles research on economic knowledge practices (micro). The volume of thirteen papers is grouped into four sections, the first dealing with theoretical concepts, the second with dimension of financial markets, the third with economic representations and depiction, and, finally, the physical and social practices of calculation. In this manner, the book compiles thematically innovative contributions analyzing such backstage settings as (media of) financial analysts and the trade floor and, thereby, gives a profound account of social studies in finance research. The perspective on social implications, however, is less clearly redeemed as proclaimed.

Who is addressed?

To get a practical grasp on the books I will continue my review with a selected cross-over of both compilations. Thereby, not all contributions could be equally taken into account. In the following, omissions are due to comparative spotlights and word limits. They don't reflect a qualitative statement.

What do we learn about the addressed audience by looking at the first chapter? The contribution by Kraemer (EF, pp. 25) starts with a comparison between *Social Studies of Finance* (micro, interaction orientated) and the finance capitalism research program (macro, institution orientated). It continues with a sociological critique on *Behavioral Finance* focusing on cultural divergence. This discussion of competing research approaches, though selective, is highly recommendable not only for novices to the debate. The second reader begins with a chapter by Knorr Cetina (SdF, pp. 31) on markets as flow-architectures. Confronting the markets-as-networks perspective by arguing that the on-screen realities of financial markets are more than social relations or channels of information; the author puts forward her concept of a scopic coordination. The screen turns into the center of such a coordination mechanism because that is where information is collected and contexts are "appresented", a notion borrowed from Schütz and Luckmann (1973). While the screen is constructing its market reality reflexively (p. 38), it reaches the status of a "life form" of its own. In contrast, relational concepts are held as far too embedded in a material world to grasp the processuality and fluidity of on-screen-markets and to capture reflexive mechanism of observation and projection (in my view a misconception of the network approach at its recent stage). Rather, it are spatial and temporal dynamics of on-screen markets which are of significant importance for understanding finance capitalism. Exemplary for the second reader, the chapter is theoretically confrontational and positioned within the field of finance sociology.

Another comparison can be drawn along the lines of the socio-critical impact of the compilations. The intertwining of capital market orientation in corporate governance structures and the casualization ("Prekarisierung") of labor is subject of the chapter by Dörre (EF, pp. 121). Theoretically building on Boltanski and Chiapello (2007), he argues that the implementation of flexible employment structures adjusting to profit margins developed a momentum of its own: as probation instrument (p. 134). Systems of job competition and disciplining prevail even in profitable firms. Dörre concludes his comprehensive analysis by exposing probation as legitimized practice on a micro level (moreover transferred from economics to societal fields) and, hence, the leap to an employment structure which has lost its protective mechanisms (p. 140). Likewise, Neckel (SdF, pp. 113) gives a critical examination of guiding principles of modern capitalism. By applying Habermas' concept of refeudalization (Habermas 1990) the author indicates a three-fold change of mentalities (p. 116). The civic ethos of achievement forfeits its priority against an ("aristocratic") self-indulgence of the economic elite (level of the justification order). The incentive structure of a bonus system without risks makes for rent-seeking actors and moral hazard on state guarantees (level of organization). Increasing poverty risks and downwards mobility, the privatization of social domains and raising income inequalities lead to social polarization between the precariat and the elite, hence, a stationary type of social inequalities (level of social stratification). Interestingly, in both chapters the points of departure (logic of profit boost) and conclusions (increasing inequality) are identical even if the stories told are entirely different.

So, although we find in both readers chapters examining critically the outcome of institutional logics and incentives EF clearly has more political impact than SdF. It systematically confronts the audience with semantic colonialization of the lifeworld by financial markets (Langenohl/Wetzel, EF, pp. 63), questions of regulation, e.g. Besedovsky (EF, pp. 225) on the role of the state empowering rating agencies and Young's closing plea on fairness and justice in global markets (EF, pp. 387), and, deficiencies in institutionalization, e.g. Preunkert/Vobruba (EF, pp. 201) explaining the European currency crisis.

What lessons are to be learned?

