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Note from the editor

Buying into finance

When this issue was going to press, the UK had just voted for Brexit – for Britain to leave the European Union. The Pound Sterling fell sharply at the news, the UK's credit rating was downgraded, and stocks related to UK markets saw £3 trillion "wiped off" their value worldwide as investors unwound their positions that were based on a Remain vote and adjusted their long-term asset valuations (Bullock 2016). Not only that, London's status as the financial center of Europe has been shaken, with banks moving some operations to the continent, in fear of losing "passporting" rights for providing financial services in EU markets (Arnold/Noonan 2016).

A shock to many UK voters and politicians who are already reversing their Leave stance, these repercussions are no news to economic sociologists, who have studied the tight coupling of global financial markets, and the process by which trading strategies constantly construe and perform the future, rapidly and at a distance. Sociologists have also observed that banking and markets are at the same time geographically embedded organizations, strategizing on physical proximity, invested in infrastructure, and steeped in legal-institutional history.

Indeed, *Economic Sociology: The European Electronic Newsletter* provided an introduction to the sociologies of finance and money in earlier issues, before and after the financial and Eurozone crises (edited by Nina Bandelj in 2007 and Nigel Dodd in 2011, respectively), as have numerous overviews since (e.g., Knorr-Cetina/Preda 2012). The populist mobilization for Brexit – diverting public discussion of inequality, austerity, and tax avoidance to nationalism, invoking democracy, and xenophobia – and the prospect that something "national" might have to be disentangled institutionally from an integrated political-economic entity, raise a wealth of questions for economic sociology.

In this issue, we aim to broaden our view of finance in directions which can prove useful to these discussions of inequality, governance and status quo: truly grasping the world of voters as consumer-investor subjects and the sources of financial inequality; scrutinizing the novelty of alternative ways to transact; and inspecting those very conventional places where finance spends its backstage time. Most urgently, a stronger focus on household and consumer finance (e.g., Deville/Seigworth 2015), and its constitutive role in the global financial system is imperative, developing a sociology that meaningfully connects vernacular money practices with strategies of professional finance (see for example, Guseva 2008). Alternative (local, digital, crypto) currencies already theorize these relationships in their own ways, as they critique the power of financial industries and monetary governance, and try to wrest economic space for citizens from the auspices of the state (Dodd 2014). Yet economic actors increasingly regard these currencies, and we might add mobile money, as alternative accounting and payment systems, part of a "fintech" (financial technologies) revolution. Traditional but pragmatic actors such as banks and "paperless" public administrations are joining the fray and seizing upon these one-time ideals for their own purposes.**1** Sociologists have a lot to contribute here, for instance by analyzing money as a social movement, and slippage between its various "functions."

At the opposite end of the spectrum, the sociology of fiat money and central banking is expanding, in tandem with a growing interest in forecasting as a form of economic action (e.g., Beckert 2016; Braun 2015). Meanwhile, the recent hacking of SWIFT, the main international interbank payments network, served as a public reminder of the information infrastructure, such as payments, clearing and settlement of transactions, that enables global financial flows, to in fact, flow. We need more studies of these back office operations (e.g., Muniesa et al. 2011), and at the same time we must recognize that "soft", non-calculative, non-modeling expertise in the front office enables the circulation of money in equally important ways. Without careful communication in both "high" and "low finance" – from the marketing and sale of credit to consumers (Langley 2013; Pellandini-Simányi et al. 2015) to investor relations (Lépinay 2011) – markets are not transacting in any automated fashion.

The present issue of the *Economic Sociology Newsletter* ties in with many of these emerging areas, while it opens up new ways of thinking about "high" and "low" finance and their interrelationship. This is an important task in the age of financial disintermediation, the disruption of traditional financial institutions by "fintech" startups – whether processing payments by new means or peer-to-peer lending – which promise services at lower cost, greater transparency, and higher personalization. Many of these are innovations in the maintenance of finance, in the everyday running of the machine. The first paper considers such practices in what constitutes "investing."

Benjamin Braun highlights in his article **Gross, greed, and the case for a micro-founded political economy of the investment chain** that asset management is an overlooked yet vast part of the financial industries, a part that is steadily enriching itself. The majority of the world's financial assets are managed not by hedge funds, private equity or venture capital but by a bedrock of less dazzling fund management companies. Braun argues that by studying the practices of the investment chain's often-forgotten actors, we can build microfoundations to political economy, which has often emptied out finance from its substance. Asking why asset management has been so profitable despite competition, technological innovation, and financial market theories, which show no value added by this industry, Braun traces its wild success to a number of factors. Most importantly, "active" fund managers keep earning high fees thanks to exchange-traded funds (ETFs), whereby the fund's assets are turned into securities that can be traded on exchanges like stocks, and bought by individual investors. These and newer innovations (e.g. "smart beta" strategies) are designed to solve fund managers' dilemmas of liquidity, transaction costs, and mimicking the market portfolio while performing above the benchmark. Braun's article highlights how this particular organization of the investment chain has sustained inequality. Emerging discussions on "assetization" (Muniesa 2011) could benefit from this work on the mundane management of assets. The next article takes a step back and considers not the valuing, trading and management of traded assets, but the exchanges themselves as special market organizations.

While the question of algorithms has always been important in the sociology of finance, which has been attuned to the transformations of stock trading, sociologists of all persuasions are now turning to what we now call the "algorithm economy." From consumer markets to production to public services, classification systems and decision rules govern an expanding array of economic and non-economic possibilities. Others are focusing on the "disruptive" economy, by taking innovative firms like Uber and following their impact on existing market relationships, or by following up on the claims to disruption in the first place.

Michael Castelle's article **Marketplace Platforms or Exchanges? Financial Metaphors for Regulating the Collaborative Economy** calls attention, however, to a third crucial feature of the new economic models. Not algorithm or disruption but *platform*. Analogies between stock exchanges and the novel ways of providing services such as Uber for taxi riding, Airbnb for accommodation, Instacart for grocery shopping, or Prosper for peer-to-peer lending are highly relevant. The common property, Castelle argues, is the type of market: these digital marketplace platforms and exchanges are all "switch-role markets" (after Patrik Aspers and Harrison White), where buyers and sellers can switch roles. The platform itself is a company with a fixed role as provider. What matters, then, is to shape the *industry* of these platforms, for instance the terms under which the same securities-products-services can be bought and sold on each of them and outside them. Turning points in the history of regulating the New York Stock Exchange and its competition with other exchanges and alternative trading venues can thus be key reference points for regulating the likes of Uber, suggests Castelle.

The Issue of Financial Literacy: Low Finance between Risk and Morality by Jeanne Lazarus dissects the governing concept of "low finance", the cornerstone of policy theories of the household and the individual decision-maker. Lazarus' exposition shows how the notion of "financial literacy" has been developed by international organizations and by policymakers, and positioned relative to other concepts such as financial inclusion, financial education, or financial empowerment. The different ways in which a problem is formulated shape the solutions which are proposed: "financial literacy policies want to impose one best way to manage money and stigmatize existing monetary practices that anthropologists and sociologists have precisely observed and explained" [page 29]. Lazarus goes on to scrutinize how evidence is produced about financial literacy through survey instruments, the evaluation practices of financial literacy programs, and the curious lack of discussion about the actual content of training, and yet its structured form and quality control. The latter arises because financial literacy, the paper suggests, is treated as a self-evident matter in "low finance" and hence *moral* issue, rather than a *technical* one befitting the policy approach to "high finance".

Finance for individual consumers, inclusion, the theorizing of finance from a (consumer) cultural perspective, and what economic sociology can take from adjacent fields, are central topics in the **interview with Frederick Wherry**. With a grounding in the moral view of markets (Zelizer 2005; Fourcade/Healy 2007; Bandelj/Wherry 2011), Wherry has developed a cultural sociology of markets building on notions such as circuits and breaching sequences, in many ways akin to, but also coming from a different angle than, the Callonian sociology of market design, attachment, and devices. The Chair-Elect of the American Sociological Association's Economic Sociology section discusses a wide range of questions from theoretical influences to the professional organization of sub-fields. Frederick Wherry's recent work encompasses the study of financial inclusion, the implicit theories of financial consumers in the prevailing credit system, and attempts to create alternatives or paths into the mainstream credit networks. Some of these attempts are based not in the least on sociological understandings of everyday financial practices. Throughout, the interview considers sociology's potential for interventions in economics-driven policy discourse.

The Panama Papers earlier this year irretrievably broke the silence in public discourse on what we may call technical sources of inequality, that is, in the management of finances, and in contributing to and benefiting from state finances such as taxation. Brooke Harrington's forthcoming book **Capital without Borders: Wealth Managers and the One Percent** is a deep ethnographic study of the global wealth management profession, and the vehicles through which wealth preservation takes place. You will find a summary of the book in the Announcements section. Gradual accumulation of private capital, as recently shown by Thomas Piketty (2014), is accomplished to a great extent by tax-efficient inheritance. The book shows this is brought about by the rise of a profession that helps transfer, preserve, and grow wealth by working with individual clients and families, and devising legal vehicles of transfer. In the end, ways of accounting for wealth do much more than describe that wealth.

The **Announcements** also call attention to the journal *Social Politics* of potential interest to economic sociologists, and the Call for Papers for a conference on *Valuation, Technology and Society*.

In the **Book Reviews** section, Vera Linke (Bielefeld) reviews *Making a Market for Acts of God: The Practice of Risk-Trading in the Global Reinsurance Industry* by Paula Jarzabkowski, Rebecca Bednarek and Paul Spee. Topical for these times, *The Sociology of Disruption, Disaster and Social Change: Punctuated Cooperation* by Hendrik Vollmer is reviewed by Adriana Mica (Warsaw).

We also present here a number of **PhD projects** from across and beyond Europe. From the UK on the securitization of microfinance by banks and states, from Germany on the changing political alliances and discourses of US consumer financial protection, from Greece a project on the evolution of European trade relationships, and from Argentina a PhD on the semi-legal "blue dollar" market.

My term as Editor of the *Economic Sociology Newsletter* has come to a close with this last issue, and I am thankful for the opportunity to present the community with new themes and ideas. I hope you enjoy the issue, and I wish you the best for the future.

For a borderless economic sociology,

Zsuzsanna Vargha, zv8@leicester.ac.uk

Endnotes

1 Bitcoin is now being explored more for its properties as a "distributed ledger" using blockchain technology, and less for its potential as a currency.

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Gross, greed, and ETFs: The case for a micro-founded political economy of the investment chain

By Benjamin Braun

Max Planck Institute for the Study of Societies, Cologne, bb@mpifg.de

Driven by a lust for power, greed, and a desire to improve their own financial position and reputation at the expense of investors and decency, a cabal of Pimco managing directors plotted to drive founder Bill Gross out of Pimco in order to take, without compensation, Gross's percentage ownership in the profitability of Pimco.

Thus begins the suit that Bill Gross filed in October 2015 against the firm he had co-founded in 1971, Pacific Investment Management Company. One year earlier Gross had still been Pimco's star manager, in charge of the world's largest bond fund. What had happened? According to Gross, his former colleagues had cast their eyes on his 20 per cent, or $300 million, share in Pimco's 'profit-sharing plan' in 2013. This left $1 billion for the remaining 60 managing directors to share between them (Bloomberg 2015b). The lawsuit, which the California Superior Court of Orange County admitted earlier this year (Bloomberg 2016), is for the $200 million that Gross claims would have been the remuneration for his last two quarters at Pimco.

$1.3 billion? This question – the question of the profitability of managing other people's money – has received surprisingly little attention. While the Pimco cabal raised some eyebrows in the financial press, the broader public, politicians, and scholars of finance and financialisation took little notice. This is problematic, especially in the context of growing inequality at the top of the income distribution. The economic purpose of the capital investment channel is to intermediate between providers and users of capital. Excess profits that accrue within this 'investment chain' constitute transaction costs, which not only increase inequality but can also reduce efficiency and welfare. Despite the importance of this social institution, however, the investment chain tends to fall between the cracks of a problematic disciplinary division of labour. Economic sociologists, especially those inspired by science and technology studies, have largely concentrated on micro-level devices, practices, and narratives (Beunza and Stark 2004; MacKenzie 2006; Chong and Tuckett 2015). Although this literature has made invaluable contributions to our understanding of the micro-foundations of contemporary finance, it has been criticised for bracketing the structural features of capitalism as a historically specific institutional formation (Christophers 2014; Koddenbrock 2015). Meanwhile, their interest in precisely these structural features has prevented political economists from developing strong micro-foundations for their analysis of capitalism. Add to this the still widespread assumption that politics 'takes place where the realm of economics stops' (Murphy and Tooze 1991: 24), and the criticism that political economy 'treats the economy as a black box' remains valid (Streeck 2011: 138).

This bracketing and black-boxing has made it easy for economics to claim near-exclusive jurisdiction over the study of the economy. In increasingly economic times, this has helped to entrench the 'superiority of economists' in the 'implicit pecking order among the social sciences' (Fourcade et al. 2015: 89). Yet there is hope. Perhaps the most promising approach to wrest the economy from the grip of economics is for economic sociology and political economy to join forces to build a micro-founded analysis of capitalism (Beckert and Streeck 2008, cf. Peck 2012; Christophers 2014; Braun 2016). Using 'Bill Gross vs Pimco' as a starting point, the present article takes a closer look at the investment chain to demonstrate the value added of such an approach. The article indicates avenues for future research by highlighting how micro-level practices in the investment chain relate directly to the macro-issues of power and inequality that are at the heart of political economy. The remainder of the article consists of five sections. The first argues that the investment chain has been neglected in the financialization literature. The second section looks at the business model of asset management and asks why it has been so profitable for so long. The third section presents three elements of a potential answer to this question – psychology, power, and the late introduction of potentially game-changing financial technology, namely exchange-traded funds (ETFs). The fourth section highlights some recent developments sparked by the ETF revolution and the final section provides a conclusion.

Finance, financialization, and the black-boxing of the investment chain

At first glance, finance might well be the exception to the social science hierarchy identified by Fourcade et al. However, research in economic sociology and political economy on 'financialization' has arguably not brought these disciplines up to speed with economists in public debates and policy controversies. According to one critic, 'the most penetrating and critical studies' on financial practices such as securitization are found 'in the work of (much-maligned) mainstream financial economists' not in spite of but *because of* the proliferation of the notion of financialization (Christophers 2015: 231).1 For while 'financialization' promises to open the black box of finance, 'something rather peculiar and paradoxical' has happened instead: 'as attention is drawn to the ways in which the 'rise' of finance and its colonization of various social spheres reshape the social world around us, finance's ostensible impacts are placed in the foreground but finance itself recedes from view' (Christophers 2015: 230). In light of this criticism, developing a micro-foundation for political economy means to bring the market practices and devices that constitute finance back into view.

One literature which has done exactly this is the literature on the *marketization* of financial intermediation. However, this work has largely concentrated on one channel of intermediation only, casting little light on the other. The elementary function of financial systems in capitalist economies is to intermediate between providers of capital (mostly households) and users of capital (firms, governments, and again households). There are two basic channels, the credit intermediation channel and the capital investment channel (or investment chain) (Jackson and Deeg 2006: 13). The first operates via the banking system, which extends long-term loans on the asset side of its balance sheet that are financed by short-term liabilities. A number of penetrating analyses have studied the marketization of such bank-based credit intermediation, which generally involves securitized lending and collateralized borrowing (Hardie et al. 2013; Thiemann 2014; Gabor and Ban 2016). The second channel connects savers and firms via capital markets. Here, the picture is less fine-grained. Comparing it to the bank-centered credit intermediation chain, the literature tends to conceptualize the investment chain as operating via an intermediation-free capital market that enables 'a direct transfer from savers to borrowers' (Jackson and Deeg 2006: 13). While this view of the investment chain was never particularly accurate, it has become less so as the number and variety of asset managers and other intermediaries within the investment chain have proliferated (Kay 2012). Two main categories of asset managers can be distinguished – alternative investment firms and mutual fund firms. The former – hedge, private equity, and venture capital funds – are more visible and have received considerable attention (Goyer 2006; Froud and Williams 2007; Erturk et al. 2010). However, alternatives account for only a relatively small share of the market. The vast majority of financial assets are under management with 'plain vanilla' mutual fund firms. BlackRock alone manages far more capital than the entire hedge fund sector ($4.7 trillion vs. $3 trillion at the end of 2014). These firms compete to attract money mostly from institutional investors, such as pension funds and insurers, but also from retail investors. And when it comes to bond investing, the biggest name on the street is Pimco. Which brings us back to the all-important question: If what Pimco does is to collect pensioners' savings and invest them in government and corporate bonds, then why is it that a $1.3 billion bonus pool exists for managing directors to fight over?

Follow the money: The astonishing profitability of managing other people's money

One key lesson from the US securitization bonanza of the mid-2000s is that a research strategy that 'follows the money' and focuses on the most profitable financial activities likewise has a high expected return. Today, the most profitable sector in finance is asset management. In 2014, the operating margin of listed fund managers was 33 per cent, just one percentage point shy of the pre-crisis peak reached in 2007 (Financial Times 2015e). The sector has also seen rapid growth as it 'has filled a void left by banks' in the aftermath of the bank-centered crisis of 2008 (Financial Times 2015d). Global banks such as UBS and Goldman Sachs have significantly increased their asset management operations, which in the case of UBS now account for two thirds of pre-tax profits (Financial Times 2015b). While pay at investment banks has been falling, fund manager pay has continued to increase in recent years (New Financial 2016). The profitability of fund management constitutes a classic case of elephant-in-the-room – too big not to notice, but also too intangible for economic sociologists and political economists to puzzle too much about it (however, see Godechot 2015).

Asset managers charge fees for their services. These fees are paid by investors – pension funds, insurers, retail investors – whose return 'after fees' is thereby reduced. Regarding the costs of investment, the key distinction is between actively managed funds, which aim to 'beat the market' (that is, a specific benchmark), and passively managed funds, which merely replicate and thus 'track' a specific index. The benchmark-beating returns promised by active funds are delivered by fund managers such as Bill Gross, and thus come at the price of higher fees compared to passive funds. To be sure, compared to the '2 and 20' fee model of the hedge fund industry – which refers to a management fee (2 per cent of the capital invested) and an additional performance fee (20 per cent of profits earned) – the fees charged by 'plain vanilla' asset managers look modest. Prior to recent changes aiming at making fees more transparent, the fees charged by actively managed equity funds stood at around 1.5 per cent, 'of which about half went to the fund manager' (Financial Times 2015c). In relation to the returns investors make, however, this is expensive. Between 1980 and 2006, according to one authoritative study, paying US fund managers to beat the market cost investors 10 per cent of annual returns on the market portfolio (French 2008: 1538).

As John Bogle, the founder of the low-cost investment firm Vanguard, has tirelessly pointed out, 'the elemental arithmetic of investing' is simple: 'Gross return in the financial markets, minus the costs of the system, equals the net return actually delivered to investors' (Bogle 2008: 98). The question, therefore, is whether the significantly higher costs of active management are compensated by above-average returns. Theory, measurement, and logic all tell us that they are not. According to modern financial theory, a fund manager cannot consistently outperform the market on a risk-adjusted basis (Malkiel 1973). Empirically, this was established as early as 1964 (Jensen 1968). Ultimately, the impossibility of active outperformance comes down to simple logic. 'The market' is just another way of saying 'all investment funds'. On average, funds will therefore earn the market return. But that is before fees. After fees, investors are left with a below-market return. The implication for investors is clear – own the market portfolio at the lowest available cost.**2**

Why have high fees and profits persisted?

Index funds offer precisely this – exposure to an index at a fraction of the cost charged by actively managed funds. Index funds had been introduced already in the early 1970s, when they received strong support from leading financial theorists, including Michael Jensen, Myron Scholes, William Sharpe, Fischer Black, and Eugene Fama (Bernstein 2005: 240-52; MacKenzie 2006: 84-88). Why, then did competition and technological progress not drive down prices (i.e., fees) and erode profits for active fund managers? Why was there still, in 2013, a $1.3 billion bonus pool at Pimco? This is a major puzzle and an unanswered research question. Three potential explanations seem worth exploring – social psychology, power, and financial technology.