Central subjects in both compilations are financial market actors; but there is an important difference: Whereas the chapters in Sdf keep an eye on the "new service class of finance capitalism" (Windolf 2008), the perpetrators so to say, the chapters in EF look at the ones to "suffer" from of the game (the risk bearers). Accordingly, several contributions in EF emphasize investors' strategies and expert relations (e.g. to consultants), while the second reader, SdF, focuses on professional practices and cultures in financial institutions. In order to explain varieties of investor strategies, von Lüde/von Scheve (EF, pp. 309) bring the Variety-of-Capitalism debate down to a micro level. By looking at stock market capitalization/GDP and bank deposit/GDP in Germany and the US over the last fifty years, the authors

expose the persistence of rather conservative investor strategies for the German case (p. 314). They explain this with the social character of emotional risk perception and its effect on action orientation. In this way, financial decision making processes are traced back to culturally and socially imprinted emotions (p. 321). This conclusion is not only an excellent point of departure for further empirical research in the sociology of emotions, it also outlines the forming of institutions, intermediaries, and preference structures as co-evolutionary, mutually enforcing process. Complementary, the chapter by Schimank/Stopper (EF, pp. 243) has small investors in its sight who decide on riskier marked-based investments. Looking for motives, the authors basically identify two: gain in profit and a change of personal pension schemes. The focus of the article is on strategies of small investors reducing the hypercomplexity of financial markets. Based on interview material "helplessness absorbing" practices are categorized into social, material and temporal dimensions (p. 251). In a nutshell, the analysis pens some stinging indication that small investors hover between tremendous hubris and clearly unfounded bona fide reassurance. The problematic nature of small investors' relation with bank consultants is the key issue of another chapter, too. Priddat (EF, pp. 263) addresses the knowledge-ignorance ambivalence and the risk of moral credit in this context. By exposing trust as a main substitute for ignorance he illustrates a relevant paradox of the financial crisis. The argument chains up as follows: The client trusts the bank (therefore, the consultant) on his choice of product. However, instead of reducing risk, trust amplifies it since deficient risk communication brings the client to underrate the effective risk (p. 269). The article apprehensively reflects on the structural misbalance (knowledge asymmetry, opportunistic behavior) of the social relation in focus also on a general semantic level by questioning the promise character of the transactions. Nevertheless, one matter I did find to be missing. The author bracketed out the conflict situation of the consultants themselves (c. Krenn/Holland-Cunz 2013). Thus, it seems as future studies could gain much by investigating empirically the problematic nature of risk communication in bank contexts.

Several contributions in Sdf deal with the other side of the coin. They provide an intriguing insight into the expert practices of originating, packing and trading financial market products. Following the cycle of these products I will begin with the chapter by Kalthoff/Maesse (SdF, pp. 200). Referring to the dominant traditions in mathematical sociology, the authors start with a short classification of studies on financial modeling. Their genuine research interest resides in calculative practices generating financial derivatives as options, futures, collateralized debt obligations (CDOs) and more. Based on interview data they reconstruct operations and media associated with calculation. The main argument is two-fold. In contrast to classic assumptions in economic sociology, calculative practices do not show as devices translating uncertainty into risk, data prompts, rather, that observational tools are creating those uncertainties (p. 229). Furthermore, Kalthoff/Maesse break with Latour's image of a translation chain between actors and artifacts. There is evidence in the data that procurement by financial institutions, constructing the products, implementing the software, technical and social implementing in banks and, finally, applications are not linearly processed but attain a circular fit by social and institutional feedback mechanisms (p. 211): models are adapted to orders and have to pass a fitness test to "reality". Once created, products are evaluated by analysts. This sort of knowledge generation and its particular context is subject of the chapter by Wansleben (SdF, pp. 235). By taking the example of currency analysts, the author illustrates a change of market cultures as side effect of the rise of institutional investments. Analysts tend to classify their clients along socio-epistemic profiles: "Corporates", the traditional clients, count as prize sensible, risk averse and little synchronized with the market. On the other hand, "institutionals", institutional investors, are regarded as prize insensible, speculative and highly synchronized with the market. The interview material reveals that this classification has immediate consequences for the research output of analysts (p. 246). Consequently, the author concludes that research practices are far less neutral evaluations than rather a status positioning and signaling of analysts groups competing for attention of different investors. Likewise, Vormbusch (SdF, pp. 313) exposes epistemic practices used in portfolio-management. Investment portfolios are the key instrument of finance capitalism since their structure determines odds and risks. In their composition, portfolio managers are reliant on the provision of accurate information external to the financial market. The interview data presents evidence that the amount of incoming information not only enforces social selection strategies by style or network (p. 322). The data also shows the following which is the most prominent result in my view: The autonomy of the managers allows that incoming information contradicting decisions is ignored and knowingly manipulated information is further processed (p. 326). In a very convincing way the analysis reveals the social construction of numbers in this context. Numbers are treated as facts as long as they legitimize decisions, but their objectivity is