The social-psychological explanation rests on the assumption of a genuine belief among asset managers that they offer skills that are worth the price they command in the market. There is anecdotal evidence that would support such an interpretation. Following a presentation of Jensen's results to 'some men from the mutual fund industry', a laconic Fischer Black wrote to his parents (Mehrling 2005: 63): 'They were surprised. Indeed, one might say they didn't believe us.' Anecdotes of industry representatives reacting with surprise, disbelief, or outright hostility when confronted with academic challenges to the active investment model are legion (cf. MacKenzie 2006: 80-81). Recounting an episode in which he confronted a group of fund managers with evidence that they did not create value for their clients, Daniel Kahneman describes their reactions as a mixture of incredulity and denial (Kahneman 2011: 215-17). Social psychology certainly played an important part here, as both fund managers and their clients developed mechanisms to avoid cognitive dissonance in the face of a yawning gap between modern financial theory and market practice. Kahneman views asset management as a case in which 'a major industry appears to be built largely on an *illusion of skill*' (Kahneman 2011: 212, orig. emphasis).

However, even if fund managers believed in their ability to create value for clients, the question remains why and how the 'illusion of skill' stuck, especially with institutional investor clients. From the start, investment firms opposed the arguments put forward by the proponents of efficient-market financial theory. This is unsurprising given that, as Paul Samuelson (1974: 18) noted, it followed from these arguments 'that most portfolio decision makers should go out of business'. Here, more research is needed on the strategies employed by the asset management sector to keep the lid on ideas that threatened its business model. The commissioning, funding, and production of research is likely to have played a key role in this context. In terms of instrumental power, little is known about industry lobbying with regard to the regulation of fee structures and transparency, conflicts of interest among investment advisors, or investment strategies (see the discussion of 'closet indexers' in the next section). As for the question of remuneration, the protracted negotiations in the European Parliament and between EU member states about the rules for fund manager pay provide ample material. Crucially, although the final package of 2014 set some restrictive standards, a concerted lobbying effort brought a surprise victory for the fund industry – unlike the banking sector, it succeeded in averting a pay cap for senior managers (Financial Times 2014). Another telling example is provided by the case of David Godfrey who, until his ousting in 2015, had served as the head of the UK's Investment Association (IA). In that capacity he campaigned for lower fees, greater cost transparency, and a 'statement of principles' through which the association's members would commit to putting their clients' interests first. He reportedly resigned after having been told by the IA's board that if he did not he would be fired (Financial Times 2015a).

Although they go a considerable way towards explaining the puzzling persistence high fees and profits, psychology and power must be complemented by a third factor – the (non-)availability, until relatively recently, of the financial technology to perform the 'passive investor' on a mass scale (Braun 2016: 263-67). As mentioned above, thanks to the introduction of index funds, low-cost exposure to a benchmark had been available as early as the 1970s. However, it was not until the early 2000s that index-tracking funds became a mass market phenomenon. This points towards the introduction of exchange-traded funds (ETFs) in the 1990s – namely of a Nasdaq-100 fund called 'Cubes' (Deville 2008: 68-70) – as the real game changer. ETFs solved two problems related to index-tracking that had prevented low-cost index funds from living up to the promise of posing a serious competitive threat to high-fee active fund management (Braun 2016: 265-67). First, index funds face a trade-off between transaction costs and 'tracking error', which arises from the need to buy and sell securities in order to minimise the fund's deviation from the index. Second, a trade-off exists between transaction costs and liquidity, as the creation and redemption of shares also requires trading. Index funds do not allow for intra-day trading – their shares can be bought and redeemed only at the end of each trading day and at the market value of the underlying basket of securities, or net asset value (NAV). ETFs have been designed to mitigate both of these trade-offs through a dual trading structure that separates the trading of shares from the creation and redemption of shares. Investors can trade ETF shares continuously via exchanges (just like individual shares). The creation and redemption of shares, by contrast, involves third-party market makers, so-called authorized participants (APs), usually large investment banks. When the price of ETF-shares rises above the price of the underlying basket of securities, these APs can create new shares via an 'in kind' transaction with the fund company. By acquiring a portfolio of the underlying securities and handing it over to the ETF provider in exchange for new ETF shares, they make an arbitrage profit.

See appendix, figure 1

Consequences of the ETF revolution: Price wars, smart beta, and closet-indexers

ETFs have been *the* growth story of the past decade in the asset management sector. Fees, by contrast, have decreased markedly as a result of the ETF boom. As shown in Figure 1, financial assets held in ETFs have grown rapidly, reaching almost $3 trillion in 2015 (and thus the same size as the hedge fund sector). While more than two thirds of the ETF market is controlled by only three firms (BlackRock, Vanguard, and State Street Global Advisors), a growing number of asset managers have added ETFs to their product ranges in recent years, including industry giants such as Goldman Sachs and Fidelity. These market entries and the associated increase in competition have brought ETF fees down even further, with expense ratios now as low as 0.03 per cent in some cases (Bloomberg 2015a). The notion of an ETF price war has since caught on in the financial press.

The reactions of the investment industry to these competitive pressures include both new financial innovation and fraudulent tactics. The most prominent item on the innovation agenda has been 'smart beta'. This strategy aims to combine low-cost index tracking – which aims for a portfolio that moves exactly as the market does and thus has a 'beta coefficient' of 1 – with the goal of outperforming standard benchmarks (Financial Times 2013). In order to combine these two hitherto irreconcilable notions, smart beta funds invest in formula-determined securities baskets that offer higher risk-adjusted returns than established indices. Some of these formulas are designed to exploit the very inefficiencies that are generated by herd behavior inherent to indexing, and by the overrepresentation of certain types of firms in the standard indices. They do so, for instance, by weighting high-dividend or momentum stocks, or simply by giving companies with smaller market capitalizations (small-cap) an equal weighting. Already accounting for over one fifth of US ETFs (Financial Times 2016a), smart beta can be seen as an attempt to reconcile indexing with the traditional, alpha-centered culture of the investment industry.

The strategy of 'closet-indexing', by contrast, resorts to fraudulent means to preserve profitability. Closet indexers are high-fee investment funds that promise active management but in reality closely 'hug' a benchmark in order to minimize their risk of underperforming it. Investors, of course, would have access to that same performance at lower cost via an index fund. A recent study found that in most of the 20 countries it covered, between 30 and 50 per cent of total net assets were held in closet-indexing funds (Cremers et al. 2016). In 2014, the consumer organization Better Finance alerted the European Securities and Markets Authority (ESMA) to an investigation by the Danish financial regulator that had found closet indexing to be widespread among active funds in Denmark. According to the ensuing investigation by ESMA, 5 to 15 per cent of nominally active funds could 'potentially' be index trackers (European Securities and Markets Authority 2016). However, ESMA was immediately criticised for using an overly conservative methodology, as well as for not releasing the names of the funds it suspected of closet indexing (Financial Times 2016b). In future, tensions between fund managers, clients, and regulators will continue to surface as the cost pressure on traditional, actively managed funds is unlikely to abate.

Conclusion

In their recent review of the financialization literature, Davis and Kim (2015: 204) have emphasized that alternative ways of organizing credit and investment intermediation have far-reaching social consequences. However, precisely because the investment chain connects micro-level practices to macro-level structures, this amorphous institution has tended to fall between the cracks of the disciplinary division of labor between economic sociology and political economy. In light of this observation, the key message of the present article is that when it comes to the political economy of the investment chain, and thus of financialized capitalism more generally, studies of micro-practices and macro-structures are complementary rather than contradictory. Starting out from the lawsuit filed by Bill Gross against Pimco, the article has focused on the question of how and why managing other people's money has continued to be so profitable. While the puzzling persistence of the high-fee, active-fund-management model calls for further research, growing ETF assets combined with falling fees point towards the possibility of transformative changes. Indeed, if these trends continue they will likely have dramatic consequences for profitability and pay in the the asset management sector. When the next bond king takes their employer to court, the sums that will be at stake may well fall one or two zeroes short of what Bill Gross is currently suing for.

***Benjamin Braun** is a postdoctoral fellow at the Max Planck Institute for the Study of Societies in Cologne, where his research focuses on the political economy of central banking. For his work on the European Central Bank he received the 'Sir Walter Bagehot Prize for Best Dissertation in Government and Public Administration', awarded by the UK Political Studies Association. He has recently published on monetary policy and expectation management in* Economy and Society http://www.tandfonline.com/doi/full/10.1080/03085147.2015.1049447 *and on performativity and index investing* *http://www.tandfonline.com/doi/full/10.1080/13563467.2016.1094045* *in* New Political Economy.

Endnotes

1 For an ongoing attempt to change this, see the contributions to the workshop *Financial Innovation, Diffusion and Institutionalization: The Case of Securitization*, recently held at the Max Planck Institute for the Study of Societies in Cologne http://www.mpifg.de/projects/financial_innovation/program_en.asp

2 It should be noted that active investing does, of course, fulfil an important societal function by helping price discovery in financial markets. From this perspective, 'the cost of active investing also measures society's cost of price discovery'. The question then becomes whether 'society is buying too little or too much of this good' (French 2008: 1538).

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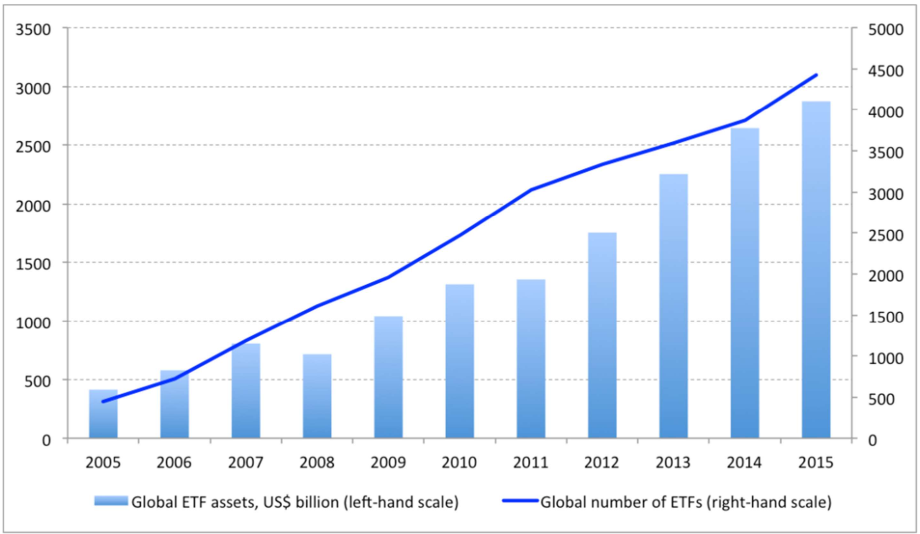
Appendix

Figure 1: Global ETF assets ($ billion) and number of ETFs.



Source: ETFGI

Marketplace platforms or exchanges? Financial metaphors for regulating the collaborative economy

By Michael Castelle

Department of Sociology, University of Chicago, mcc@uchicago.edu

Introduction

The terms "sharing economy", "collaborative economy", "on-demand economy" and "peer economy" are currently used – in media and other popular literature, and increasingly by state regulatory agencies and academic publications – to denote an emerging class of businesses which mediate, via the Internet, buyers and sellers of services. Prominent examples include the "ride-sharing" companies Uber and Lyft (which match requests for rides with providers of rides); the residential-space booking companies Airbnb and HomeAway (which connect requests for non-hotel lodging with renters and homeowners); the "P2P" loan services companies Lending Club and Prosper (matching borrowers with investors); and the freelance services companies oDesk and Elance (now merged as Upwork). These firms, largely funded by venture capitalists, are not generally buyers or sellers of goods themselves, as in a traditional production market (White 1981a); instead, they produce networked "marketplace platforms" which in turn provide opportunities to buy and sell – skimming a percentage of each transaction as a middleman – and are thus always distinctly less concerned with organizing the supply-chain logistics characteristic of commercial trade.

While platforms of this sort have existed for some time – eBay, after all, was profitably matching buyers and sellers of large varieties of goods online in the 1990s – they have become increasingly prominent in recent years in their overt "disruption" of various service industries, and the high (greater than $1 billion) "unicorn" valuations of Uber, Lyft, Airbnb, WeWork, InstaCart, and others. Recently, multiple pop-business books – related to the emerging field of "platform economics" centered around MIT's Sloan School of Management (Evans, Hagiu, and Schmalensee (2006), Evans (2011)) – have been published on the subject, with titles like *Matchmakers: the New Economics of Multisided Platforms* and *Platform Revolution: How Networked Markets Are Transforming the Economy – And How to Make Them Work for You*.1

But should economic sociologists leave the theorization of marketplace platforms solely to economists? In this article I will suggest that economic sociology is uniquely positioned to provide a distinctive interpretation of marketplace-platform phenomena, particularly via theoretical insights from Patrik Aspers, which were originally developed and articulated in the very pages of Economic Sociology: *European Electronic Newsletter* (Aspers 2005); and, perhaps unexpectedly, via the long tradition of historical and ethnographic research on financial markets ranging from Abolafia (1996) to Cetina and Bruegger (2002) to MacKenzie and Pardo-Guerra (2014). Specifically, I will argue that many of the emergent organizational and regulatory complexities of the marketplace platform – especially with regard to competition, fragmentation, counterparty risk, and the possibility of self-regulation and cooperative ownership – have already been historically realized, in an equally dramatic fashion, in a completely different organizational domain: namely, that of the *securities exchange industry*. The gradual introduction of electronic stock exchanges, for example, was accompanied by an extended controversy – simultaneously technological and political – over the nature of their relationship with traditional exchanges, and I will argue that this is just one of the intriguing and productive parallels with these newer controversial marketplace platforms.

But I will also suggest that it is essential that economic sociologists find a place for their traditions of inquiry in the rapidly accelerating contemporary debates on scalable marketplace platforms. The phenomena of "marketization" that these platforms induce – now known in France as "ubérisation" – represent a very different type of "financialization" than the increased centrality and dependence on financial markets articulated by Krippner (2012), and it is clear that many regulatory agencies are at risk of (mis-)regulating marketplace platforms as if they were traditional production firms. Examples of these densely-networked arenas of discussion include the U.S. Federal Trade Commission's workshop "The 'Sharing' Economy: Issues Facing Platforms, Participants, and Regulators" (FTC 2015) and hearings by the UK Parliament's House of Lords (European Union Committee 2016). Additionally, a multitude of debates have taken or are currently taking place within various urban governments, in which municipal representatives and local citizen groups are pitted against multibillion-dollar-valued private corporations to negotiate the ontological character of their services; and some of these debates unconsciously re-rehearse the way that U.S. regulators attempted to simultaneously – and arguably paradoxically – unify markets and enforce competition in the newly-emerging digital stock exchanges of the 1990s.

Switch-role markets in finance

In 2005, Patrik Aspers – as part of a critique of Callon (1998)'s theory of performativity – made the claim that economic sociology "misses a crucial distinction between two kinds of markets: exchange role markets, such as financial markets, and fixed role markets, such as producer markets for commodities" (Aspers 2005, 33).**2** His typological distinction was developed further in later works (e.g. Aspers (2007) and Aspers (2011)), changing what he called "exchange role markets" to "switch-role markets", to indicate more directly that actors on either side may *switch roles*: that is to say, it is possible (or common) for buyers to switch to becoming sellers, and vice versa. (See Fig. 1 for an illustration.) The other primary ideal-type distinction introduced by Aspers was that of *standard* markets, where the good or service being exchanged is standardized and represented via some measure or contract; versus *status* markets, where the buyers and sellers are distinctive and can be ordered in relation to one another. The apotheosis of the *switch-role* and *standard* market, then, is a modern securities market, where a buyer can rapidly "flip" a stock within microseconds (i.e. switch from buyer to seller), and the goods being traded are perfectly standardized and fungible (i.e. the buyer or seller is solely concerned with that stock's price than the relational identity of the seller).

See appendix, figure 1

While it was clear to Aspers that financial markets were obvious examples of the switch-role and standard market, neither Aspers nor many other economic sociologists were, until recently, particularly concerned with the *stock exchange* itself in its role as a *firm*, a structured institution without which those financial markets would not exist.**3** If one considers the stock exchange as an organization which can be in competition with other organizations – as in the case earlier in the 20th century, between the New York Stock Exchange (NYSE) and regional exchanges like Philadelphia's at which one could trade NYSE-listed securities – one can see exchanges as sellers in a *fixed-role* market for trading services (concisely, a "market for liquidity"**4**), where the "buyers" of those trading services are various individual and institutional traders, buying and selling stock on the platforms produced by the exchanges (and mediated by the exchange's authorized brokerage firms and/or dealers); see figure 2. Exchanges, then, are themselves in fact producers; and what they produce are market platforms to match buyers and sellers of various securities. In brief, *an exchange industry is a fixed-role market that produces switch-role markets*. And just as Aspers (2007, 379) insisted that "no existing theory can be used to explain both [fixed-role and switch-role markets]", one can often find in non-specialist discussions of stock exchanges certain basic terms (such as "market" and "competition") being interchangeably applied to both the fixed-role market competition (for trading services, between exchanges) and switch-role market competition (between buyers and sellers of a given stock to transact at a favorable price).

See appendix, figure 2

In order, then, to understand the regulatory dynamics of marketplace platforms – which, like securities exchanges, have their primary activity the automated matching of buyers and sellers, and not production via a supply chain of upstream-to-downstream commodities – we can look to the much longer history of the financial markets produced by stock exchanges for clues. Specifically, we will focus on issues regarding (1) competition and fragmentation; (2) counterparty risk; and (3) self-regulation. By *competition/fragmentation* we refer to situations in which one can trade the same securities in multiple arenas; until the regulatory changes of the 1990s it was common, for various reasons, for 80% or more of trading in a given stock to occur on a single exchange. By *counterparty risk* we refer to the possibility that a participant on one side of a trade will default on their obligations; stock exchanges act to mitigate this risk in various ways, which we will discuss below. Finally, by *self-regulation* we refer to the governance structure of many exchanges, which deferred various aspects of regulatory action to the institutions themselves.

Competition/fragmentation in financial markets

The New York Stock Exchange (NYSE) – to rely on a prominent example – has a long history of deliberately limiting competition: the original Buttonwood Tree agreement in 1792, for example, fixed the minimum commission rate for member brokers at 0.25%, meaning that no matter how large the volume of shares traded, the brokers got the same non-negotiable cut; it also stipulated that members should deal with each other instead of non-members whenever possible (Harris 2003, 64). Through the 20th century, the NYSE actively prevented its members – the "broker-dealers" which traded on behalf of institutional and individual investors, and/or on their own behalf – from belonging to competing exchanges (such as the Consolidated Stock Exchange, founded in 1885, and the "curb" market which would become the American Stock Exchange.)**5** In response to the crash of 1929, the Securities Exchange Act of 1934 created the Securities and Exchange Commission (SEC) as an independent regulatory agency (primarily due to concerns regarding stock price manipulation), but much of the regulatory activity was left to the exchanges themselves, as so-called Self-Regulatory Organizations (SROs); and so their anti-competitive practices continued during the 20th century.**6** The NYSE's members were also prohibited from trading NYSE-listed securities on other (e.g. regional) exchanges, and while the SEC managed to abolish these restrictions for newly listed stocks after April 26, 1979, the NYSE's "Rule 390" prevented member competition in trading all pre-1979 stocks until 2000.**7**

Perhaps analogously to some of the incumbent "cartels" which various marketplace platforms are now held to be disrupting – such as the regulated "medallion" system for taxicabs in some large cities – the New York Stock Exchange in the early 1970s had a very high "seat price" for brokerage firms who wished to execute trades on the exchange. Moreover, existing rules made it nearly impossible for any new or alternative exchange venue to attract significant trading in NYSE-listed securities. Even after the SEC's 1975 Securities Acts Amendments which eliminated minimum fixed commission rates, the NYSE continued to dominate U.S. trading, with over 80% of the share volume in 1981.**8** But along with the 1975 Amendments came the emphatic call for a so-called National Market System (NMS), a concept which sought to encourage competition among exchanges by allowing traders to get the best price on multiple markets; and with that came the beginnings of technological interventions which aimed to link information about quotes for bids and offers, as well as information regarding executed trades.**9**

In another paper currently under development (with Yuval Millo, Daniel Beunza and David Lubin)**10**, we detail the interweaving of technological and regulatory change during the 1990s in the United States, as the increasing technical facility for brokers (at first non-members) to effectively run their own order matching engines – as entirely new exchange-like systems known as *electronic communications networks*, or ECNs – coincided with the SEC's attempt to facilitate competition among the incumbent exchanges (Nasdaq and the NYSE). The decisions made in this period, including the 1996 Order Handling Rules, are in part responsible for certain distinctive aspects of today's exchange industry, an environment in which (for example) every NYSE-listed stock can be traded on many dozens of competing platforms, from public exchanges to dark pools; and which is beset by controversies involving high-frequency-trading (HFT) algorithms which perform arbitrage at high speeds between these competing exchanges.

Once the Order Handling Rules and the Regulation of Exchanges and Alternative Trading Systems (Reg ATS) gave license to these new, broker-dealer-run ECNs to operate in an exchange-like manner, the race was on to draw liquidity away from the incumbent exchanges. These regulations also released the ECNs from the self-regulatory burden of being registered as an exchange. Instead of taking an equal commission from buyers and sellers, for example, ECNs like Island in 1997 began using so-called "maker-taker" pricing schemes which aimed to encourage the posting of orders on their system. If a match was made, the initial "liquidity provider" was rewarded with a high (0.25 cents/share) "liquidity rebate", while the "taker" on the opposite side was charged a negative "access fee" (0.30 cents/share).**11** This subsidization approach – in which some platforms attracting one group of customers with subsidies at the expense of another group of customers, as in the traditional newspaper industry – was noted by the early platform economics literature (e.g. Rochet and Tirole 2003) as a common strategy to build a "critical mass".

The effect of these regulatory changes, then, was certainly to "disrupt" an existing state of affairs in which there was little significant trading competition for incumbent exchanges. However, this competition – because it was happening at the firm level of the exchange industry (competing to provide trading services in given securities) rather than the level of a single, unified market for particular stocks (where individual buyers and sellers might thus be concentrated in their "competition" for the best price) – came to be described as "fragmentation", a pejorative term which indicates a move away from an idealized market which finds its Walrasian equilibrium precisely in the participants meeting at a single continuous auction. From the story detailed above, however, it would seem that for switch-role markets, competition is necessarily *also* fragmentation.

The effect of this regulated competition/fragmentation on the exchange industry in the coming decade was extreme, with rapid waves of mergers as well as demutualizations – meaning that these former mutual cooperatives went public (and thus became listed firms on their own trading floors).**12** In 2002 the exchange industry scholar Ruben Lee saw that in such a competitive environment – with the cost of a transaction headed to zero – that one of the last reliable sources of revenue for exchanges were the quotes and trade data themselves; he predicted that exchanges would thus become, like media companies, "content providers" (Lee 2002). This observation implicitly ties the disruption of the exchanges to the well-known disruption of other platforms like newspapers at the hands of online competition; and thus gives us one perspective on the future of marketplace platforms, which also equally at risk for competition and fragmentation. As Lee predicted, as the commission per transaction decreased in a more competitive environment, these newly public exchanges have increasingly derived their revenue from receiving revenues for market data.**13** Indeed, some ECNs (like Island) which had originally avoided being registered as exchanges later sought to be registered as exchanges instead of broker-dealers, precisely because of the possibility of collecting revenue from their market data under U.S. regulations.**14**

Counterparty risk in financial markets

It is the economic concept of counterparty risk – the possibility that the opposing party to a trade will fail to settle their debt – that inspired various medieval financial innovations described by Braudel (1992).**15** These mechanisms included *bills of exchange*, debt instruments which could be redeemed at trusted merchant banks; *fairs*, which at their conclusions took on the role of a clearinghouse, netting bills of exchange among merchants; and finally *stock exchanges* themselves, whose member dealers served as counterparties to both buyers and sellers. The "anonymous" trading we associate with modern stock exchanges – where buyer and seller may never meet in person, and yet manage to trust each other to complete a transaction – is only possible given highly standardized goods (such as stocks); and (especially in the case of forward or futures trading) a form of centralized *clearinghouse* institution which attempts to guarantee payment in the event of default of one party.**16** By limiting its members, exchanges provided an element of trust that the opposing party would not default; by centralizing clearing (in what is called a "centralized counterparty" (CCP)), it provided further guarantees of ultimate settlement.**17** The stock exchange is thus an institution that limits the risks of exchange on the financial markets it produces; we will later see important analogies to this state of affairs in marketplace platforms.

Self-regulation in financial markets

The self-regulatory status of stock exchanges – effected as a matter of pragmatic expediency in 1934 – was something of a curiosity for mid-century observers: one commentator noted that "stock exchanges seem to have been permitted to function almost as though there were no antitrust problem at all… the technical relationship of the exchange to the state is, roughly, the same as the relationship of a private club."**18** Abolafia, in his ethnographic observations of futures and securities markets, noted that "self-regulators are, in fact, engaged in a delicate balancing act between profits and prudence… they know that the market's legitimacy is essential to their long-term viability."**19** He contrasted the comparatively freewheeling futures pits with the presence of floor governors (SRO officials) on the NYSE floor, noting that "members exhibited a boastful pride in the rules and in the rules' consequences for a fair and equitable marketplace".**20** The occasional large-scale study of the exchange industry in the 20th century (e.g. Securities and Exchange Commission (1963), Securities and Exchange Commission (1994)) raised the various potential problems of combining oversight and competition, without making firm recommendations for significant change to the SRO status quo. The question remains as to which type of industries demand or deserve self-regulatory status, and what precisely about trading services should lead it to remain outside more commercial antitrust regulations: if it is because an exchange is a natural monopoly, why deliberately induce competition? And if it is *not* a natural monopoly, then why delegate enough control to the exchange to permit it to maintain anticompetitive practices? As part of the next section, I will suggest that – whether we know it or not – state legislatures have (perhaps unfairly) granted a kind of self-regulatory status to certain marketplace platforms, and that explicitly expanding or constraining this SRO role will be an important policy prescription of the future.

Switch-role markets in marketplace platforms: a comparison

The current approaches to regulation of firms like Uber/Lyft and Airbnb/VRBO are in part misplaced, as these firms have many qualities that are less like traditional participants in a taxicab or hotel industry and far more like the new electronic stock exchanges of the 1990s; it may be the case that legislators would do better to contend with the "market microstructure" of the businesses in question. See appendix, figure 3, for an illustration showing the sharing-economy analogy to appendix, figure 2, for a broad comparison of the various aspects discussed in this section, see appendix, table 1. The interjection of exchange-like logic into commercial domains, I suggest – i.e., the competitive substitution of fixed-role production/consumption markets with switch-role markets which automatically match buyers and sellers – is at the heart of the perfect storm of controversy which these businesses appear to continuously generate. As in the previous section, I will address three aspects of these marketplace platform firms: (1) I will consider the relevance of *competition and fragmentation* by examining the potential (but relative absence at present) for linking "orders" between competing marketplace-platform firms, in an analogy to 1990s-era developments on stock exchanges. (2) I will address *counterparty risk* by discussing the use of reputation feedback systems and other mechanisms for facilitating trust. (3) Finally, I will examine the practices, promises, and potential (or lack thereof) of encouraging a *self-regulatory* approach to marketplace platforms.

See appendix, figure 3

Competition/fragmentation in marketplace platforms

Like the NYSE "club" of the 1970s, Uber/Lyft and Airbnb in particular have become notorious in many municipalities for their anti-regulatory attitudes, seeking to halt much nascent legislation through extensive lobbying. But unlike the NYSE throughout most of the 20th century, these firms are more at risk from competition by future platform firms, assuming those competing platforms can reach a sustainable critical mass. To use the phrasing of economists, there are low "switching costs" between, e.g., using Uber versus using Lyft (one simply has to download a new mobile app.) To put it another way, the "off-exchange" trading restrictions that protected the NYSE – preventing the occurrence of equivalent transactions (of e.g., NYSE-listed securities) on other exchanges – are not present in this case (many platforms are available for the same approximate service, a ride from point A to point B). At the same time, the phenomenon of "liquidity attracting liquidity" remains, so that the more drivers/riders use the Uber platform, the more appealing the platform is for future participants (just as a confluence of buyers/sellers attracts other buyers/sellers). No legal barriers prevent the interlinking of the markets, however, only technical ones. Therefore, the apps may deliberately attempt to block external firms from displaying price quotes – as Uber did for Urbanhail, a price comparison startup for ride services in Boston.**21**)

We can see then that the most significant difference between stock exchanges and Uber/Lyft is that the former facilitates the buying and selling of perfectly standardized (and thus fungible) *goods*, while the latter facilitates the buying and selling of (more or less standard) *services*; for while one can trivially "flip" a stock, it is harder to see how one can literally "flip" a ride or short-term rental – though many Airbnb hosts, for example, are also Airbnb customers, often simultaneously (e.g. while one is on vacation).**22** To problematize this traditional goods-services distinction, with its origins in Adam Smith's concepts of productive and unproductive labor, requires a return to debates in economic sociology in the early 2000s (Callon, Méadel, and Rabeharisoa (2002); Slater (2002)).**23** Inspired by Gadrey (2000), Callon et. al. find that frames around service activities facilitate "the singularization of products" (Aspers' *standard* market); and it facilitates the consumer's "attachment to and detachment from" products (as in the purchase of a temporary ride from point A to point B; or, perhaps, the *switch-role* character of getting "in and out" of a market by, e.g., buying and quickly selling). Despite this, the ability of goods and services to be conflated for centuries – and why their arguably "sociological" distinction remained unproblematic for late-20th-century economists in many regards – is that their exchange can be represented and recorded by a *transaction* (Hill 1977). As such, marketplace platforms, whether they match buyers and sellers of goods (e.g. eBay, Amazon's used-books marketplace) or buyers and sellers of services (Uber/Lyft, Taskrabbit), have the same basic revenue model at the center of their platforms: to bring together as many buyers and sellers together as possible, and to take a percentage of each facilitated transaction.

Taking the notion of liquidity in a financial market and applying it to these marketplace platforms can be instructive, to see how the analogy can apply to both goods and services. For example, the claim of Uber's representatives that their prices are a function of "supply and demand" can lead one to ask whether drivers represent supply and riders demand, or vice versa. To use the securities market analogy – in which those who post limit orders are market "makers" and those who post market orders the price "takers"24 – the driver is ostensibly a "maker" of liquidity, with the rider a "taker"; but from the perspective of the driver, who also needs liquidity, the riders could be the "makers" and her the "taker."25 On Uber's platform, for example, a driver can be punished for turning down too many rides (being "unmarketable"), and riders can abort their ostensibly "marketable" orders for rides if the estimated price (or estimated "surge" factor) is too high. But note the comparative opacity and discontinuity of this matching process: in a financial market, if offers suddenly and discontinuously "surged" to 1.4 times their previous value, automated circuit breakers would halt trading! There is thus reason to be suspicious of Uber's "Economics 101" claims, when their system is not truly running a continuous auction matching explicit bids and offers. Interestingly, the Uber/Lyft competitor Sidecar, beginning in February 2014, allowed drivers to bid on rides and riders to choose based on price or other driver parameters (e.g. closer drivers, drivers with higher ratings); these competitor features brought the exchange-like character of these systems to the fore, but this pricing system was not enough to sustain Sidecar as a viable competitor.26

Counterparty risk in marketplace platforms

One controversial aspect of marketplace platforms is the use of interactive ratings systems to induce service quality and customer protection by providing a measure of participant reputation; but ratings systems (pioneered in part by eBay, and common in, e.g., Uber/Lyft, Airbnb, and more) are only one way that users of marketplace platforms attempt to mitigate counterparty risk.27 First, one should note that these ratings systems are often *bilateral* – the rider rates the driver, but the driver also rates the rider – which is suggestive of switch-role markets because the buyer is no different from the seller (i.e., both can be rated in the same manner). By contrast, in production markets it is more common to rate only one side, as in Yelp reviews, which are strictly fixed-role and unilateral (for an analysis of consumer restaurant reviews, see Mellet et al. (2014)).

But the other, less appreciated way these platforms mitigate risk is by providing various guarantees of settlement and protection from other liabilities, much as a stock or futures exchange mitigates credit risk with centralized clearing and settlement procedures, as described above. In the case of many marketplace platform services, one's credit card is not charged (or bank account deposited) until the service is consummated; Airbnb specifically provides $1M liability insurance in the case of accident or death. Much like the transactions processed by clearinghouses, economic transactions "between", e.g., a rider and driver are actually composed of two separate transactions: one from the rider's credit or debit card to Uber/Lyft and one from Uber/Lyft to the driver (with rider payments netted weekly and middleman fees deducted). The mitigation of risk on the part of "collaborative economy" marketplace platforms is thus not entirely dependent on collaborative ratings but instead uses traditional centralized clearing and settlement methods recognizable from the exchange industry to facilitate anonymous transactions. We can thus also see how "peer-to-peer" lending firms (e.g. Lending Club, Prosper) could initially be distinguished by their blending of traditional risk management (e.g. FICO credit ratings) with more "collaborative" information about social ties.28

Self-regulation in marketplace platforms

Before the waves of demutualization and mergers of the 2000s, exchanges like the NYSE were member-owned, nonprofit cooperatives, a fact that is often lost in dismissive discussions about Wall Street and capitalism, and one which is especially lost on the recent critical commentary that private, for-profit, venture-capital-funded marketplace platforms could also be realized as member-owned "platform cooperatives" (Scholz 2016). Given the history of stock exchanges, this perspective is both reasonable (it is, indeed, technically quite possible to imagine a member-owned ride services or short-term rental services platform) but also dismissive of the revenue challenges that can emerge in a technopolitical situation where any of your customers (such as the brokerages of the incumbent stock exchanges) could turn and become a competitor (e.g., by implementing their own order matching system and drawing away order flow with various incentives and rebates).

However, the appropriate regulation of marketplace platforms, whether private or cooperatively owned, remains in question. If, as I have been arguing, marketplace platform firms are like stock exchanges, how can the self-regulatory organization (SRO) status of exchanges inform their regulation? It would appear that by conceiving of these companies as traditional competitors (i.e. as similar to taxicab companies or hotels), many of their practices appear outright to be illegal. But if we conceive of them as exchanges, then we can see that some combination of self-regulation, transparency, and oversight may be more appropriate; an argument like this has recently been proposed by Cohen and Sundararajan (2015). But even given the SRO status of exchanges which provides a measure of day-to-day regulatory autonomy, it should be noted that exchanges are comparatively far more bound by SEC rules than any current marketplace platform firm is by any corresponding agency (such as the Federal Trade Commission (FTC)). Specifically, we can look at the obligations of exchanges to expose market data to facilitate inter-exchange competition, but also for oversight purposes (so that, e.g., the SEC can investigate "flash crashes"); this is precisely the kind of information which some legislators have found very difficult to elicit from Uber/Lyft/Airbnb, especially in any kind of real-time modality.29 A modest, and yet arguably far-reaching, proposal would be to permit the SRO-like qualities of existing marketplace platform firms – the enforcement of business practices (using internal data) and the use of reputation feedback systems – but to mandate a certain level of data transparency to regulators. The potential also exists to mandate data exposure even to competing platforms, but to do so would be – as in the history of the exchange industry – to trade anticompetition for hypercompetition (i.e. from one or two major exchanges to dozens of competing exchanges and dark pools). Just as with the exchanges, it will be increasingly necessary to step back and determine a sustainable combination of regulation and self-regulation; but it will not be possible for legislators to move forward until the current level of opacity of operational data is explicitly reduced.

See appendix, table 1

Michael Castelle *is a Ph.D. Candidate in the Department of Sociology at the University of Chicago. His dissertation* The Transaction and the Exchange: from Database to Marketplace *investigates the late-20th-century formalization of the transaction concept and the subsequent reliability of – and institutional dependence on – transaction-processing computing systems in finance and commerce. He is currently (with support from the University of Chicago's Nicholson Center for British Studies and the University of Warwick's Centre for Interdisciplinary Methodologies) developing a research agenda which examines historical and contemporary practices of dataflow and/or streaming data in computing.*

Endnotes

1Evans and Schmalensee (2016); Parker, Van Alstyne, and Choudary (2016). While I do not directly engage with the platform economics or industrial organization literature here, I intend this essay to be a first step towards developing a distinctive alternative to – and coherent critique of – that subfield's emphases on "two-sided" and "multi-sided" markets (Rochet and Tirole (2003); Evans (2003); Rysman (2009); Hagiu and Wright (2015)), which tend to privilege market scenarios featuring indirect network effects.

2By "producer markets" Aspers referred to what Harrison White isolated as production markets in his influential papers which called for a sociological understanding of interfirm competition (White (1981a), White (1981b)).

3A newer article (Ahrne, Aspers, and Brunsson (2015)) does point out that exchanges "usually take the form of associations or firms" and contrasts this with contemporary economists' assumption that markets can appear spontaneously. Works focusing on the Paris Bourse as a firm and/or institution include Hautcoeur and Riva (2012) and Lagneau-Ymonet and Riva (2015), but the history of inter-exchange competition there is less extensive than in the U.S. cases.

4Friess and Greenaway (2006, 162).

5Michie (1986).

6On the history of the SEC and of exchange self-regulation, see Seligman (2004) and Seligman (1982).

7Karmel (2002).

8Seligman (1985).

9These systems emerging from the National Market System mandates include the "consolidated tape" (reporting executed trades), "consolidated quote" (reporting quotes for limit orders), and the Intermarket Trading System (ITS) (allowing, e.g. traders on regional exchanges to forward their orders to the NYSE, or vice versa) (Seligman 1984).

10Castelle et al. (2016).

11Foucault (2012); Angel, Harris, and Spatt (2010). For a comparison of these U.S. securities rules to the European Union's Markets in Financial Instruments Directive (MiFID) see Boskovic, Cerruti, and Noel (2010).

12On the demutualized exchange see Macey, Jonathan R. and O'Hara, Maureen (2005).

13Hasbrouck (2014). Reg NMS' "market data rule" imposes a weighted formula based on trade volume and frequency, as well as for improving on the visible best bid and offer (Hasbrouck 2007). (In Europe, there is no comparable regulated consolidation of market data.)

14Markham and Harty (2008). In 2009, the CEO of the Direct Edge ECN stated: "As an exchange operator, you follow the money. With exchange status and market penetration you can collect significant market data fees here in the USA" (Schwartz, Byrne, and Schnee 2013, 18).

15On counterparty risk and broker defaults on the Paris Bourse, see Riva and White (2011). For other discussion of financial risk in the economic sociology literature, see Zaloom (2004); Hardie (2004); MacKenzie, Beunza, and Hardie (2009); and Holzer and Millo (2005).

16On clearinghouse mechanisms, see Millo et al. (2005).

17On the introduction of centralized clearing to the NYSE, see Bernstein, Hughson, and Weidenmeier (2014).Note that the concept of clearing (bilateral, multilateral) presumes switch-role markets, while the concept of settlement (fund transfer between counterparties) does not.

18Westwood and Howard (1952).

19Abolafia (1996, 101–102). For a more critical perspective on SROs see Miller (1985).

20Abolafia (1996, 104).

21Woodward (2016).