questioned as soon as they jeopardize the continuation of the practice. Moreover, products have to be sold. One of the most compelling chapters in the reader deals with physical practices of derivative traders. Based on ethnographic data collected in a trading floor, Laube (SdF, pp. 265) distinguishes four types of "alertness and observation regimes" enacted by traders. In order to allow immediate reactions to incoming information the "acting body" disciplines physical needs. The "technologically extended body" uses the instruments as sort of prosthetic devices (e.g. the screen as seeing device, p. 275). The five senses are used as epistemic tools by a "sensorial body" especially the trader is sensitive to an acoustic transmission of the market situation in the trading floor. This corresponds to a "formulating body" performing attention shouts. Laube exposes that financial market technologies are always in interaction with physical bodies. Looking at the last two types the interactional dimension of these coordination practices becomes evident, an aspect which could be even stronger acknowledged.

The uncomfortable truths

Both readers discussed here give captivating perspectives on financial practices and institutions. In this manner, they are important contributions to the ongoing debate on financial markets (e.g. Knorr Cetina/Preda 2005, Windolf 2005; MacKenzie 2006; Lounsbury/Hirsch 2010). And there are two more reasons why you should read them: First, they gather excellent conceptual and empirical analyses. As it turns out, thereby, both expose crucial paradoxes of modern capitalism. Second, they vividly guide how to conquest new sociological provinces.

In their outline both compilations complement each other. EF by Kraemer is directed to an audience which looks out for a genuine sociological but wide-ranging contribution to financial market studies. Topics established in economic sociology such as institutional logics, incentive structures and regulation dominate however. Although both books reveal uncomfortable truths about modern capitalism this one is the more political. In contrast, the reader by Kalthoff and Vormbusch offers a detailed insight into the backstage area of the financial industry and, thereby, compiles the more inventive and explorative approaches. So far, its implications remain on a rather theoretical level and are geared to positioning social studies of finance research within a broader debate. The main opponent seems to be the markets-as-networks approach. However, the critique concerning this matter rests on a rather essentialist comprehension of networks. It seems surprisingly ignorant to recent work on meaning structure, story concepts and narrative construction of markets (e.g. Mützel 2010 following White 2008).

With the benefit of hindsight leaving the theoretical controversies aside, the central line of argumentation of both books chains up smoothly. Financial markets are social and, hence, a construct. Consequently, their crisis is not due to a false perception of economic reality; its genesis itself is a product of a self-enforcing dynamic process, the generation of economic knowledge included (highlighted in SdF). The effects of financial markets on society are real, however, and the social outcomes in the lifeworld and the working environment disturbing (highlighted in EF). To conclude, the current economic crisis severe as it is in general is a lucky strike for sociology. The critical discourse on capitalism is ultimately revived.

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Ph.D. Projects in Economic Sociology

Crisis in the City of Gold: Emplacement, Industry, and Economic Downturn in Valenza, Italy

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This research is an exploration of the effects that an Italian city, Valenza, experienced during the downturn of its principal economic sector, the jewellery industry, between 2008 and 2011. It questions how the relationship between a community and a form of economic activity is perceived, established and performed, and how a downturn can reverberate throughout this web of meanings and practices. In so doing, it contributes to the understanding of Italy, flexible industrialisation and economic crises, and explores themes of disciplinary interest such as public rhetoric, emplacement, industry, crafts, unemployment, and worsening of work condition.

The context of the research

The recent history of Italy has been characterised by a critical economic conjuncture. In this research I intend to bring to the fore the effects of the economic recession at the local level, considering the current transformations that a city, Valenza, and its main industry, jewellery production, have experienced since 2008.

Valenza is a representative case of the Italian economy, and its jewellery is an emblematic example of a 'made in Italy' commodity. Moreover, the structure of Valenza's industry, based on the networking of hundreds of small firms, has made the city a widely studied example (e.g. Gaggio, 2007; Garofoli, 2004) of an Industrial District [ID]: a particular flexible production articulation (Piore & Sabel, 1984) largely discussed in the scholarly debate about post-Taylorist industrialism.

In the past decade, Valenza's economy followed the general trend of Italian industry. After thirty years of growth, the jewellery economy faltered. Between 2002 and 2008, it experienced a phase of substantial stagnation: a two-year downturn (2002-2003), mainly due to the instability of the markets after the 9/11 terrorist attacks and the military campaigns in Afghanistan and Iraq, and a new growth that, from 2004 to 2007, brought the local industry to reach sales volumes similar to those of 2001 (Paradiso, 2008). The bubble of subprime mortgage derivatives that burst in the early autumn of 2008 ushered in a deep recession for the Italian economy (in 2008, the Italian GDP shrank by 1.2% and in 2009, by 5.2%), and inaugurated a period of extreme uncertainty for the world jewellery market. Between 2008 and 2009, the world's demand for jewellery fell by 20% (Gereffi & De Marchi, 2010). For the Valenzano industry, this led to a sudden plunge in exports, which halved between 2007 and 2009, causing a wave of firm closures, and initiating a major redundancy as brutal as it was unexpected (2,000 people lost their jobs between 2009 and 2010). Moreover, the increase in national public debt in the face of the lack of an effective policy to revitalise the national economy between 2008 and 2011 has exacerbated the effects of the downturn on the local level, in particular due to an erosion of public services and an increase in fiscal pressure. Thus, 2008's Credit Crunch started a period of recession for Valenza that the research investigates.

The research

The research is based on ethnographic fieldwork and archival research that were conducted between 2008 and 2011.

Through ethnography of goldsmiths, and wider understanding of their work, the research provides an account of the goldsmith trade in the city of Valenza, and shows how the centrality of this trade sets the pace and defines the contours and the very identity of that city. It describes the organization of the industry, its characteristics and the links forged locally, nationally and internationally in relation to a structure of production and market demand. In so doing, it explains the ways in which goldsmiths understand production and distinguish their work from that of jewellery producers in other cities in terms of the quality of labour or the value of craftsmanship. The research goes on to discuss the effects of the crisis that erupts in 2008 and endures at least until the end of my fieldwork. It addresses the sharp rise in unemployment in the city, the effects of the crisis on the network industry, and the question of identity in the

perspectives of the goldsmiths and Valenza people at large.

Its contribution

What is the impact of the contemporary, long economic downturn on a network economy? This is the main question that moves the research. The case of Valenza shows the present economic crisis is eroding the basis of the economy (Gudman, 2008), jeopardizing the possibility of a future recovery. Goldsmiths are abandoning the trade for "more secure" trades while the young generation is spurred not to receive a goldsmith training. This trend is coupled with a redefinition of the 'sense of the place' (Feld & Basso, 1996) of Valenza and a collective process of re-'orientation of knowledge' (Miyazaki & Riles, 2005) that is taking Valenza people farther from jewellery industry.

In this context, the ID is changing: in particular the reduction of firms involved an increasing power-role played by large companies, and a marginalisation of small enterprises. This transformation has fundamental social repercussions for the district. In fact, the downturn marks the demise of the entrepreneurial model of small artisan workshops, prefiguring the end of a fundamental element of the social mobility and cohesion of the social body of Valenza's goldsmiths. Moreover, the profound erosion of the goldsmiths' social body, caused by layoffs and the shutting down of firms, has further undermined this fundamental resource for the district's competitiveness. These dynamics, which dip into the very elements that sustain the district's performativity, can be seen in other Italian districts as well. In this respect, they foreshadow the future of the IDs and indicate an uncertain future for Italian industry.

Exploring the effects of the downturn, the research contributes to the scholarly debates on three main levels. Firstly, it is a contribution to the social analysis of the current economic crisis of Italy, whose local effects and qualitative aspects are largely unexplored. Secondly, by pointing out the possible causes of an incipient dissolution of the Valenza district, it offers insights for the on-going discussion concerning flexible industrialisation, by showing the fragility of the ID model of local development in the context of the present global economy. Finally, it contributes to the understanding of economic crises by showing that a downturn can be explained as a cultural change that passes through the traumatic renegotiation of symbols, landmarks, memories, and worldviews.

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The discourse on „flexicurity" seen as an evolutionary process to new conventions of gainful employment

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Ever since the profound transformation of the working world has started and gainful employment has gotten more flexible in a variety of aspects, overcome terms of social security based on the male-breadwinner-model have lost some ground. A new social and cultural understanding of the degree as well as the depth of social security in connection with employment has to be established. An example hereof is the discourse on the concept of "flexicurity" as conducted in the EU Commission (EU-Commission 2007, 2010). The name is a neologism of the nouns "flexibility" and "security", the concept adheres to the circumstances of social security in flexible forms of gainful employment.