22Adam Smith remarks that the labors of servants, for example, "generally perish in the very instant of their performance, and seldom leave any trace or value behind them for which an equal quantity of service could afterwards be procured." (Smith 1776, 358)

23For example, it reveals that many "on-demand"-style firms may match buyers and sellers of services, but those services (specifically, delivery, a.k.a. the temporary service-like intermediation of goods transactions) are potentially rather closely integrated into traditional fixed-role production markets for goods. Indeed, some on-demand firms (Instacart, Shyp) are closely integrated with producer firms (e.g. supermarkets and shipping carriers, respectively) that they have reclassified some or all of their shoppers/couriers as employees.

24On the distinction between makers and takers in financial markets, see Foucault (2012).

25While there is certainly an overall asymmetry between the rider and driver as actors (the former might consummate a ride once in a day, but the latter several times), during their mutual engagement it is not necessarily obvious which one provides liquidity while the other takes it away.

26Tam (2014).

27For a prescient comparison of eBay to financial markets, see Kollock (1999).

28Verstein (2011).

29On the increasing importance of data monitoring for financial regulators, see Flood, Mendelowitz, and Nichols (2013).

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Appendix

Figure 1 a) A fixed-role market. B) A switch-role market

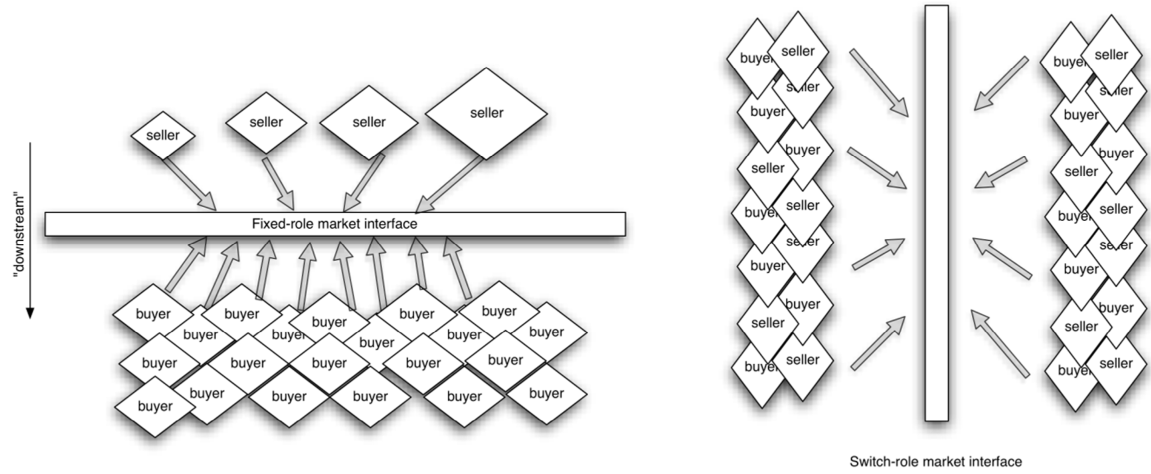


Figure 2

In this historically-inspired example, producers of trading services for IBM stock include the NYSE and the regional Philadelphia Stock Exchange (PHLX). Brokers and dealers are "in the market" for the exchanges' services, which consist of switch-role markets in which they can alternately buy and sell IBM stock.

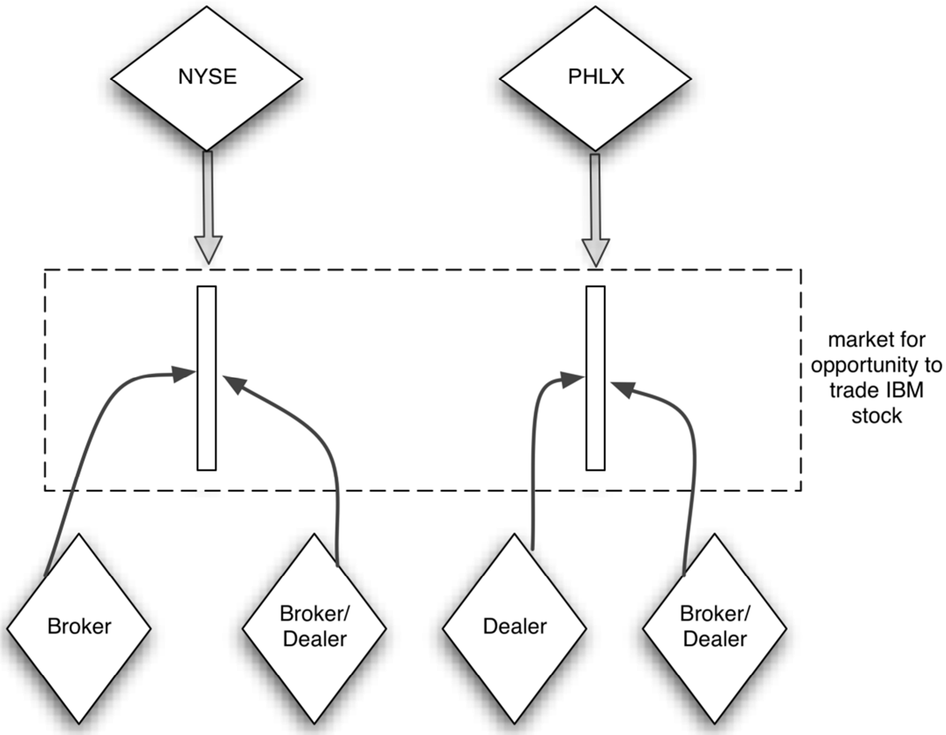
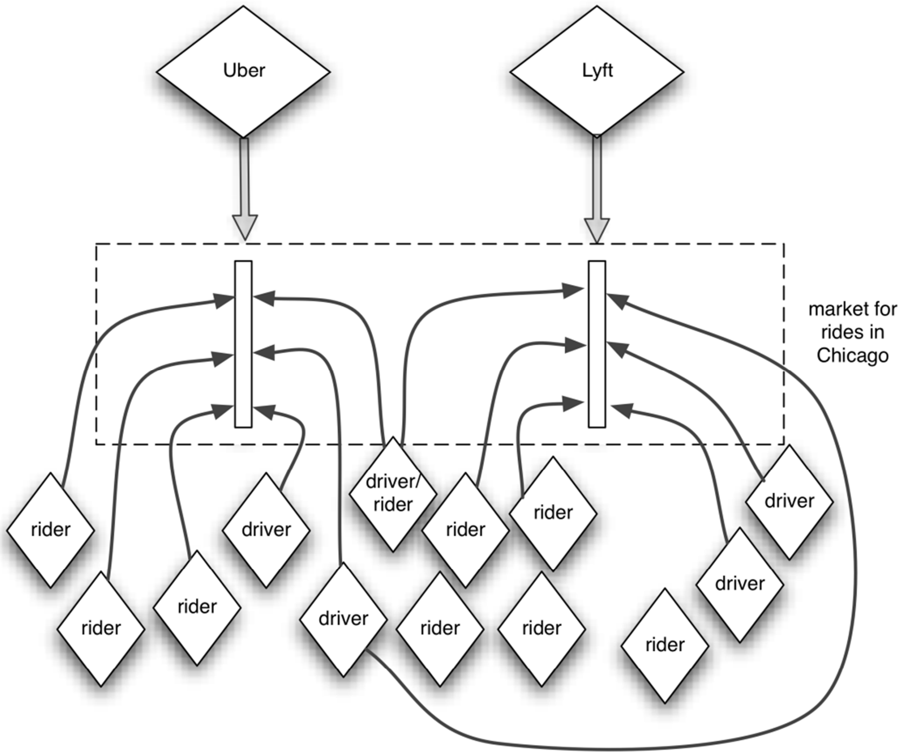


Figure 3

In this figure producers of ride services in a given city include Uber and Lyft (incumbent taxicab services not shown). Drivers and riders are "in the market" for the exchanges' services, which consist of potentially switch-role markets in which they can alternately take the role of a driver or a rider (though not all riders are also drivers).



	NYSE (pre-2000s)	*ECNs (in late-1990s securities exchange industry)*	*Uber/Lyft (ride services industry)*	*Airbnb/Homeaway (hospitality services industry)*	*Instacart/Deliveroo (groceries/food delivery services industry)*
Ownership structure	Member-owned cooperative (became public corporation in 2006)	Privately owned/ varying sources of funding	Privately owned/ VC funded	Privately owned/ VC funded	Privately owned/ VC funded
Market roles	Fixed-role producer of physical switch-role markets (on the trading floor) for various stocks	Fixed-role producers of electronic switch-role markets for various stocks	Fixed-role producers of markets for rides in various cities	Fixed-role producers of markets for short-term rentals in various cities	Fixed-role producer of delivery services for (fixed-role) markets for perishable goods (supermarkets, restaurants)
Competition/ Fragmentation	Competition limited to "third market" of off-exchange members (after repeal of Rule 390, decline of market share to electronic exchanges)	After Order Handling Rules, ECNs fragmented markets for OTC securities by drawing order flow away from Nasdaq dealers	Competition with incumbent taxicab services and various other ride services startups; markets for rides overtly fragmented, but covertly connected via drivers running multiple apps	Incumbent hotel / B&B industry; other hospitality services startups	Limited due to overt partnership with fixed-role supermarkets and restaurants
Switch-role aspects	Buyers and sellers of securities interchangable	Buyers and sellers of securities interchangeable (but various	Partial/potential (drivers are often periodic riders; less common for riders to be drivers. Cannot "flip" a ride.)	Partial (similar to ride services, hosts are often users, users less often hosts)	Partial (users less likely to also be shoppers/delivery drivers)
Transaction fees	Varies and minimum commission negotiable (since 1975); began as 0.25% commission per share	Varies minimum commission not fixed	20-25% fixed-rate commission	6-12% fixed-rate commission for guests; 3% fixed-rate commission for hosts	\$3.99-\$9.99 flat delivery fee; 0-15% markup on prices depending on store (Instacart); £2.50 flat fee per delivery (Deliveroo)
Counterparty risk	National Securities Clearinghouse Corp. (NSCC) as central counterparty (CCP)	Also used NSCC (jointly owned by NYSE, Amex, and NASD).	Bilateral ratings system; centralized netting and payment processing	Bilateral ratings system; centralized netting and payment processing	Unilateral ratings system (Instacart); customer service line only (Deliveroo); centralized netting and payment processing

Table 1

Comparison of stock exchanges ca. the 1990s (NYSE and competitor ECNs) with various marketplace platform firms

The issue of financial literacy: Low finance between risk and morality

By Jeanne Lazarus

Sciences Po, Paris, jeanne.lazarus@sciencespo.fr

The general lack of financial literacy among the citizens of developed countries has become an increasingly important political issue over the past fifteen years in international bodies, first and foremost, the OECD, but also the G20, the World Bank and the IMF. There have been numerous reports, surveys, conferences and implementation programs on the issue. Originally, the focus was on pensions. The 2005 OECD report on the subject marks a very important step: while seeking to push 'good practices' with regard to financial literacy the OECD started to emphasize the urgent need for public policies. The risks are huge: facing the weakening of the welfare state, deregulation of financial markets and the financialization of domestic savings, the middle classes in rich countries are having to cope with increased financial risks in three areas: the pension replacement rate, overindebtedness and financial inclusion.

For researchers working on 'low finance', the topic of financial literacy' is particularly interesting because it's a good way of seeing how public policies – at both international and national level – frame household finance. This framing is ambivalent: on one hand, the issues are presented as crucial for individual and collective well-being; on the other hand, this fundamental issue for both the economy and society is relegated to a matter of individual behavior.

This paper is based on an analysis of global organizations' approach to financial literacy and also of the way policymakers in France are responding to the issue. We shall proceed as follows. First, we describe the semantic operations of a range of actors to impose the notion of 'financial literacy'. Second, we focus on the ways in which the promoters of financial literacy policies marshal 'evidence' to prove the need for financial education. The last part discusses two possible blind spots: the questionable results of the evaluation of the relevant programs and their contents. We then propose several hypotheses to explain this kind of decoupling between an intervention dedicated mainly to proving its own utility and the fairly loose supervision of implementation.

1 Conceptual consolidation

The concept of financial literacy has emerged only recently as a topic of interest in the academic world, even more so in the political arena. The OECD has put it on the agenda, especially through the semantic work of establishing definitions, diffusion of the term, rejecting competing notions and framings, such as 'financial education' or 'financial inclusion'. Some bibliometric research on abstracts, keywords and title of articles in the Scopus Database between 1978 and 2015 revealed the different intellectual spaces inhabited by the different formulations. This search confirmed that 'financial literacy' is a relatively new concept and also a very dynamic one, being welcomed with great enthusiasm. Since 2008, financial literacy has been more frequent than any other formulations linked to consumer finance issues.

See Appendix, Diagram 1

The social spaces of the different formulations diverge. Financial literacy is mainly a North American notion, whereas financial exclusion and inclusion and financial capability are found in British and other countries' journals. At the beginning of the 2000s, 'financial capabilities', following in the wake of Amartya Sen (1985), and financial inclusion and exclusion were dominant. Financial capabilities are used in work about Global South countries, often interested in micro-loans and access to the banking system. The main issue was the role of financial institutions in economic development.

Financial exclusion and inclusion are used mainly in work focused on poor populations in developed countries, especially by British scholars, mainly geographers with a critical approach to capitalism (Leyshon and Thrift, 1996, 1999, 2008; Leyshon, French and Signoretta, 2008). They address the social consequences of the 'financialization of everyday life' (Martin, 2002; Langley, 2008).

Financial literacy presents quite a different panorama. The notion does not imply the addressing of inequalities, social justice or blaming the violence of economic liberalism, but focuses on individual competencies and behavior. Financial literacy is a descriptive term, adjustable to many different contexts. It is under-socialized and under-politicized. Regarding research areas, work that contains the terms 'financial exclusion' and 'inclusion' are usually categorized as social science, especially geography; whereas works that contain 'financial literacy' are categorized as economics or business/management.

In the 'financial literacy' academic space, scholars are interested in people's behavior, which they try to link to emotion and culture. They use psychological explanations and look for cognitive and cultural 'biases' using tools from behavioral economics. The very word 'bias' implies that there is a default setting in terms of which people calculate appropriately and maximize preferences, as against which other forms of conduct appear to be psychological, cultural or social deviations that have to be combated. Although the model proposed by behavioral economics is 'thicker' than that of neoclassical economics, it still explains people's actions very differently from the social sciences, taking into account the so-called 'social context' as a source of bias, not as the main determinant of social organization.

Article references also reveal fairly homogeneous and separated spheres. Prominent scholars in the 'financial inclusion' and 'exclusion' field are the two British geographers Andrew Leyshon and Nigel Thrift, who are quoted in 34 per cent of the articles in this domain. Elaine Kempson (30 per cent) follows. She has a quite different position in the field: professor at the geography department of the University of Bristol, she runs the Personal Finance Research Centre and has done a lot of consultancy work for public and private institutions. She has written several reports on overindebtedness, poor people's financial practices and recommendations for financial education. Her numerous publications comprise mostly research reports.

Kempson also uses the term 'financial capabilities' – she is the author most quoted by the articles that use this term in their title, abstracts or key-words – especially in quantitative surveys aimed at measuring the financial capabilities of citizens of the United Kingdom and other countries (Kempson, Collard and Moore, 2005). She started to work with the OECD a few years ago and to use the term 'financial literacy'. Her semantic journey has been quite interesting and representative of scholars working in this area with international organizations; the shift from 'capabilities' to 'literacy' does not signify a shift in her thinking but rather the victory of 'literacy' over 'capabilities' in the public policy arena.

Two authors dominate the 'financial literacy' field: Anna-Maria Lusardi (quoted in 40 per cent of articles), a behavioral economist and professor at Dartmouth college, head and founder of the Global Financial Literacy Excellence Center; and Olivia Mitchell (30 per cent) who has worked with Lusardi. Leyshon is quoted in only 2 per cent of the papers, Kempson in 7 per cent. Lusardi and Mitchell barely register in the 'financial inclusion/exclusion' area (Lusardi is quoted once, Mitchell never).

The last area, 'financial education' (used much more often in the United Kingdom than in the United States) appears to be dominated by 'financial literacy': during the 2000s, it was relatively autonomous, with its own references, but in due course it became a sub-field of 'financial literacy'. Lusardi is the most quoted author since 2010. 'Financial education' now appears as a stage on the way towards 'financial literacy'.

Two poles are well defined: on one side there is research on financial exclusion that focuses on the poor and inequality, mainly carried out by critical British scholars anchored in the social sciences. These articles use empirical data and theoretical and conceptual discussions, building, for instance, on ideology, 'governmentality' and the construction of financial subjects. They use financial exclusion/inclusion and also capabilities, which nonetheless appears to be a less divisive term. On the other side, 'financial literacy' in the United States and 'financial education' in the United Kingdom are the domain of economists. This research focuses on the poor, but to a substantial extent also the middle class; very little of it addresses the social conditions of inequality. They describe the role of states as that of provider of financial education campaigns. This research is less theoretical and reflective than the previous kinds; it has normative goals and aims at the formulation of public policy. Kempson and Lusardi, the main authors at this pole, are active advisers of the OECD and of their respective countries' governments.

These two research groups never intersect and never quote each other, even if the first group is interested in the second, mainly in order to criticize it. For example, Marron (2014) analyses the growing success of 'financial literacy' as another sign of the depoliticized and dissocialized nature of neoliberal ideology.

Some scholars in development economics have also tried to oppose the replacement of research on financial inclusion and financial capabilities with the financial literacy framework (Guérin, 2012). The liberal ideology underlying this term is highlighted, but the main concern is the fact that financial literacy policies want to impose one best way to manage money and stigmatize existing monetary practices that anthropologists and sociologists have precisely observed and explained.

The semantic hegemony of 'financial literacy' leads to the integration of quite different questions and populations under the same framing: mathematical competencies, money management, investment choices, opening of bank accounts in poor countries and so on. It targets, among others, people with money to invest, middle class wage earners who save for retirement, underprivileged people being helped by social workers. Education can be provided to children at school, as well as to the unemployed, women in small villages in poor countries, new employees that have to choose a pension plan and so on. A broad range of actors may be financial educators, including peers at school, financial advisers, bank employees in general, teachers and social workers. We shall return to this in the Conclusion.

2 Producing evidence

Promoters of the 'financial literacy problem' produce a lot of numbers that they consider to be 'evidence' or data on which public policies can be built. This explains why many surveys have been launched during the past decade to identify problems and evaluate the impact of interventions (World Bank, 2013). They have a kind of family resemblance because they are inspired one by the other. Conclusions are unvarying, including 'alarming low scores' (Lucey, 2005), 'particular concern' and 'worrying' results.

The OECD has produced not only surveys but also guidelines for making surveys. For instance, when the French state started to consider a financial literacy 'national strategy' (CCSF, 2015), it first requested a survey whose questions were elaborated from the 2010 OECD survey (Atkinson and Messy, 2011), inspired by the UK financial literacy survey directed by Elaine Kempson (Kempson et al. 2005). This OECD survey has been conducted in 12 very diverse countries, such as Peru, Germany and South Africa. It contains 19 questions on financial literacy. Kempson was inspired by a survey she headed in 2005 on behalf of the British Financial Service Authority (FSA) and by a US Financial Industry Regulation Authority (FINRA) survey directed by Anna-Maria Lusardi. In line with the OECD's benchmarking project (Gayon, 2009) the OECD survey was regarded as a comparative tool between countries with very different consumer finance landscapes. It was thought that the questionnaire could be used in all national contexts. For example, questions on credit cards have been suppressed because they are not relevant in many countries, whereas they were central in the FINRA survey.

The questions reflect the different components of financial literacy. The surveys by FINRA and the OECD distinguish between questions measuring knowledge (financial literacy itself), attitude and behavior. Knowledge is easily measured but less easy to analyze: what practical consequences arise from the fact that only 24 per cent of French people know the definition of an obligation, according to a survey conducted in 2011 (Bigot, Croutte and Muller, 2011)?

What can be concluded from the answers to the following question, developed by Anna-Maria Lusardi and duplicated in many surveys: 'Suppose you put \$100 into a savings account with a guaranteed interest rate of 2 per cent per year. You don't make any further payments into this account and you don't withdraw any money. How much would be in the account at the end of the first year, once the interest payment is made? (open response)' (Atkinson and Messy, 2012)? The highest score was achieved by the Irish, at 76 per cent, against only 40 per cent of Albanians and Peruvians (OECD, 2012). However, what does it really mean? That Albanians and Peruvians are bad at math? How worrying is it? However, research on budget management showed that most practices do not require calculation. Bourdieu (1977) shows that saving can have very different meanings: he distinguishes between foresight, which is a matter of protection against disruption, and forecast, which represents the capitalist conception of time, with a specific goal and an abstract future. These opposite conceptions of time can be found in both developed and developing countries (Perrin-Heredia, 2010; Saiag 2011), whereas in financial literacy surveys, only the second kind of country is considered.

Whatever criticisms one might make, these surveys highlight the inability of a significant proportion of the population to respond to simple questions and have become political tools to justify the need for financial education.

Thus, during an interview, one of the leaders of the French banker's association summed up the findings of the abovementioned investigation:

If we are dealing with someone who is obviously lacking the fundamentals, I'm not talking about the banking aspects, but perhaps just math, an overall understanding of what a budget is, how it works, what debt is, how much one should repay –

here, the AMF study was interesting: more than 50 per cent of the population cannot say how much I will have after one year if I save 100 euros at 2 per cent interest. Such questions and many others [raise] questions. ... We can do many things, we are trying to do many things ... Whenever we talk about these topics with political actors we always say that we worry that there is nothing in the curriculum on basic financial and fiscal education … since ultimately children will be responsible adults and citizens, they will have to make informed choices ... You cannot erase this educational part with a stroke of the pen.

Two other kinds of questions exist: (i) on attitudes that indicate people's relationship with time and their planning and (ii) on behavior. For example, do people carefully consider their purchases; pay their bills on time; have a household budget; shop around before choosing a financial product; try not to borrow to make end meets?

The challenge for researchers, particularly in the field of behavioral economics, is to define the causal chains between knowledge, attitudes and behaviors (Yoong, 2011), with behavior appearing as the final output. Experts are seeking potential levers of public policy. This requires proof that improved knowledge and shifts in attitudes – two goals of mass financial education policies that may be achieved – will influence behavior. More generally, they must demonstrate that a low financial literacy – the sum of knowledge, attitude and behavior scores – has adverse individual and collective effects. In many surveys, Anna-Maria Lusardi has demonstrated a correlation between low financial literacy and poor preparedness for retirement. Similarly, financial literacy helps people to make better investment choices. Nevertheless, are the same tools useful to households who have little money and households with wealth to invest? Is financial knowledge necessary for sound everyday money management?

Analyses of these surveys are always very normative. The announced goal of researchers is to evaluate the 'financial well-being' of respondents, but in order to measure it a single type of behavior is outlined. For example, French analysts call it 'reassuring' that only 26 per cent of respondents say they do not know how much they spend each month (Bigot et al., 2011). In FINRA and OECD surveys, answers to questions designed to measure behaviors and attitudes are either 'good' or 'bad', reifying good money habits. For instance, in the FINRA survey, many questions are dedicated to credit cards and respondents have to answer 'yes' or 'no' to the following statements: 'I always paid my credit cards in full'; 'In some months, I carried over a balance and I was charged interest'; 'In some months, I paid only the minimum'; 'In some months, I was charged a late fee for late payments'. From that, analysts call some behaviors 'expensive', but others 'positive', 'negative' or 'problematic' (Mottola, 2012). 'Good behavior' here involves paying credit cards in full, not carrying credit card balances, not using credit cards to their limit and shopping around to compare offers. The more precarious someone's financial situation, the more their behavior is judged negatively. The fact that these means of payment were invented for the precise purpose of accelerating access to credit and cash is not taken into account. In using this behavioral vocabulary, poverty is never evoked as a reason for people having to pay late fees or missing payments. Consumer credit products' design and marketing, especially with regard to credit cards, encourage the very behaviors regarded as 'bad' in these studies (see Ducourant, 2009). Such research never mentions the living conditions and socio-economic problems of the people concerned, nor the possibility of regulating the financial industry to avoid certain fees or debts that become impossible to repay. 'Education' is presented as the only way to overcome all the problems.

These surveys play many roles: they call attention to a problem that has not been sufficiently identified; they reify good and bad behaviors; they provide governments with means to measure the effectiveness of their policies, comparing different states. Recently, in the OECD PISA survey, which measures and compares the competences of 15-year-olds throughout the world in terms of 'reading literacy', 'mathematics literacy' and 'science literacy', a 'financial literacy' module was introduced. This represents new evidence of the OECD's willingness to both standardize the definition of a common set of knowledge on financial issues and to spread the idea that financial education is as important as language and math skills.

3 Blind spots or useless issues?

Proponents of financial literacy have undertaken a relatively complete institutionalization of the problem through its framing as a collective risk (Borraz, 2008) and the construction of a suitable semantic universe. In particular, it appears clear that competing framings of the problem have fallen by the wayside and have not been considered among the pertinent cognitive tools. This can be explained by the non-circulation of ideas between various disciplines, leading to little attention being paid to the institutional and policy determinants of households' financial difficulties.

In this warning effort dedicated to demonstrating the need for financial education, however, two significant questions have remained separate: (i) the impact of implemented programs and (ii) their content.

First, the evaluation issue. Even though the OECD, following its evidence-based policy logic, regularly calls for program assessment and produces guidelines to that effect, evaluation still poses many problems. Structurally, evaluations are difficult to implement, because the expected effects of financial education are long-term. Randomized experiments on a specific target may prove some impact; for instance, Duflo and Saez (2003) showed that information sessions on pension plans for company employees raised the contribution level of the attendees. Nevertheless, financial literacy proponents claim much more ambitious goals, such as improving financial well-being, wealth and social inclusion. The long-term impact has to be measured, which poses many methodological challenges. The first difficulty is to reach people months or years after training or awareness-raising courses. Surveys carried out by the Jump$tart coalition are interesting here: this US organization, founded in 1995, was one of the first to engage in financial literacy in schools. It has been organizing the measurement of financial literacy among young people since the 1990s. In one survey, they contacted 400 students (half of them had taken a financial management course) a few years after graduation, offering a $25 incentive for each completed questionnaire. The response rate was 19.75 per cent (the survey comprised 79 questionnaires) (Mandell and Klein, 2009). Many follow-up surveys have this kind of response rate. The second difficulty is to measure changes in behavior and financial well-being from declarative questions: attendees of courses may be inclined to answer positively in order to please their trainers and may underestimate their financial difficulties. Third, when specific behaviors are targeted in training (for example, to increase the personal savings rate, as in the SIMS program), even when the goal is attained is it sufficient to justify a declaration that overall financial well-being has increased? Finally, surveys should control for the potential influence of external events related to professional or familial changes.

In light of these methodological concerns, the results of the follow-up survey are quite disappointing. Returning to Jump$tart's indicators, the results are convincing when aimed at alerting the authorities and the public about the low level of financial knowledge (Mandell, 2008), but they are mixed, to say the least, when it comes to the impact of training, showing no differences between high school students who have and those who have not taken a financial management course (Mandell, 2009).

The second element, which is even less discussed by public policymakers is the content of the programs. Training courses are monitored by follow-up assessment, but only rarely is a precise curriculum proposed. How can we explain this reluctance to organize training content?

The multiplicity of national contexts is one reason: international institutions do not wish to be overly prescriptive because social insurance systems, the available bank products or the rate of use of banking systems may differ. It would therefore be useless, even counter-productive for them to examine content. This argument does not explain why national policymakers are also very reluctant to get involved with content.

Nonetheless, the opposite could also be argued: financial education practices may be so obvious and consensual that there is no need to specify any content. Such an education policy would therefore be very specific, because education policies are usually the subject of intense debate. Our observations of budgetary and financial education sessions showed us the diversity of information on exposure conditions, staging and teaching methods, even within the same organization, each trainer claiming their own 'style'.

Nevertheless, policymakers are concerned about the 'quality' of programs and insist on the need to train trainers. For example, many programs presented at the OECD are pyramid schemes designed to train those who train others. This will multiply the impact of training. However, many questions remained unanswered: who would train those trainers? What messages should be promulgated? What qualifications are required for giving good budget advice? Finally, what is good money management? The concept of financial literacy implies that the persons concerned face complex financial products. Therefore, the advice cannot be limited to a traditional view of household budgets, according to which one should not spend more than one's resources: individuals have to take into account their life cycle (save when necessary, borrow at the right time, prepare financially for a new baby or separation of a couple, build wealth for retirement), but also potential risks or life contingencies they might face (illness, unemployment and so on). They have to know how these risks are covered financially by collective or individual insurance and make sound personal choices. People have at the same time to be consumers to sustain or revive the economy, but also investors. Macroeconomic policies and microeconomic advice can conflict. When neither the financial markets nor governments seem able to provide protection, it seems quite challenging to transform into concrete advice the anxiety-provoking messages on the financial risks faced by households. Moreover, surveys show that levels of knowledge about financial products are extremely low: how can individuals who cannot answer basic questions be 'educated' to a level sufficient to enable them to face the financial dangers of the modern world?

We can see here a decoupling between policymakers and those who implement policy. While in some cases the objectives of actors at different levels may overlap, usually their goals differ. Regarding financial education, the further actors are from the people who take the courses, the more optimistic they are about their output. Thus, at the OECD forum, financial education was seriously presented by some speakers as a potential substitute for welfare state protection. In contrast, trainers on the ground say that if trainees obtain one or two tips from the training and a little more confidence in dealing with banks, that can be regarded as a major success.

How can we explain this decoupling? Lauren Willis, a US law professor, underlines the biases of the follow-up surveys and recalls that the effects of financial education are weak at best. She therefore contests the need for financial education (Willis, 2009; 2011). She considers that the results promised by financial literacy proponents could be obtained only with a massive financial outlay and points out that US citizens are not willing to pay much even for the provision of basic education. She considers that this focus on education is primarily another ruse on the part of the financial industry to deflect calls for regulation. She proposes alternative forms of consumer protection, including advice that helps people to choose between products and recommends that programs do not try to change people, but change products instead. Furthermore, mandatory products should be created and toxic products should be banned, while sales incentives should be strictly regulated.

While we completely agree that the current drive to promote the financial literacy issue is mainly a way to avoid more regulation (Lazarus, 2016), we think that another explanation can be proposed: the lack of interest in the content of the programs reveals how such policies are built and the ideology that underlies them. Besides the typical class relationship between policymakers and the technicians who implement the programs, it demonstrates that financial education is considered more of a moral than a technical issue. Policymakers regard 'low finance' as less prestigious and less technical than 'high finance'. How an investment fund works, or the cost of using a credit card or an overdraft, seem so obvious that policymakers do not find it necessary to pilot the provision of such information. Our current work on the implementation of a financial advice service in France confirms this observation, first made at OECD conferences.

Concluding remarks

Our different financial education observation sites enable us to reconstruct a chain that extends from academic whistleblowers to program implementation, through international institutions and national policymakers. Above all, however, it showed the work required in order to create a coherent chain. The constitution of the problem through its delimitation requires establishing that citizens lack financial skills and demonstrating that this has consequences for them and for the community. This delimitation also necessitates the coordination of existing initiatives to create a chain. These are not top-down policies; most of the time, the key intervention of the state is to label existing initiatives, which can have important effects on practices, evaluation and objectives. In France, the current implementation of the 'Points Conseil Budget', partly inspired by the British 'Money Advice Services', indicates a policy that accredits and coordinates already existing devices.

This mode of intervention has practical consequences, but its main implication is the shift it provokes in approaches to social intervention. In a country where the main protection of household budgets continues to be the welfare state – social benefits, replacement of labor income due to illness, unemployment or old age – a policy that claims that money management could replace money transfers is a sign of a major ideological change. Although it is dressed up as a 'modern' and 'technical' way of helping people to manage their money better, it is really part and parcel of a drive to moralize poverty.

Jeanne Lazarus *is CNRS research fellow at the CSO in Sciences-po. Her research has focused on relationships between bankers and customers in French retail banks. She has also conducted research on the sociology of money and the consumption and monetary practices of the impoverished. She is currently studying the making of a "responsible" financial market for individuals, in particular via education programs aimed at improving financial literacy, directives,*

and regulations regarding the commercialization of financial products and credit.

Endnotes

1We used Scopus on May 2016, searching the number of articles that contains those different terms in their keywords, title or abstract. Note: "all" is not the sum of the other lines since many articles contain several of the tested notions.

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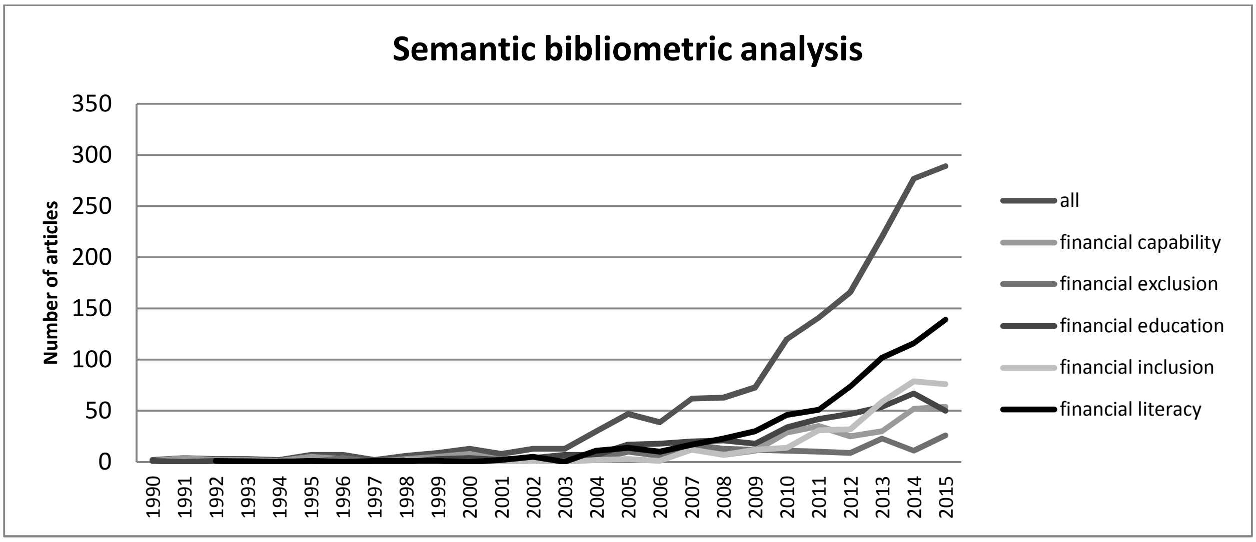
Appendix

Diagram 1



Scopus, 2016.1

Book Summary

Capital without borders: Wealth managers and the one percent

By Brooke Harrington

Copenhagen Business School, Denmark, bh.dbp@cbs.dk

Capital without Borders: Wealth Managers and the One Percent. by Brooke Harrington will be published by Harvard University Press in August 2016.

How do the one percent hold onto their wealth? And how do they keep getting richer, despite financial crises and the myriad of taxes on income, capital gains and inheritance? This book takes a novel approach to these questions by looking at professionals who specialize in protecting the fortunes of the world's richest people: wealth managers. Brooke Harrington spent nearly eight years studying this little-known group – including two years training to become a wealth manager herself. She then "followed the money" to the 18 most popular tax havens in the world, interviewing practitioners to understand how they helped their high-net-worth clients evade taxes, creditors, and disgruntled heirs – all while staying just within the letter of the law.

Harrington's research offers the first glimpse into the tactics and mentality of a secretive profession that controls astonishingly large flows of capital around the world. Based on 65 practitioner interviews – conducted in the traditional wealth management centers of Europe and the Americas, as well as the up-and-coming offshore financial centers of Africa, Asia and the South Pacific – this book gives voice for the first time to an elite that has worked quietly and unobtrusively to enrich the one percent.

Capital without Borders reveals how wealth managers use offshore banks, shell corporations, and trusts to shield billions in private wealth not only from taxation but from all manner of legal obligations. And it shows how practitioners justify their work, despite evidence that it erodes government authority and contributes to global inequality.

As recent research on stratification has shown, just one percent of the world's population now owns half of its wealth. Harrington's research details the financial and legal innovations behind this dramatic concentration of resources, showing how wealth managers are the key actors in both capital flows and public policies affecting taxation. The book also sheds light on headline news such as the Panama Papers, explaining why so many of the world's elites use offshore finance, and how such activity remains perfectly legal, however ethically questionable it may be.

With regard to stratification, *Capital without Borders* argues that wealth managers and their firms don't just make the rich richer: they make the poor poorer. Elites incur real costs when they fail to pay their fair share of taxes, or to pay back their debts to creditors. Those costs fall mainly upon the poor and the middle class. Indirectly, everyone pays in the form of reduced public services, in terms of slashed budgets for education, health care and transportation – all of which are important factors in upward mobility for those at the lower ends of the socio-economic spectrum.

Wealth management techniques also impose direct costs in form of surcharges on honest taxpayers and borrowers. In terms of taxation, research in the US and Europe suggest that this surcharge varies from 7 percent to 15 percent in additional costs to the rest of us in order to compensate for underpayment by the rich. At the same time, lenders – including both banks and firms that provide financing, such as car and appliance dealerships – raise the costs of borrowing to make up what they lose from high-net-worth individuals, who can default on their debts without penalty by using wealth management strategies. That increase in borrowing costs hits the poorest members of society hardest, deepening their already dire indebtedness and making advancement even more difficult.

These developments have ominous long-term implications for human capital, national development and political stability. We see this not only in the deep cuts in state services occurring now in Greece, Spain and other EU countries where tax avoidance depleted public coffers and made those nations particularly vulnerable to the financial crisis. We are also witnessing a "brain drain" of highly educated and skilled citizens from those countries, further dimming hopes of recovery. Those left behind are ripe – in the words of economist Thomas Piketty – to be "tempted by nationalist solutions, ethnic divisions, and the politics of hatred." In other words, the rising inequality created by wealth managers can develop into deep social fractures that threaten democracy itself.

Brooke Harrington *is Associate Professor of Economic Sociology at Copenhagen Business School. Her book* Capital Without Borders: Wealth Management and the One Percent *will be published in August 2016 by Harvard University Press. Harrington has worked on diverse aspects of finance, from global wealth management and its impact on socio-economic inequality to the sociology of fraud and of stock markets. Her 2008 book* Pop Finance: Investment Clubs and the New Investor Populism *(Princeton University Press) looked at the effects of diversity and decision-making processes on investment groups' financial performance. In a series of articles with Gary Alan Fine, Harrington has developed a theory of small group behavior and networks, expanding models first created by Erving Goffman. She has also written a series of articles on ethnographic methods. Harrington's work has appeared in a wide range of academic and policy publications, from the Socio-Economic Review to the OECD Observer, and has received broad media coverage.*

Interview

Frederick Wherry interviewed by Zsuzsanna Vargha

Frederick Wherry *is Professor of Sociology and Co-Director of the Center for Cultural Sociology at Yale University. He is the author of* Global Markets and Local Crafts*,* The Philadelphia Barrio*, and* The Culture of Markets*. He is co-editor (with Nina Bandelj) of* The Cultural Wealth of Nations*, and general editor of the four-volume* Sage Encyclopedia of Economics and Society*. He has served (or is serving) on the editorial boards of the* American Sociological Review*,* American Journal of Sociology*,* Sociological Theory*, and* The American Journal of Cultural Sociology*. He is currently studying how immigrant and minority households become more equitably integrated into the financial system. Frederick Wherry has been serving as Chair of the Consumers and Consumption Section of the American Sociological Association. Prior to publication of this issue of* Economic Sociology*, we learned that he has been named Chair-Elect of the Economic Sociology Section of the American Sociological Association.* Frederick.wherry@yale.edu

1 *You started out by studying handicrafts in Costa Rica and Thailand, one outcome of which was your book* Global Markets and Local Crafts *(2008). How did you become interested in that topic, and how did the work you carried out shape your view of markets as objects of sociological study?*

You think you are doing one thing and you end up doing something else. I thought I was going to do a project on social capital and community development – that is what I thought I was going to do. When I got to the field, some of the communities that seemed the most interesting to me were these artisanal communities, and so I moved from more of a community development, more generic topic of economic development at community level, to these objects that were being placed in different kinds of markets, but there was something more to these objects. So, when I was looking at the community level it was much more about the organization of production, there was a social capital story of how is it with some clusters: people within a community can just do more by virtue of their social ties and social arrangements. Here we have these objects that were actually being moved by intermediaries (and sometimes direct buyers) into different kinds of markets.