In the beginning of 2000 Denmark and the Netherlands achieved remarkable results executing measures under this

keyword – without having to abandon social achievements. The concept thus gained exemplarity among the European Union and became a prominent topic in the EU Commission. However, in spite of intensive discussion and involvement, a consistent EU-wide concept of flexicurity does not yet exist (Barbier/Colomb/Madsen 2009). It seems to have become a chimera that sometimes surfaces and then disappears (Auer 2010).

The assumption of this dissertation is that the struggle with flexicurity can be understood as a negotiation for new conventions in gainful employment, defined by the économie des conventions (EC) and the theory of justification (Boltanski/Thévenot 2006). Several conditions comment to this.

It soon became clear that the diversity of the models of social welfare among the EU-member states would not allow for a transfer of the specifics of the Danish model. A consistent European model was not possible due to conflicting preconditions. Questions of social coverage in gainful employment are typically linked to social retirement provisions which are always under the sovereign countries jurisdiction. Thus an adequate flexicurity-approach needs to be designed nation state-wise. The EU by itself lacks the means to put such a concept in motion, which would explain the present stagnation. Nevertheless, with establishing the European Employment Strategy (EES) and the Open Method of Coordination (OMC) the EU can indirectly exert influence on the member states – by implementing common goals and principles, with frequent coverage on the politics of the member states and a benchmarking system for comparison.

An indicator for the status of negotiation of new conventions could be the involvement of a number of protagonists in the discussion: the social partners, the governments of the member-states, scientists and a variety of other organisations which contribute critically to the discourse. An institutionalised, formalised settlement in the form of a law is far-off and the guidelines of the EU don´t have an executive character either.

Furthermore the concept of flexicurity is challenged by other concepts. These concepts decant explicitly to emphasize other aspects that suggest a successful integration of security and flexibility with less focus on the flexibility. Robert Salais' Capabilities-Approach (Salais/Villeneuve 2004) as well as the ILO's "decent work agenda" (Auer 2010) or the "Konzept der guten Arbeit" (Good-Work-Concept) as found in the annual "Gute-Arbeit" Index of the German Trade Union (DGB) may cited as examples here. The concept of flexicurity, obviously, is not without controversy (Auer 2010).

Another indicator for the negotiation of new conventions are the EU-commissions efforts to endow the implementations-process with certain codes of practice, evaluation-methods etc. (i.e. EES, OMC as mentioned above) – investments in forms (Thévenot 1984) which in themselves carry certain values on how a discourse should be conducted, which proposals might be admissible and which not.

The first approach to this assumption is an analysis and interpretation of the papers and discussion published by the EU, expecting to extract the EU Commissions position on flexicurity and the official argumentation as well as the underlying principles of worth and implicit categories (Diaz-Bone 2011). As part of this analysis additional papers on the publications of the EU Commission will be evaluated: which divert principles of worth do the various members of the debate refer to, which principles of justification do they lean on to emphasize their arguments and implement them as generally accepted?

The secondary approach will be a qualitative discourse-analysis of these papers with focus on the creation of conventions via collective discoursive practice. Discoursive practices assist to the modality in which "worth" is perceived and must thus be seen as organized collective practices. The EC links conventions to cognitive structures and objects and therefore cannot be reduced to discoursive practices. They will, following the argumentation of Rainer Diaz-Bone, be called "discourse-conventions" (Diaz-Bone 2013: 49). Through this discourse-analysis the importance of speech for the creation and acceptance of conventions shall be examined: Discourses do not just mirror any given reality but actively contribute to the creation of reality in demonstrating new ways of thinking, arguing, justifying and generally new strategies of discourse. The goal of this analysis is to identify how much the embedment of specific discourses has influenced and steered the debate on flexicurity (Diaz-Bone 2013).

All in all the debate seems to demonstrate the change from the capitalism of the industrial age to the network-capitalism as described by Boltanski and Chiapello (2007). Especially the focus on flexicurity evokes the image of the project-based polis; there a high level of flexibility helps the individual to high esteem, i.e. worth, as opposed to the conventions effective in an industrial polis. It can be questioned, how much the debate on the two sides of flexicuri-

ty is a battle for new orders of justification. These new orders could have the function to stabilize the growing network-capitalism by creating a practical test and then legitimacy and acceptance.

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How politics change markets. Environmental conflicts and institutional change in the European car industry.

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The aim of my PhD project is to study change within markets through politics – taking the case of environmental conflicts on the European automotive industry since the 1990s. I ask how and under which ideational and structural conditions a markets' "conception of control" (Fligstein 2001) transforms, assuming that new regulation challenges the existing "doxa" in a specific industry or "field" (Bourdieu 2000). Inspired by recent works studying how a "European government of industries" is co-created by political and industrial imperatives (Smith/Jullien forthcoming), I contend that endogenous institutional transformation depends on how actors interpret problems and collectively find solutions, such as specific policy instruments. My puzzle is then to understand why and how, since integration of the European single market, the dominance of car makers and their guiding principles, based on specific production and consumption patterns of the private individual passenger car, has been contested through environmental regulation.

Though sensitive to interest coalitions, political visions and patterns of legitimacy within which they are realized, literature on institutional change, exploring "cognitive" or "cultural" accounts of market change (Fligstein 1993; Dobbin 1994) has often remained on the macro-level of analysis when it comes to explain how change actually occurs in specific sectors. Especially in the path-dependent and "mature" car industry, where an oligopoly of producers roots in long-lasting cooperation with public institutions, change depends crucially on interaction between public and private actors. In order to better understand the role of public institutions as enhancers of change, I argue, constructivist concepts from sociology of policy instruments (Lascoumes/Le Galès 2007) can help to clarify their transformative impact as collective problem solutions. This theoretical framework on the meso-level also allows considering environmental problems and solutions in a pragmatist perspective as coordinated agreements instituting certain patterns of legitimacy for action – combining existing "conventions" with those enacted by new actors, such as non-governmental organizations or "experts". While a "green" convention does not seem to be at work (Thévenot/Lafaye/Moody 2011), conflict solutions combine existing "industrial", "market" and "civic" ways of coordination and argumentation. As illustrated by first results below, these can stabilize and transform (hierarchical) relations between actors in the sector.

My ongoing analysis of documents and expert interviews focuses on reconstructing the conflicts on CO_2 emission limits (1995-2008) and the electric car (from 2008 onwards). When CO_2 emissions emerged in the 1990s as a "control problem", European car makers succeeded in maintaining their dominance negotiating a voluntary agreement with the European Commission, allowing them

to nearly autonomously define specific emission limits as a customized solution. In consequence, "gram CO_2 per driven kilometer" became a convenient measure of new cars' environmental performance and thus of firms' competitiveness. Car makers were further helped to adapt environmental problems into firm strategy as they established themselves as the main "stakeholders" in the EU Commission's effort to apply principles of "sustainable governance". A complementary text analysis of firms' and lobby reports could confirm that actors maintained the sectors' doxa through adopting a specific pattern of vocabulary and arguments.

Despite the fact that the prevailing discourse on "sustainability" rather helped stabilizing the existing "automobile conception of control", non-governmental organizations succeeded in the early 2000s to trigger institutional change. Equipped with technological expertise and, at the same time, invoking EU institutions' civic responsibility to inform citizens, they claimed transparency on the sectors' environmental competitiveness, and required the setting of long-term objectives such as inter-modality (intelligent integration of private cars into existing transport systems) and the commercialization of alternative engine technologies. Supported by the EU Parliament regular monitoring and thus public evaluation of car makers' CO_2 performance was achieved. NGOs' criticism as increasingly important political "experts" in the sector institutionalized different evaluation categories to judge market action of firms such as transparency, and prepared the ground for restricted legislation on CO_2 emissions in 2008.

Since that year, the electric car, a then unexpectedly close-to-market innovation that considerably reduces average emissions, further transformed the institutional structures of Europe's car market. The network of actors taking political decisions on the market becomes yet more heterogeneous: New firms challenge car makers' incumbent position suggesting innovative business models such shared public electric cars in cities. European metropolitan regions set up trials with energy and ICT firms; local authorities and public transport emerge as important political players, while car makers struggle to design collective answers to adapt existing products and production systems. As a consequence, as illustrated by an exemplary case study of projects created by non-automotive enterprises such as "Autolib'" in Paris and "BeMobility" in Berlin, an unforeseen need for coordination emerges (Hildermeier/Villareal forthcoming). It is paired with new evaluations of firms' environmental performance: A growing coalition of actors in favor of these alternative concepts judges and acts based on "civic" modes of coordination, sharing principles such as public transparency, collective use and equal access to transport. Although not economically significant yet, these projects signal important development paths transforming the existing hierarchy in the sector.

In sum, while shared collective understandings, established networks and consensus solutions (standards) allowed dominant firms to maintain "control" in the 1990s' conflict on CO_2, it is the lack of a collective vision and coordinated action on the (electric) car that allows environmentalists, transport politics and competitors to redefine auto-mobility and put into question established decision-making patterns as the pillars of the existing conception of control. Although it is too early to speak of a substantial path rupture, the history of environmental conflicts and its consequences implies that politics change market structures if actors collectively and durably put into practice new or different norms and values.