So I shifted my orientation from one that was emphasizing the dynamics of production as a sociological process and then putting these objects, intermediaries and other buyers into the mix and asking, how is the value of these objects generated, maintained and externally recognized? When I was doing this, and because I was in two different countries – being in different countries really helps – because some of the things that were being taken for granted in Thailand with regards to how outsiders could recognize claims about authenticity, about history and tradition, and about these artisans being well matched to the kinds of products they were making, those were claims that the artisans in Costa Rica could not take for granted. Because there was a different national narrative about what it means to be Costa Rican. So then I started thinking about how is it that by virtue of where you produce, where you're trying to make a claim about the value of that work you cannot make any claim you like, and those claims are tied up with these national narratives of value. Those early experiences and findings shape how I approach markets now.

2 *You saw the connection between the different actors, the objects they were producing and different notions of the nation, what it means to be authentic and what is economic value. These connections were different in the different countries.*

Yes, because there is a different notion of what different people are good at doing, that buyers carry into the site. When you are in places like Costa Rica and people say "Indigenous art"? What is that for Costa Rica? Versus if you are in Guatemala you say "Indigenous art? People kind of get it." You are in Costa Rica and you say it, and people are confused, towards the are external buyers. It was one of those things where the differences were so stark that it almost did not matter what the historical records said. What mattered was that each of these nations had put in a lot of effort in shaping the kind of message they wanted to put out about what kind of nation it is, what the people in that kind of place are going to be good at doing. For some types of thing people are: "Oh, but, you know, it's just in their blood. That's what they do." But you are travelling to

France and you get a glass of wine and you say "Of course the wine's good; it's France. It's just what they do." There are categories of products for which people just say "Oh, but of course it is going to be good if it is coming from there." I remember having this conversation with Nina Bandelj1 because she, with her work on Foreign Direct Investment – there you had national identity, being selective of opportunities in the market – and so, as I was reading that while I was writing my first book, and realized that we are talking about very similar things, but in what looked like very different spaces. So there she is with Foreign Direct Investment and here I am with artisanal product, and we were in Durban together for the ISA [International Sociological Association] meeting, and we said, "Let's team up." We ended up having all these informal conversations that then gave birth to idea of the edited volume, *The Cultural Wealth of Nations*. We wanted to do this together because there is something about the meanings of place that seemed to be shaping how people are finding good partners for particular kinds of things. In Nina Bandelj's there were some countries that particularly thought that if you have an Italian company, they would be fine for design; they're not so great for banking. They would prefer the Germans... These are gut reactions that had very little to do with any evidence that's been considered before and after. People can take a lot for granted when they are thinking about what their next moves are and who is a good match for what they are...

3 These taken-for-granted typologies strongly shape economic actors' decisions of who they are going to be partnering with. Is there a notion of "trust" that you prefer, or that is important in your work?

I don't do much with trust. I did do some work with enforceable trust. So, thinking about third-party enforcement of whatever local understandings are about how things are supposed to go. And there was a sense that the reason that you could trust with that contract is that everyone is so closely tied to one another that you risk being ostracized. There are all sorts of ways that you can be punished outside of the contract by people who mean something to you. That was certainly what I was working with in artisanal communities and that would come up quite a bit. They all know each other.

4 You do not really need the concept of trust because you have the concept of the social network?

Yes. So either you can work with the concept of network or you can think about what Zelizer called a "circuit," where people are tied together, they have a shared accounting system, so they have a specialized language for what counts and why it counts, and a shared set of practices around how you are going to keep track of your resources. That is all being influenced by the types of social ties you have with other people. Zelizer circuits and her meaningful view of markets have been a big influence on my work.

5 That brings me to the question, what has been Viviana Zelizer's influence on your work, and to what other theorists have you found it useful to relate? Weber and Bourdieu come to mind.

I had the distinct advantage of having this really great pairing of influences between Zelizer and Alejandro Portes. Some might say, isn't that a very different pairing? They are kind of different, but one of the things they share is a very strong Durkheimian strand that connects them. When I think of Durkheim, I think of meaningful rituals, I think of how solidarity works. Portes says it is the "value introjection" that is a source of social capital, but when it comes to Zelizer, I am thinking about things that are still held sacred and how the sacred manifests itself in modern economies and exchange systems. So I have this very strange relationship with Durkheim by way of Zelizer and by way of Portes. Although, in some of the Portes, there is of course a lot of Weber and Marx, etcetera. I do not do nearly as much with Bourdieu. In part it is because, while I find the notion of many different types of capitals useful, for me, as an ethnographer, the capital notion flattens the meaningful activities of economic life too much. […] You get all these capital accumulations of different sorts, and these are accumulations that are qualitatively different sometimes. They may not look like it at first glance. Although field theory has really helped shape quite a lot of work, it is not something I do.

6 How would you sum up your sociology of markets, which you have set out in your recent book The Culture of Markets (2012), and in your numerous other papers and books?

We could learn a thing or two from our friends in Economics. They clearly see the economy as a dynamic between supply and demand. We've paid too little attention to demand, and we've not paid as much attention as we should to what is uniquely sociological about our studies of markets. Why are we not examining the demography of branded commodities (e.g., Glenn Carroll), and why don't we have more comparative studies of work conducted by advertisers and public relations firms? I wrote that book as a preliminary statement on how to advance that agenda. I was also explicit in bringing in questions of inequality. We're good at it, you know. We ask, how are job candidates evaluated (and how do narratives about race and gender become encoded in those evaluations, when they do)? How are business partners selected and what makes some types of people appear to be good at doing certain kinds of things?

7 *In your recent theoretical work (e.g.* Theory and Society *2014), you introduce methods for cultural analyses of the economy, such as the "breached sequence analysis." Could you explain what this is, and how these ways of looking at action help us avoid what you have called overculturalized and underculturalized analysis?*

I have been influenced by how powerful and influential culture is for economic behavior. That is what led me to play with the idea of "breached sequence analysis." In the *Theory and Society* piece, the notion is that there are these typical sequences, whereby we organize the transaction, things that you could just take for granted. But if there are other ways to organize it, that may be as efficient or more efficient, but seem to somehow violate what the normative understanding is about that type of transaction. Is it consequential for the outcome? Could we imagine bringing back the old-style ethnomethodologists? You can imagine asking how much sequence matters, and are there things that we can do at different stages of a process experimentally, and just to see whether there is a different response in terms of evaluation of quality, evaluation of a range of price that is reasonable for that transaction. Especially if, when we are paying attention to whether or not the reaction is just based on "This is new, I'm surprised, I don't know how to react," or is this something we can learn from, in the sense that there may be other ways to organize transactions themselves that may give us outcomes that we care about? There are people that talk about the need for more inclusive economies and concerns about inequality are widespread, at least in the public discourse. What we are not talking about at the same time is that people are engaged in a lot of different transactions, some of them are leading them into making decisions that may not be healthiest for them in terms of widening inequality. Are there ways of thinking about experimenting with these transactions so that we can see at what point might people make different decisions? But those are experimental questions that might be fun to ask.

8 *With the idea that, depending on what it is that you change in that sequence, in the way that transactions are set up, the situation may just break down because it was a breach. But you will not know what triggers a breach until you experiment with it.*

Yes. This is the kind of thing that is really relevant for your work [referring to Vargha's research on financial interactions] because you are dealing directly with these customer transactions. When I saw your presentation [on assessing consumer risk preference], I thought "how much fun it would be if they thought that jiggling just this one moment in the interaction might have consequences for propensity to shuffle something over into savings or something else?" But it is about *where* you intervene in the sequence that may feel as if it is a natural kind of, "Let me pause and think about this other thing," or it may just be an inconvenience. Or something that just wrecks the whole thing. So, part of it is trying to ask, "What would happen if we became more experimental with things that we typically take for granted, like these standard transactions and financial institutions, etc.?"

9 *The social studies of finance and economic sociology which pays attention to the infrastructure and the social-technical side, these approaches help us even more to think of transacting as a kind of sequence that has different parts and can be tinkered with.*

But the nice thing about the sequence, too, is that it would, as I discuss it, make some of the useful work happening in the social studies of finance, it would bring some cultural analysis into it. The sequence itself may have a name, but there are some typical ways that people talk about these different stages, and some reactions that people have that are immediate, there is an emotional tenor to the reaction. It also means something, and we actually care about what it means as well as about what the outcomes are.

So I think this is a great moment for economic sociologists to say: "we actually have so much more to say than what gets said about what's going at banks and about what's beginning to happen with these online financial platforms." There is a lot of action out there and we should be more assertive in that space, along with our colleagues in Consumers and Consumption.

***10** Would you like to say a few words about the overculturalized and underculturalized analysis?*

It is basically a re-statement of Zelizer, and of Granovetter. So the Granovetter: he brings up Wrong's oversocialized and undersocialized views of human action and the marketplace, and getting away from values driving everything to the individual idiosyncratic actor, just on his or her own, and then you had Zelizer, a wonderful, useful essay about markets being completely submerged in culture in a way that was not necessarily productive for advancing a sociological analysis of a market, and so trying to steer a course between some of these larger meaning structures and the creative dynamic interaction interplay. And so one of the warnings, of course, that I would issue on underculturalized views of markets is that sometimes people say: "Oh, well, some of the market that you study, clearly there's culture going on because they're artisans," or "clearly there's going to be meaning going on because it is household finance."

***11** So they are telling you that you are seeing cultural things because of your object of study?*

Yes. It is by virtue of the object of study and therefore there are other objects of study in which, culture just isn't there. It is an underculturalized view and it is one that takes for granted why the instruments and objects that are being used in those markets are being seen as legitimate and why people seem to have agreement around how they are going to use those instruments and objects. And that is taking us into the realm of meaning that is intersubjective and that has force in shaping the course of action. Of course, once there is enough agreement, it all seems as if there isn't this consensus holding everything together, and if there is a consensus, they would say it is only because something was technologically superior and therefore it won the day. There is always a way to get meaning out of the way. And when we do that, it gets in *our* way, because it takes something off the table, from analysis, and it prevents us from asking whether or not a set of market processes or outcomes could be thought of in a radically different way. So we get in our own way and, if you think about where innovation comes from, innovation comes from looking at something and saying: "Everyone has said that there is no meaning here" and I say that there is something that you didn't know, that you didn't want to call meaning; I call it meaning and now I make a little tweak to it and now we call it innovation. I mean, essentially I'm going to recombine it with something and people are going to see it. And so we get in the way of sort of better understanding how innovation might emerge, especially for objects that seem as if they are settled objects [reference to Ann Swidler – ed]. This is one of the reasons why I am pushing against this underculturalized view, because, otherwise, we are settling things that are not settled. We are just taking them, we are just removing them from the possibility of doing useful analyses, making useful interventions about how might this thing be changed.

***12** Indeed, you have been very vocal about pushing back against the kind of arguments that culture is just overlay, or specific to certain markets, or that is not really what moves markets. For example, your work on the social characterizations of price [Sociological Theory 2008] approaches price from the viewpoint of consumer moralities.*

This is related to another question, the role of consumption in markets and in economic sociology. Currently you are the Chair of the Consumers and Consumption Section of the American Sociological Association [after the interview we learned of Frederick Wherry's election to next Chair of the Economic Sociology section]. Your own work typically spans the sociology of consumption and economic sociology, whether you are looking at handicrafts or lending communities. Arguably, consumption has been rather outside the purview of economic sociology, and it has often been treated as secondary to production and organizations, and derivative of these or even of markets. How do you think about these connections or non-connections between consumption studies and economic sociology?

That is something I actually love to talk about, just be warned! One of things we forget is that when Zelizer was elected as first chair of the ASA Economic Sociology Section, there was a piece that she wrote in the Newsletter in which she noted that these studies of consumption, production, and distribution were at the core of economic sociology. One of the things that she did there was that she called explicitly for consumption as one of those core arenas. It is a very Polanyian move.

One of the things you see on the consumption side, is that there is always a core group of Bourdieu-type work that is pretty helpful. There is also a core group of work on the meanings of objects and a much more neo-Durkheimian approach. And then you've got your – I think where the consumption section and economic sociology converge most is that in any kind of sociology there was not a whole lot of patience for critical studies of markets, and part of that was a reaction to... we were trying to make sure we were not coming across as being social commentators rather than analysts, social scientists, and so there was a real hesitation to do anything that might sniff of something that might make it into the popular press. Whereas I think in the Consumers and Consumption section, you both have some of the kind of work that you would see in economic sociology typically, which are also people who have more of an activist aspect, so you have the public sociologists, some of them not doing the kinds of work that in the core of economic sociology would be considered rigorous enough and detached enough. There seems to be a distrust of any work that looks to be too passionate on the part of the researcher. So I think what the Consumers group has done is that "We shall all co-exist." And "we shall learn from one another." You can imagine that you can take, depending on the kind of work you are doing, some of the concerns raised by people who are much more public and critical analysts, and you can apply a sort of a standard methodological, analytic framework to it and see what you come up with. So there are people out there, they are in the trenches, they find things. Research means to look again, so you can just go and look again, but in a different way and I think that is a healthier way to operate as a [ASA] section, because we do not need to control everything that everyone else is doing.

There is now, I think, enough, a core group of social scientists in the sector who are doing things that are recognizable to their colleagues in cognate fields in social science that we are not at a moment where we are worried about our legitimacy as a Section, as a sub-field. But if we are thinking about making the work that we do more publicly relevant, and if we are thinking about making friends with people who can help us be a little more innovative and a little bit more risk-taking in the topics that we choose, it is a good idea to have some critical sociology broken ground. At least, that's what I think.

13 *In terms of economic sociology, what did you think when you were working more and more as an economic sociologist, about the field's de-focus on consumers?*

The consumers, yes. "Who are they? And why do we care?" So there are people, Alya Guseva [current Chair of the ASA Economic Sociology Section – ed] for example, who say "There are consumers out there that use credit cards; it's a thing!" And Akos [Rona-Tas – ed]; I mean, there are people who are talking about economic actors who are recognizable to most of us as the typical economic actor, people who do things like "I'm using a credit card." So the hard part is that it feels as if we are in a moment where people are concerned about things like household finance, financial inclusion, and you would think that the section that would be leading, that we would just sort of be dominating this, that it would be the sociologists. So, our economist friends are good, and they are trying, and some of them in this space are really sociologically friendly. There is the "US Financial Diaries" project that Jonathan Morduch runs. He is fantastic, he has collaborated with sociologists. You would think that we would have a lot more discussions and engagements with people like Morduch and that we would be doing it on a regular basis.

Viviana Zelizer, Nina Bandelj and I were doing this volume called *Money Talks* and Morduch is in that volume, and we have got a number of other folks who are in that volume. It should show up in the spring 2017 catalogue at Princeton University Press, so we are really excited. It was one of those moments where we had the symposium at Yale, brought all these different folks together, some from law, some anthropology, political science... and it was just so refreshing to all be in the same room, because we were talking about things of common concern and we weren't so far off from one another. We thought, "We actually have an opportunity here to engage usefully in this discussion of household finance and financial inclusion."

14 *You were recently part of a White House panel on financial inclusion, organized by the National Economic Council. What kinds of discussions were on the table, and where did you see your expertise as economic sociologist make a difference?*

Last fall, out of the blue I get this invitation that says "The National Economic Council are hosting a roundtable on financial inclusion at the White House. Can you make it?" It was one of those moments where you're sitting in a room and some of the statements that people make, there is a clear assumption about what motivates people and it is an assumption in which social relationships are wholly absent. Now, this is not everyone of course who spoke, but some significant people who spoke and we thought, that is not how we understand human behavior and interaction. Relationships actually count, they matter and so the useful thing is that I was in a room where, clearly, this emerged as an unsettled issue about how people make decisions, and what are some of the key policy interventions that might be useful for bringing people more into a secure financial situation? When they extended the invitation to me, they had noted that they had read an op-ed I had written in *The Times* on payday lending, and they had looked at some other stuff, and they thought they wanted that voice at the table and... I think I made some friends there. So there were maybe two other social scientists there, but most of the other people were from industry, so people who were doing some innovative work: from the banks, or some of these new online platforms for payment systems. So I think there is an emerging vision of "Can we have a more just transaction system, whereby those who are the least advantaged are not asked to pay exorbitant amounts just for basic transactions, financial transactions?"

That was part of the discussion. Another part of the discussion has to do with how we think about family security. Are people going to be OK when they get old? When you are thinking about financial inclusion some of the things seemed obvious in terms of predatory lending and the lack of small-dollar loan opportunities at a moment in which people's incomes are much more volatile than they have ever been. The Aspen Institute is doing this new initiative called EPIC. It stands for Expanding Prosperity Impact Collaborative. There is a real concern with increased income volatility, so the recognition there is that, for a number of months each year, you have 25% less coming in to the monthly coffers than typically comes in. So when you have these constraints, binds, what do you do? When you are thinking about a household that already is, as they say, struggling to make ends meet from month to month, or week to week, and you know that you are going to have two-point-some months in which you've got 25% reduction in how much is coming in that month, what are you going to do? Your expenses are volatile, so in addition to trying to keep up with your basic expenses for the month and getting everything to kind of cancel out because you are living paycheck to paycheck, some months you are going to have these lumpy expenses. What are you going to do?

So part of it is trying to think about, are there better ways to think about consumption smoothing, and how do you think about the services that are available for consumption smoothing, and what is the role of the state, under what conditions does the state get in the way of innovative service offerings? But, with all of this is, people talking about service offerings and you start digging down into… for whom? What are the assumptions about why someone is going to use your service? And what matters to consumers? And that's where the trains start coming off the track. Because, in the policy world, there is still a core set of people who are committed to only a modified version of what an economic actor is and what motivates such an actor.

15 *Is it now more influenced by behavioral economics, still the individual actor, but with biases?*

Yes. So now they are buying into the biases part, but their thinking is more about, if there are biases, we just need to figure out how to fix people, or how to trick people not to follow their bias.

16 *So you came in and you said...*

"Actually, people don't need to be fixed; the services need to be fixed." So, in addition to biases, people also have moral and family commitments. There are commitments that you are going to meet because, if you have a kid, you think that when your kid graduates, if you've ever gone to a graduation ceremony you'll see extended family, and people are yelling and carrying gifts, and it's as if they're at a ball game because this is a rite of passage: that person is moving from one stage of life to the next, and this actually means something. So a lot of times when you think that people are unnecessarily getting themselves into trouble, what they're doing is still meeting family commitments. They have relationship ties and they have relationally marked parts of their funds – even funds they don't yet have – to make sure they meet these kinds of commitments. So a better question is, how can we help people meet commitments that they see as obligatory without harming themselves too terribly when they do that? That's a matter of discussion rather than saying "You just need a better educational fix," or "you need to be nudged out of it." There are some things you are not going to be nudged out of.

And that [contribution at the National Economic Council] was helpful, and that is when you see who your friends are, and it is remarkable how friendly people in industry are to these types of acclimations. Because when you are in industry, you do not actually care about defending a particular theoretical camp. You care about doing something which you see as resonant with what you yourself see with your client base, and you are trying to make sure that you are doing everything that you can to, on the one hand to make money, but also some of them think of themselves as also doing some social good, quite frankly, and so I think some of the sociological explanations they hear, these seem to resonate with them.

***17** That is very interesting. You would think there would be a categorical unwillingness to understand, by referring to the idea that "if you can't afford it, don't do it." That would be the harsh budgetary reasoning, so it is good to hear that some people are receptive.*

You have studied the question of financial inequality, especially with regard to minority and immigrant households. You have written on payday loans, financial inclusion and empowerment, and studied movements such as the Lending Circle with Anthony Alvarez and Kristen Seefeldt, in your project funded by the Russell Sage Foundation's Behavioral Economics Program. How did you become interested in these questions, can you say a little bit more about this work, and how you approach finance?

Yes, and a lot of those things [above] are emerging out of this work I am doing with Anthony Alverez and Kristin Seefeldt. One of the things that happened with us is that we were fortunate in that a project that we are working on is at a non-profit called the Mission Asset Fund. The founder of that non-profit and its executive director, he worked with Cordray at the Consumer Financial Protection Bureau because, when Cordray came in, they established a consumer advisory board to the CFPB and they appointed him, Jose Quinonez, as the chairperson of that consumer advisory board, so he was sitting atop this set of people who are representing credit unions and all sorts of other folks who are doing really innovative work on financial inclusion, and he is also just a good guy. What he did with this "Lending Circles" idea is that he was a Masters student at the Woodrow Wilson School [of Public and International Affairs, Princeton] and took a reading course with Alejandro Portes where he read about the informal economy and social capital. So he is reading about the informal economy and while he is out in California, he is hearing about all these people of color who do not have bank accounts, people of color who do not have credit histories, they are not seen as credit-worthy, they do not show up as paying bills on time, and he asked himself: "But, wait a minute – I grew up in this community. I know that people do take out loans and they pay them back and they pay them on time! But they do it informally."

So then, the light went off to say people are involved in a number of credit-worthy activities that demonstrate that they are reliable, but they are just not getting any credit for it. So how do we formalize some of these informal practices so that people can do things that they feel comfortable doing and they simply get credit for it? He gave us access to staff members and for several years I would just go back and forth (before this project started) and just hang out with the staff and follow them around. As you know, that is really a joyful thing to do. Then we did this interview component and last summer we interviewed 58 of their clients. Actually, almost all interviews were done by a PhD student at Stanford, Marlene Orozco, who is really incredible. Marlene gives me confidence that our field is thriving.

We were able to talk to Mission's clients both about their participation in the Lending Circle, and more generally about "Can you tell me about the last time that you needed to find a short-term loan? Where did you do it? Have you ever used a payday lender? Or anything like it? When was the last time? What was it like?"

Trying to go away from judgments and just trying to figure out, "Why did you go there? What was it like? What about pawn shops, what about this, what about that? Tell me about the last time your family members asked you to take out a loan for them (that happens a lot) and you said no. Tell me about the last time you almost said no, but said yes. Tell me about the last time you said yes straight away." And trying to get a sense of when people are thinking about why they are going to take on debt, even high-cost debt: "What is it that makes it feels like it's an obligation; that you just have to do it?"

And so we are trying to get a better understanding about what people's priorities are, rather than what we think that their priorities ought to be. We feel really fortunate to be able to work with the Mission Asset Find because they are trusted by their clients, and so we are at a non-profit where the organization is trusted and you are trying to get people to come in for an interview and some of the people – they had some of their clients who were undocumented – to come in and get someone who is already nervous about their papers to talk to a stranger. That requires a lot of trust with the organization for them to feel comfortable coming in and then when they sit down, ready to unload, you know, because they told us good things and bad things. You are talking to clients and they are telling you the good, the bad. We told them that there are no consequences, even if you said something negative about this organization that wanted your loyalty. They seemed to take that at face value, that, in fact, they could say what they needed to say, and what they were going to say might help the organization as they think about improving services, etcetera. But then they could talk about what is going on in their own lives, and talking about money can be very emotional. It is one of those moments where you really, you've got grown-ups who are talking about feeling that they couldn't be the kind of parent they wanted to be. And this is all tied to their finances in the sense of: "For me to be a good mother or a good father, at least I need to be able to do these good financial things." So that was the other thing, sort of the meaning of how they were budgeting and how they were earmarking their budgets. It was not about mathematical optimization. It was about relationships. And what it means culturally to be a good parent. So that was an inspiring set of conversations. The other fun thing, too, is that I find that after we talk about some of the findings that are coming out of this work, we are setting up soon to do a webinar, I think it is some folks with JP Morgen Chase and others who are sort of thinking about... and I've had some other interesting conversations with policy people, foundation people, even some of the foundations that are attached to banks and they have research arms and people, they are really grappling with these issues and they are looking for, you know: "Can someone tell us something that we are not thinking about right now?" And so they do not need an emaciated version of an economist. They don't need that; they need someone who understands economics, so that we are not talking around each other, but they are trying to figure out what it is that this other person brings to the table that we are not really thinking about, or not able to think about systematically, given the way that we work.

So some of that, I think, has helped when they are designing services, when they are designing new instruments or interventions, this meaning stuff actually matters to them on the design side. On the delivery side they say, "Oh, yeah, meaning gets you in all sorts of trouble on delivery." So they say, "Who do you turn to for that?" Some people who work in marketing who are basically sociologists and anthropologists who are trying to fill in that gap but... here we are.

18 *The theme of this year's SASE conference is moralities in the economy. Is there a debate here, with one argument being that markets are inherently moral formations, a central tenet of cultural analyses of markets, if you wish, and the other that market-based society crowds out and has no place for moral behavior because economics empties out markets of these considerations, which need to be added back in through a struggle. What is a good way forward for sociology in thinking about moralities?*

It brings me great joy to have a SASE in which morality is back, front and center. In fact, a lot of the public debates about everything from how much students owe for college tuition, to how much someone pays in taxes, versus how much people are earning at the bottom versus the top. Even the wealth disparities – these are not discussions about whether or not having less means that you are hungry, or it is not about, "OK, students owe a lot when they leave some of these colleges, but they get jobs." These are moral arguments; this has moved into "There are some things that are right and there are some things that are just not right." And the public debates… and then when I talk to friends… or you think about interviews you've done with people who were business owners, a lot of what they talk about in their interactions is, it's a moralized language. Even these debates about small-dollar loans and financial inclusion are in the moralized language of "Who is a deserving debtor?" Which is partly how I ended up writing that paper in *Sociological Theory* on the social characterizations of price.

So there is a sense that there is a deserving and an undeserving debtor. There are some people who should be able to get a short-term loan – or a long-term loan – they should be able to get it very easily, they are deserving. Sometimes that language of deserving is cloaked in a more technocratic sense of *reliability*. But often it is, "There are people who spend too much, they are not responsible, they lack self-control, etcetera, and they are undeserving," It used to be "poor" – now, it is the deserving or the undeserving debtor. Because when you are participating in a financial system, often you are being extended a credit card and you've got a credit history. So it is about whether or not you deserve to be able to take out a short-term loan even if you are paying too much for it. So the fact that they have made this moral term and focus on the meanings of economic action and the meanings of market-based interactions, I think that bodes well for an interpretive, meaningful sociology of the marketplace.

19 *That is very interesting because of all these studies which have said that it is the rise of these systems of classification – if you think about Marion Fourcade and Kieran Healy's work, histories of credit, that literature seems to be saying that there is very little discretion there on the decisions. But I guess if you look not at individuals, not at* *mortgages, but if you look at businesses, business is less automated, too.*

Yes, business is less automated and if you also look at the debates that the regulators have... there are so many different offices that are regulating the one thing – you learn this the hard way – and you might have three regulatory offices lined up to say: "Poor people should be able to get loans at a reasonable rate," and you have another one that blocks it and says: "Actually, poor people just need to learn how to live on less. If you can't afford it, you can't afford it." Then you need to just have more control and it does not matter that these proposals are trying to get your interest rate down to 37 or so percent, it does not matter that APR is much better than 400 percent. They just do not want them to do any of it. They think: "If you can't do it like everyone else, it's too much." So they are making moral arguments about the poor and their money, so this is also a good occasion for returning to Zelizer's *Social Meaning of Money* book and looking at those two chapters on poor people's money. Because that is where a lot of the moral debates happen around what types of money should be issued to poor people, what types of restrictions should be placed on it. Should they have money at all? And what is the public imagination of how they are using that money? And there's a sense of this frivolous spending and this is like, I was very happy to see Joseph Cohen's piece in the *Journal of Consumer Culture* where he said there is this myth of the consumer society and people spending on all this stuff, and when you look at the data, they are not spending it on jewelry or electronics, that is not what has been going up. What has been going up is childcare and rent, education. So if you have a relatively flat income and it has been flat for a while and the only thing that is going up is how much you have to pay for childcare, how much you need to pay for rent and whatever your education expenses are… Voila! You probably need a loan every now and then to bridge. This is not rocket science, yet there is a sense that people simply are not living within their means and this is much more about helping them to discipline themselves, so you are doing them a favor by teaching them the "value of sacrifice."

20 *When you look at minorities' problems and immigrants, do you think this is a heightened moral site where these arguments are played out?*

Yes, it is a heightened moral site and there are lots of narratives about "brown" people and the way they use money... there are lots of narratives out there and images out there for that. The other difficulty is that, given the big differences in wealth accumulation by race and the number of relatives that you will have in the black or Latino household who are not doing as well as you are – they are working, they are just not doing very well, financially – who then will need a favor, who will call upon you for assistance. And so with the safety net being shredded in the US over the years, families become safety nets for their extended kin, and that need to be the informal safety net is heightened in communities of color. Rourke O'Brien has a piece out in *Social Forces* that is really good on this topic. He says when you look at black and white households holding income constant – so, even when you can have the same income as your white counterpart – you have negative social capital affecting how much you have left over to put into assets and to do asset building. Because you have more family members, relatives, who are going to need short-term or longer-term loans, and when a family member is living paycheck-to-paycheck, gets an unexpected expense, they may have every intention of repaying the loan... probably not going to happen. Or even if it does happen, it comes in such small payments – this is another thing that we found that people talk about, they say "When you're getting a bunch of small payments in, because it's such a small payment, you're not sure exactly where you're going to put it."

21 *You don't treat it as a repayment.*

You don't treat it as a repayment because it is just a little bit here or there, so it is just like a little extra spending money. So, even when you have relatives who are trying to make sure that they are meeting their obligations, the way they repay you, it does not end up going where you want it to go.

22 *And that is exactly why it is so important that you are vocal in pushing back on that, in those types of large sample size statistical studies that would almost cherry-pick these individuals and compare them on variables holding others like income constant. Whereas you have different lengths of circuits beneath each one of them, which are filled with these meanings about who you care for, and how you valorize those relationships with these loans.*

Yes, and so that has been great to have those conversations with Anthony and Kristin. I used to go solo on all my work when I first started and now, doing this collaborative work, it has just been such a gift because at each stage someone has some experience or some other kind of work they have done that pushes your head in a different direction, and it forces you to do revisits to a place and a set of understandings that you thought was settled. It's not settled. So that has been really fantastic.

Zsuzsanna Vargha: This sounds like a fruitful experience. Thank you so much for the interview.

Endnotes

1 Editor of *Socio-Economic Review*, former Editor of *Economic Sociology, the European Electronic Newsletter*

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Journal Introduction

Social Politics: International Studies in Gender, State and Society

The mission of *Social Politics* is to provide "incisive analyses of gender, politics and policy across the globe". It seeks to bring gender, in all its diversity, to the forefront of research on states, polities, economies and societies and to situate these analyses within international and comparative contexts. The journal's vision is to engage with concerns of gender, both as they are articulated by self-identified feminist activities and expressed in other arenas in which feminists work, such as challenging capitalist practices and logics, environmental politics and human rights activism. *Social Politics'* intellectual roots are broadly located in the explosion of theorizing of states and politics sparked by social movements of the 1960s and 1970s, and carried through to the present in the form of critical, feminist work that bridges theory and empirical research. These are all vibrant and exciting fields of scholarship in which *Social Politics* has already made a mark. The contributors to the journal over the years have investigated the underpinnings of social policies as they crisscross public and private, interrogated politics that deepen inequality and institutionalize hierarchies and shown the gendered elements of modern state power and social politics to be multiple and to vary by time and place. The journal has also played a leading role in bringing gender into mainstream scholarship – especially on the welfare state – while pioneering new concepts and approaches for the comparative study of power, policy, and politics from a feminist perspective.

Social Politics aspires to be a trailblazer in the areas core to its mission and a vehicle for scholarship of the highest standard, both theoretical and methodological. It seeks to air a wide range of debates and highlight differences as a productive and fruitful route to critical scholarship. The recently-appointed new editors – Kate Bedford, Mary Daly, Margarita Estévez Abe and Aleksandra Kanjuo-Mrčela - intend the journal to be even bolder in its emphasis on comparison and 'talking across differences'. They are are actively planning for the journal to have a wider geographical reach so that it can facilitate dialogue among an even broader range of scholars. In sum, the aim is that Social Politics will continue to be a leading light in debates and new research agendas around gender, class, sexuality, race/ethnicity and nation, the politics of global markets and economies, transnational governance, and the gendered contexts and contests around care practices and policies as these play out in diverse parts of the world.

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Call for Papers

Valuation, Technology and Society

Organizers: Hendrik Vollmer (University of Leicester), Yuval Millo (University of Warwick), Miker Power (London School of Economics), Keith Robson (HEC Paris)

A Workshop sponsored by Accounting, Organizations and Society

21-22 April, 2017, College Court, Leicester

A growing number of researchers across the social sciences are investigating valuation as a social process. Alongside the long-standing interdisciplinary research into accounting as social and institutional practice, a number of new fields of research and thematic banners have been arising in areas relevant to the study of valuation, fields such as the social studies of finance and sociological studies of "economies of worth" (see, among others, Callon, 1998; Boltanski/Thévenot, 2006; Callon/Millo/Muniesa, 2007; Knorr Cetina/Preda, 2012; Aspers/Dodd, 2015). Valuation practices have been studied with respect to the construction of markets, firms or states, and they have been associated with the making of economic agency in various shapes and forms. Technological aspects of valuation from organizational routines to calculative practices, computer algorithms and information systems continue to figure prominently throughout such research. In particular, valuation devices – artefacts, processes or assemblages that enable, frame and bring about valuations – have been a focal point in interrogating and revising central concepts of social and economic theory, most notably with respect to concepts of e conomic action, markets, performativity, human and non-human agency.

Despite such common focus, convergence of empirical findings is still limited with respect to how the spread and use of valuation devices affects the diverse social settings in which valuation takes place – and, critically, how the use of such devices transforms values and valuations. Recent publications indicate that such convergence is increasingly coming within reach (Kjellberg et al., 2013; Antal/Hutter/Stark, 2015; Dussauge/Helgesson/Lee, 2015; Kornberger, Justesen, Madsen/Mouritsen, 2015). We observe considerable momentum across fields in addressing questions such as: how do tools and technologies of pricing, costing, indexing or projecting value change the ways people in firms, markets, in the profession, and in everyday life value goods, activities, or one another? To what extent do valuation devices create novel accounts of value? Are there regularities in the types of accounts and accounting which valuation devices bring about? In what respect do collective valuations change once they are increasingly supported by ready-made technologies of accounting, measurement and calculation? What is the effect of black-boxing valuation in artefacts and does the diffusion of such artefacts change, consolidate or dissipate economic agency? To what extent does it decentralise how value is being accounted for, e.g., through the use of social media or online rating systems? How does the diffusion of valuation devices across society affect the work and occupational niche of valuation professionals such as accountants or market analysts?

The *Valuation, Technology and Society* workshop aims to build on the wealth of research currently addressing these questions by bringing together a broad range of scholarship from across (and not necessarily limited to) accounting, finance, anthropology, sociology, economics, history, science and technology studies, media studies or social psychology. We are specifically seeking papers that use in-depth empirical analyses of valuation devices in social contexts in order to address the analytical and theoretical challenges in understanding valuation as a social process and indicate points of convergence across cases.

Indicative themes are:

☐ the impact of valuation devices on banking and finance, for example, in the delivery of financial services in retail banking or the making of investment decisions; the extent to which the use of valuation devices has brought about and supported new forms of recruiting clients or interacting with stakeholders; the impact of valuation devices in creating new lines of business, for example in the emerging fintech sector and in blockchain banking; how valuation devices have transformed markets and organizational cultures through dynamics of disruptive innovation, pressures to innovate or the recruitment of IT talent.

☐ the mobilization by valuation devices of different types of qualitative and quantitative data, algorithms, ratings and rankings; the ways in which they make use of 'big data' and internet traffic; how valuation devices make use of mobile computing.

☐ the effect of valuation devices on technologies of the self through the introduction of new forms of measurement and value, for example, in health and personal fitness; how mobile or 'wearable' technologies are part of broader information systems in tracking fitness or risky behaviour; how valuation devices contribute to the management of populations.

☐ how valuation devices affect the construction of social problems like economic growth, climate change, air pollution, immigration, public spending or sustainable development; how the scope of valuation has been extended to take into account social and environmental impacts of organizational action; the effects this has had on finance, investing and the management of risk.

☐ the involvement of valuation devices in processes of reorganization and reform; their roles in dis-assembling and re-assembling organizations and institutions.

☐ the effect of valuation devices on the competition among professions over the recognition of expertise and the struggle over professional jurisdictions; whether valuation devices instantiate particular forms of 'adversary accounting'.

☐ how valuation devices affect the very logic of account production, for example by involving customers and clients in the construction of ratings and rankings.

☐ whether there is a specific role for valuation devices in valuing objects that are unique and 'singular', for example, rare items or works of art.

☐ how different forms of social science contribute to the development of valuation devices; whether novel forms of social science are made possible through the use of valuation devices in society; the roles of accounting in exploring these possibilities.

We believe that social science has much to gain from a more continuous understanding of how accounts of value are produced and circulated among human and non-human actors, facilitate action and organization, and underpin markets, networks and institutions.

Please send an abstract (about 500 words) of your intended contribution by November 10th 2016 to the organisers of the workshop c/o Hendrik Vollmer, hv25@leicester.ac.uk

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Book Reviews

Book: Vollmer, Hendrik, 2013: *The Sociology of Disruption, Disaster and Social Change: Punctuated Cooperation.* New York: Cambridge University Press.

Reviewer: Adriana Mica, Institute of Applied Social Sciences, University of Warsaw, a.mica@uw.edu.pl

This book analyses activities and patterns of responses to disruptiveness by participants of social situations. It looks at strategies of coordinating activities and expectations in various contexts, such as interpersonal interactions, organizational stress and failure, and violence and warfare. The main finding of the book is that there is a certain "relational bias in strategies of response to disruptiveness" (p. 235), which manifests itself in both minor and severe unsettling contexts, in individual and collective responses alike.

What does this mean? Put simply, Vollmer argues that when confronted with disruptiveness, the participants of social situations focus on status, membership, social capital and forming coalitions, while issues such as the gathering of information and immediacy of norms and morality fall somewhere in the background. In situations when we need to interact with unknown participants, or with known participants but in new and unknown circumstances, the classification of others and the self-categorization of us in terms of position, membership and relations gains priority. This was evident from the responses subsequent to the disruptions provoked in Garfinkel's experiments: "What came over you? We never talk this way, do we?" But it also occurred in episodes of conflicts between newcomers and senior members in formal organizations, in the sequences of turbulence brought by succession, as well as in the dramatic search for alliances during warfare. The tendency to pick sides and clarify membership has always manifested itself.