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Emotions, Calculations and Social Relations as Uncertainty Arrangement of Economic Action in Investment Banking

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Investment banking is a paradox: Decisions about the future are fundamental – but the future is uncertain and reliable prognoses are impossible. Banks are trading with payment promises (Baecker 2008; Luhmann 1988). In the temporal dimension these promises are projected into the future. In the functional dimension money is exchanged for money. This has consequences for the social dimension: a great extent of double contingency occurs (Luhmann 1984). Investment banking in this system theoretical perspective for me represents a radical form of the uncertainty paradigm developed by Frank Knight (2006).

The dissertation project explores how emotions, calculations and the social embeddedness of investment bankers influence trading with payment promises. How do these three dimensions interact with each other, while actors encounter an apparent radical uncertainty? Within the applied approach these three dimensions are seen as an uncertainty arrangement and the aim is to investigate mutual convergences as well as divergences between them.

Emotions on the one hand are understood as the affective states of the trading actors like discrete emotions, feelings or moods and how they influence investment decisions. On the other hand, the role of emotions in market interactions is of interest, for instance how collective emotions (see Scheve/Ismer forthcoming) are formed through trader networks, trading floors or economic representations visualized through the trading screens and systems. By now, research on emotions in finance is mostly subject of behavioral economics or neuroeconomics (see Berezin 2009), except some relevant sociological research, especially by Jocelyn Pixley (2004, 2012). Within the economic sociology I follow Paul DiMaggio's plea to "endogenize animal spirits" (DiMaggio 2002) and newer perspectives that focus on "emotional embeddedness" (Bandelj 2009).

In contrast to emotions, calculative practices are supposed to pave a way through uncertain financial markets. The field of the Social Studies of Finance examines how financial market actors are framed as "calculative collective devices" (Callon/Muniesa 2005) through economic knowledge, the performativity of economic representations or the technical infrastructure. Within this framing decisions shall be rationally legitimized, for instance through the use of models like the Black-Scholes-Merton-Model (MacKenzie/Millo 2003; Millo/MacKenzie 2009).

In addition, investment bankers do not trade autarkic but are embedded in social contexts, networks and hierarchies with specific formal and informal norms and values of action (e.g. trading floors, contacts to other trading partners, or customers). With social relations I refer to the "classical" embeddedness concept and its implications for financial markets (Granovetter 1985; Podolny 1993; White 1981) as well as to newer developments, e.g. the elaboration of a "relational sociology" (Fuhse/Mützel 2010) or research focusing on "relational work" (Zelizer 2012).

Based on the Grounded Theory methodology (Corbin/Strauss 2008) I conducted 19 qualitative interviews with investment bankers (in German). The sample includes the in-vestment divisions of cooperative banks, insurance companies, international investment banks as well as smaller asset managers or private banks. On the actor side I have interviewed day traders as well as fund managers and in some cases team managers working in different areas (e.g. fixed income, merger arbitrage trading, fund of funds management). The next step will be a participatory observation on a trading floor.

Preliminary results indicate first connections between the three dimensions. Focusing on emotions and social relations the embeddedness of the actors leads not only to the recognition of important information through their networks, but also to observations of "market moods" or "floor moods". For the actors these moods participate on the formation of individual feelings and emotional experiences with respect to market movements or to actual traded payment promises. Furthermore, connections between emotions and calculations can by differentiated through a preliminary typology of actors. The intuitive pragmatists are characterized by a low calculative framing (e.g. simple forms of fundamental/technical analysis, explicit refusal of models) while affective states (e.g. a gut feeling) and the observation of such states from other market participants have a higher impact to attain investment decisions. The modelers, in contrast, are trading more or less stringently according to the results of their econometric calculations, the signals, and try to exclude any emotion from the whole

decision-making process. This deep signal dependency sometimes leads to struggles between one's gut feeling and the calculated model results.

Further analysis needs to be conducted to determine deep connections between emotions, calculations and social relations, for instance, by differentiating day trading and fund management or "normal" and "distressed" situations. The aim is to close the analytical triangle and to decipher this uncertainty arrangement of economic action in investment banking. Thus, the dissertation project wants to put emphasis on the investigation of the social order of financial markets.

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Convention theory and the evaluation of HR systems

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Studying how employees perceive and evaluate situations at work is relevant and important for understanding the basis for goal-oriented coordination of labor as a factor of production. Coordination, however, faces a plurality of evaluation criteria, conflicts and contextual dynamics. This thesis introduces convention theory, *économie des conventions (EC)*, to human resource management (HRM) research as a useful approach to explain the perception and evaluation of situational coordination.

EC offers explanations for how coordination of human action occurs within firms (Thévenot 2001) and the role of labor in its production process (Storper/Salais 1997). In addition this approach provides a mutual perspective linking micro and macro levels of analysis by introducing the concept of the competent actor who has a perceptual and evaluative capacity (Boltanski/Thévenot 1999) based on previous cognition and material clues of higher-order principles of coordination available in situations, e.g. anticipating his or her engagement with the HR system. Central concerns of EC are that in situations of human action and coordination competent actors use conventions as interpre-

tative schemes to justify appreciation or critique for objects and persons (Boltanski/Thévenot 2006), to reduce uncertainty (Diaz-Bone/Salais 2011), and to coordinate their interactions with others in order to achieve a common goal (Storper/Salais 1997). Robert Salais, one of the founders of EC, has been paving the way with regard to the application of the conventionalist perspective to the changing societal meaning of labor and conceptualized the basic view of the EC on labor and the employment relationship.

Having conducted an exploratory comparative-case study data collected through in-depth episodic interviews with employees of two professional service firms in Germany and Russia serve as illustrative cases. The thesis comprises seven papers, each paper addressing different findings and providing both theoretical and practical contributions:

Drawing on the work of Thévenot and Salais, the argument of the first paper is that HRM may be best understood as a device supporting – establishing and maintaining – a mutually agreed production model, coordinating it with its contextual environment, and incorporating compromises between contradictory conventions. Here the employment relationship is reread by mapping out its key elements employer, employee, markets, states and contracts as well as implications for HRM.

In the second paper, episodic interviewing – developed by the German sociologist Uwe Flick (1996) – is introduced to EC researchers as a useful data collection instrument accounting for situation-dependent evaluation processes. Adding to the emerging methodological discussion concerning the micro foundation of EC (Diaz-Bone 2011), it reflects on the findings of one of the first empirical studies trying to grasp manifestations of conventions within organizations (Pernkopf-Konhäusner/Brandl 2012, 2011).

HR scholars have recently pointed out organizational climate as a relevant mediator for understanding the HRM-performance linkage. However, previous work remained relatively silent regarding recursive dynamics and content of climate strength. Thus, the fourth and fifth paper elaborates on the interrelation of HR systems and climates and adds content to the HR system strength construct (Bowen/Ostroff 2004). Boltanski and Thévenot's (2006) "orders of worth" are used to shed light on the variety of HR system content in an organization, thus also helping HR managers to develop appropriate content of HR systems.

Examining training and development in Germany and Russia, the sixth paper argues variations in evaluative repertoires. It provides ideas to break up 'determinist' group or institutional differences by offering an approach that reveals local evaluative repertoires that evolve with the societal context. Being a managerial or non-managerial employee does not determine a particular perception or evaluation of HR practices, e.g. a managerial employee appreciating individually customized services. The paper furthermore questions if subsidiaries of multinational companies (MNCs) bring forward their own conventions. The paper shows that employees of a Russian subsidiary do not use certain conventions primarily because of them being of Russian descent or part of the post-soviet generation, but because of the duration of being socialized in the MNC. Repeated interaction influences the perception of what is necessary (process of realization) to sell oneself or a product to the market (goal).

The seventh paper challenges cross-cultural comparative HRM by proposing a variety of effective 'ideal-typical' models. Explaining the stability of the model, three dimensions can be identified: predominance of one convention, degree of compromises between multiple conventions and degree of involvement of organizational members in referring to particular conventions.

This thesis contributes threefold. First, EC's stance on coordination within organizations is advanced by framing HR systems as production models, more precisely as sedimented modes of coordination that enable and qualify the overall employment relationship and inform the evaluative repertoire of actors regarding particular coordination situations such as training and development. Thus, a contribution to contemporary organization and management research can be made by extending Thévenot's take on firms that incorporate compromises between different modes of evaluation (2001) as well as Salais' historical comparative perspective on worlds of production (1997). Second, manifestations of conventions within organizations can be illustrated through quantitative (prevalence of conventions) and qualitative content analysis ('convention-typical' descriptions of HR practices) and also compared across organizations. Finally, evidence to the dissolution of determinist group and contextual differences can be found which challenge traditional HRM views on the coordination of labor.

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