Vollmer reaches this conclusion in an initiative which mobilizes and systematizes theoretical tools from a variety of sociological analytical traditions in order to establish the basis for a sociological theory of disruptiveness. Figuring highly among the resources put to use are the sociological theory of framing, keying, interaction order, practical sense and expectations. Insights have also been brought from the sociology of habitus and social capital, and from historical and organization studies. The theoretical effort is quite fascinating because the material is organized in such a way that we practically witness the birth and first steps of a new theory.

But why is a sociology of disruptive events something new? And what are its starting assumptions? According to Vollmer, sociological theory has indeed, more often than not, underlined the significance of disruptions, and their impact on social order. Yet, it has so far failed to cumulate and systematize the valuable yet scattered input brought by sociologists. There are several reasons for this state of affairs. The most obvious is perhaps the fact that sociologists do not actually differentiate among "[v]arieties of disruptiveness" (p. 207). Instead, they are used to applying a sort of "bifurcation of ordinary and disastrous disruptions" (p. 12), without really taking into account the relation between these two opposing manifestations – "sociologists have not produced an understanding about how disastrous disruptions relate to the ordinary troubles which researchers like Erving Goffman have been investigating" (p.8).

Vollmer therefore concludes his book with a proposal to distinguish different sets of instances within a continuum of disruptiveness, from ordinary to critical events – the so-called "varieties of disruptiveness", such as disruptions, disaster and runs of punctuated cooperation. Whether an event resembles more a disruption, a disaster or a run of punctuated cooperation is endogenous to the order of social situations, and depends on the manner in which participants cope with actual occasions. In addition, we should also be aware that the characteristics of sequences are changing in time, so that what began as a punctuated cooperation may take the route of a disaster, and eventually of normalization. Analyzing disruptiveness according to this logic would mean tracing the dynamics which takes a case from a starting point C to point E, and establishes the shifts in its characteristics and the timeline of these events. For instance, this is how the timeline of the Challenger accident could be depicted – "[…] the Challenger disaster would begin at point C with an instance of punctuated cooperation in which coordination is unsettled after which some normalization of deviance takes place, before disruption is marked more explicitly just before the start of the shuttle, the disaster takes place, there is a collective aftermath of blame, and finally NASA finds a normal level of response at point *E*" (p. 211).

It thus emerges that there are at least two main points made by this book. The first argument – regarding the relational bias in patterns of response to disruptive events – is more in terms of a falsifiable statement. Vollmer has already given us food for thought in this regard. He showed, for example, that in episodes of the normalization of disruptiveness, the "cognitive (what happened when and why) and normative (assessments of deviance, sanctioning) keyings" (p. 234) are of the essence and not the relational expectations. The second point – regarding sociology as an analysis of varieties of disruptiveness (and not of disruptive events sui generis) – is more in terms of a theoretical meta-assumption and general methodological approach.

These are both strong and valuable contributions. The problem is, however, that they might be too ambitious to bring under the same roof. The book might simply set out to accomplish too much by advancing both the founding arguments of the sociology of disruptiveness and the hypothesis that in the wake of disruptiveness, participants of social situations focus on issues such as one's positions, status, membership and building of coalitions. Some inconsistencies and incomplete thoughts therefore occur throughout the book. For instance, the title gives the impression that this is mainly a work about the sociology of disruption, disaster and social change, while the process of punctuated cooperation is of secondary importance. But from the reading, it seems that Vollmer is instead arguing for a sociology of varieties of disruptiveness whereby punctuated cooperation, as a set of events within the continuum of disruptiveness, appears on an equal footing with disruption and disaster. So why is punctuated cooperation mentioned only in the subtitle? Another issue is that some of the arguments, while interesting, are nevertheless caught in a circular logic. For example, Vollmer argues that disruptions and disasters are not external events sui generis, but that they are endogenous to social situations. By the same token, it is not disruptions which lead to punctuated cooperation, but punctuated cooperation may lead to disruptions. Theoretically, this all sounds fine. But in the empirical discussion it was relatively difficult to uphold to this theoretical standard. Sometimes, grave varieties of disruptiveness were nevertheless presented as exogenous impacts on social situations by the author himself – see, for example, the discussion about succession, warfare etc.

While these inadequacies cannot be overlooked, we should not let them distract from the main arguments of the book. There is certainly a vacant theoretical niche in sociology as far as the response to varieties of disruptiveness is concerned, and Vollmer's book undertakes a vital job of filling it.

Book: Jarzabkowski, Paula/Rebecca Bednarek/Paul Spee, 2015: *Making a Market for Acts of God: The Practice of Risk-Trading in the Global Reinsurance Industry.* Oxford University Press.

Reviewer: Vera Linke, University of Bielefeld, vera.linke@uni-bielefeld.de

Making a Market for Acts of God is an ethnographic account of the coordinative practices that constitute the global reinsurance market. The book contributes to economic sociology, more specifically to the sociology of markets, in that it explores how collective market practices generate economic evaluations. Like other social studies of finance (Callon 1998; Kalthoff 2005; Knorr Cetina & Bruegger 2002), Jarzabkowski et al. make use of practice theory. While this practice approach guides their extensive empirical research to various sites of market-making (p. 17), the authors move beyond merely delivering descriptive detail. They set out to answer 'big questions' (p. 190) and apply practice theory to macro-level phenomena such as market stability.

The ethnography starts with two observations. First, it is difficult to assess the product that is being traded (disaster risk) because of its underlying uncertainty. Since it is impossible to estimate the exact time and place of future disasters, reinsurances do not know precisely what kind of risk will be responsible for triggering later indemnification claims (p. 3). Second, the reinsurance market is astonishingly integrated. General norms for cooperative behavior are salient, and sanctions for disloyal and opportunistic behavior are exercised (p. 55). Moreover, the industry's claim "united we stand, divided we fall" (p. 11) comes to life in the practice of "collective risk bearing", where the different reinsurances buy segments of deals at the same price agreed upon by consensus. The authors suggest that such a strong consensus is, in fact, a solution to the problem of product-inherent uncertainties.

Their central question, namely how the industry achieves consensus in practice, leads to the concept of coordination. Previous studies about coordination in markets, however, cannot explain the strong consolidation of the global reinsurance market. In contrast to traditional markets that either implicate face-to-face interactions or heavily rely on state regulation, Jarzabkowski et al. characterize the reinsurance market by the infrequency of its meetings (only annual meetings are held) and by the absence of strong regulative structures (p. 14). Furthermore, the comparison to other financial markets – which, after all, also deal with the task of commodifying uncertainty – shows that the reinsurance industry does not depend on technologically aided information exchange (Knorr Cetina & Bruegger 2002) or dominant analytical models (Millo & MacKenzie 2009) to the same extent that classical financial markets do. Therefore, the authors suggest a new concept for the analysis of reinsurance markets: "relational presence," which they distinguish from the competing approaches by calling them "embodied presence" and "response presence" (p. 16). Relational presence connotes that underwriters and other relevant actors at various sites in the reinsurance industry act through the same means and in awareness of each other (p. 188). They simultaneously quote for the same deals, use analogous calculative technologies, and similarly adjust for the existing financial commitments and risk appetites of their companies when assessing new deals.

The main body of the book (chapters 2–5) provides the reader with a vivid account of those practices within and across different market-making sites. The last chapter (chapter 6) explores market dynamics and develops the concept of "nested relationalities" – the assumption that the different market-making sites connect and react to one another. Specifically, Jarzabkowski et al. reconstruct changes at one market-making site (the cedents) and propose that these trigger the transformation of general market characteristics: The market for acts of god, they tell us, changes into a market for commodities (p. 158). In drawing analogies to the subprime mortgage crisis, they argue for the imminent instability of the reinsurance market when it treats risk as a precisely assessable commodity. Though this generalization only appears in the last chapter, it builds on assumptions that are implicit in the preceding ethnographic parts, namely that the former market for acts of god was actually "able to financially trade" (p. 182) in disaster risks, as its practices were a solution for the unpredictability of underlying events. How do the authors argue in the case of market instability?

Starting in 2010, one of the largest global insurance companies begins to retain more of its less extreme risks and reduces its 240 reinsurance deals (including a wide range of risk types and territory) to just 5 "bundled" deals that cover their entire portfolio (p. 159). As more insurances are able to carry more risk by diversifying their portfolio themselves, they leave only the more extreme events to the reinsurance industry, therefore making the latter more "catastrophe-centric" (p. 163). This change in the cedents' behavior confronts underwriters at reinsurances with the more complex bundled deals, as well as with more infrequent, incalculable events. Jarzabkowski et al. portray the industry as agitated about those developments, since the reinsurances had never focused solely on extremely seldom events and accordingly do not have experts "who can calculate super catastrophe" (p. 165). Even if deals can be evaluated technically (through models similar to the Black-Scholes one), the market for acts of god relies heavily on something the authors call "contextualizing." Contextualizing modifies any kind of formalized evaluation by taking into account the more specific attributes of the deal, the relationship to the client, current market dynamics and the reinsurance's own risk portfolio and risk appetite (pp. 89, 175). Since the practice of contextualizing is extremely specialized with distinct "epistemic cultures" (p. 101) and therefore said to be incommensurable, the evaluation of bundled deals is difficult to manage within those old structures. Jarzabkowski et al. suggest that the processing of bundled deals leads to a strengthening of the commensurable technicalizing aspects of evaluation at the cost of contextualizing. Increasingly, risk becomes "a commodity that may be relatively precisely valued and traded" (p. 182). The overreliance on the technicalizing aspects of evaluation, i.e., on models, disconnects the commodity from its underlying "reality" (p. 176) and therefore renders reinsurance markets potentially unstable. Although this change of coordinative practices that stabilized traditional reinsurance markets presents an interesting case for research (especially in light of the numerous crises in other financial markets), the book's claim about the instability of the global reinsurance market requires further empirical support and reflection, as well as conceptual specification.

For the argument of market (in)stability, Jarzabkowski et al. gather empirical evidence from traditional reinsurance settings. While this enables them to speak about changes to this one setting, the analysis of general market dynamics remains somewhat speculative. Other actors (apart from reinsurance companies and their employees) either appear as triggers for change or are only briefly touched upon without giving details about emerging calculative practices. The study, for example, mentions that the current use of correlation techniques in insurances differs from the techniques of risk diversification in reinsurances (p. 179) but does not explain how so. Though hidden from the view of reinsurers, it might just be that insurances, as they attempt to diversify their portfolio in order to retain more risk, assemble and apply contextualizing expertise (either by recruiting their own analysts or by buying analytical competence from external providers). What the authors witness does not inevitably speak of a new overreliance on models and a market that is "losing a sense of reality" (p. 178) but possibly tells us something about the organizational and professional problems of reinsurances being forced to accept a specific, predetermined portfolio. This, admittedly, is an issue for small reinsurances, since they do not have the capacity to cover expertise for all kinds of risk and therefore cannot contextualize the information condensed in bundled deals (p. 176). Nevertheless, it does not explain the assumed misalignment between "reality" and models, nor is it sufficient evidence for the drastic consequence of market instability that the authors predict. Jarzabkowski et al. run the risk of becoming too immersed in the self-descriptions of experts in the field, as they center their observations mostly on one type of market actors (namely underwriters). After all, the underwriters' skepticism towards new calculative practices does not necessarily have to be explained by the drastic consequences for the industry as a whole; it could also be seen in the light of power struggles and jurisdictional claims of occupational groups (Abbott 1986).

Furthermore, the ethnography forfeits opportunities for analytical precision, because it does not specify the concept of commoditization. Commoditization refers to calculative practices that detach an "entity from its particular physical or material basis" (p. 71f.), thereby constituting tradable objects. Considering its analytical significance for the book, the authors devote surprisingly little time to putting this definition into relation with other concepts, such as marketization. In juxtaposing the market for commodities with the market for acts of god, they imply that the market for acts of god shows a lesser degree of commoditization and that an "increased marketization" and "more commoditized products" potentially lead to market instability (pp. 174–177). Jarzabkowski et al. establish that there is an antagonism between increased marketization and stable markets; unfortunately, they do not reflect upon the puzzle that the "less marketized" market for acts of god is still a market. Commensuration and commodification have – to some degree – always been part of (re)insurance markets. Insurances frame events in economic terms and thereby construct a good that they call risk (Dean 1998; Ewald 1991; Zelizer 1978). The empirical observations in *Making a Market* even show that underwriters do actually compare risks across epistemic cultures, as they describe their deals in the commensurable terms of rate of return, risk appetite, and risk diversification (pp. 65, 67f.; 71f.). Do Jarzabkowski et al. insinuate that a semi-commoditization, a continuous distrust in commodifiability, is necessary in order to have a stable market? In focusing on the transformation from a market for acts of god to a market for commodities, the authors portray the former reinsurance market as being in a state of equilibrium with just the right amount of commoditization. This interesting but surely controversial position on market stability would have benefited from a more extensive discussion.

Though the authors' conclusion about the cognitive limitations of technicalized evaluations does not fully convince, their rich empirical material allows for another way to argue for the instability of reinsurance markets. I will briefly indicate how the ethnography supports an argument about the potentially destabilizing effects of lost pooling capacities and of diminished organizational control over price reactivity (see also Heimer 1985). Instead of arguing about losing a sense of reality, I suggest emphasizing phenomena of (1) losing traditional pooling potentials and (2) of losing the opportunity for payback.

(1) Solvency is a core issue for (re)insurances and can therefore advance our understanding of organizational (Huber 2002) as well as market structures. Global diversification has been an established strategy in the reinsurance sector. Even though reinsurances do not know precisely when a flood will occur, for example, in Germany, offsetting it with other flooding events across the globe or even with other types of events will help them remain solvent. This is a basic technology of insurance. Even though one does not know which individual case will have to be indemnified, collecting from a large pool of clients will enable solvency on the part of the (re)insurer. The reinsurance market depends on covering many national markets and therefore benefits from the cedents' inability either to identify that in global perspective their acts of god may just be statistical variations or to find the resources to retain such risks. When insurances start to diversify globally, the market is left with extremely rare events. Staying solvent by spreading risks globally is one option that the reinsurance industry is increasingly having problems grasping. The market's

instability is not necessarily a result of more complex and opaque calculations but rather stems from the fact that traditional means of spreading one's risk are no longer available.

(2) Throughout the book Jarzabkowski et al. give detailed accounts of the relevance of long-term relations between reinsurances and their cedents, but they don't reap the benefits of this insight for their generalizations. It is possible to interpret long-term relations not just as an information mechanism, but more so as another strategy of guaranteeing solvency despite the difficulty of evaluating the product. Some of the most fascinating passages of *Making a Market* relate to the notion of "payback". Payback refers to the long-term relations of cedents and reinsurances through various cycles of hard and soft markets, i.e., low and high prices. It is an understanding that reinsurances will be able to raise prices after a disastrous event has happened. After an event, underwriters build up expectations and collectively bid for a higher consensus price – or as one interviewee puts it: "The market wants payback" (p. 36). When alternative financial deals compete for deals with the classic reinsurance industry, the former codependence weakens; it becomes more difficult to push for higher post-damage prices in order to build up reserves. Instead of explaining market instabilities through unrealistic predictive techniques, the loss of payback opportunities directly points towards systemic problems of solvency, and therefore of market stability.

The biggest asset of this book is its comprehensive ethnography. Anyone interested in the sociology of insurance and financial markets will profit from having read this striking empirical account of the reinsurance industry. The practice approach achieves two objectives. First, it covers different sites and modes of market coordination such as calculative technologies, membership in organizations and expert communities. Second, the concept of relational presence describes them in terms of their market-making effects and therefore explains coordination in absence of face-to-face interactions, technological mediation, or dominant models. Unfortunately, as Jarzabkowski et al. apply practice theory to the "big question" of market stability, the distinction between self-descriptions of the field of traditional reinsurance actors and the authors' explanatory claims is repeatedly blurred. Moreover, the authors do not attempt to apply this concept to other markets in order to test its usefulness in comparison with other explanations, such as embodied presence and response presence. How would a relational approach rewrite what has been said about professions, networks, and norms in other markets? Since most sociological work can be said to be about "relations" (Fourcade 2007), such demarcations would have been helpful in clarifying the analytical benefits of practice theory. In the end, Jarzabkowski et al. present an intriguing argument but leave quite a few central questions unanswered.

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PhD Projects

The political economy of German finance and development: The turn of German banks to microfinance

Institution: University of Sussex

Author: Mareike Beck, m.beck@sussex.ac.uk

Microfinance has become a very popular development tool. It originally started as a purely philanthropic endeavour to end poverty but it has now become an integral part of mainstream financial markets. My project explores the political economy of this expansion of microfinance into global financial markets. Specifically, I examine the German banks' engagement with microfinance from the 1990s to the present day. Traditionally, banks had little interest for these very small loans and informal markets which implied relatively large administrative costs, higher risks and little returns. I therefore aim to understand the reasons and ambitions of German banks to get involved with this development endeavour before it became so popular for private capital in the mid 2000s.

Using a historical-institutionalist account, my project contextualises the turn of German commercial banks to microfinance within the trajectory of the German financial system. Methodologically, using semi-structured interviews and annual reports and other documents, I trace the specific microfinance practices that Deutsche Bank and Commerzbank adopted. These organizations' microfinance strategies relate to the challenges they faced in becoming global investment banks. Whereas Deutsche Bank mainly engages with global funds and complex financial tools, Commerzbank focuses on market development in Southeastern Europe. I aim to make a three-fold intervention with my project:

Firstly, I aim to broaden the geopolitical focus of Anglo-Saxon financialisation and development and explore the involvement of German commercial banks who claim to be pioneers of microfinance. Contrasting the two countries can deepen the understanding of how developments within countries with differing political-economic backgrounds shape (micro-) finance practices and how these practices interact with their national interests as well as their specific financial lineages.

Secondly, I am interested in the different kinds of innovations around the securitisation of microfinance which enable global banks to trade micro-debt that was previously inaccessible for global commercial institutions. Much research has focused on the innovations that create "poor-appropriate" financial tools for micro-borrowers whereas the different techniques necessary for global banks to deal with tiny, informal loans have received less attention. The microfinance practices of German banks differ substantially between the individual banks as well as from their previous engagement with social responsibility.

Finally, I am interested in the role of development institutions and the German state. Microfinance is often portrayed as a tool of neoliberalism in which states retreat while private capital and financial markets expand. However, I show that Western banks have collaborated closely with state-owned development banks to find lucrative ways to securitise microfinance. The involvement of financial guarantees for microfinance products by the German state has been crucial in steering investment into microfinance.

The nation-state as an agent in international tade structure of a globalizing world economy (19th and 20th century)

Institution: Department of Sociology, Panteion University, Greece

Author: Nikos Koskinas, n.koskinas@panteion.gr

This thesis aims to study the structural aspect of foreign trade related to the notion of the nation-state in the context of a globalizing economy. In economic studies of foreign trade we seldom encounter the nation-state as a functional variable, although much of the data on which all trade analyses are based are obtained from national statistics. In the case of international trade studies, the notion of trade partner has received little attention and the role of the state is limited to a protectionist/antiprotectionist guard in a world of horizontal corporate trade networks, downgrading thus the important aspect of nation-structure within the international economic field. But the notion of trade-partner is not only an economic concept, but a political and a sociological one as well.

Using trade share data, I disentangle the web of all trade partners for each country for whom the trade share exceeds 1% and work out the global trade structure at the meso-level of the nation-state.1 I analyze how these structures, which do not necessarily constitute a network, evolve through time and what the implications are for the economic relations between nation-states. I depict trade shares similarly to a world trade-partner map,2 and include multilateral imports and exports for 1896, 1906, 1965, 1980, 1995, 2005. I compare structures across this time horizon taking into consideration historical specificities.

Some of my findings are that in a century's time international trade structures shift only gradually and so it is plausible that they could be situated in a long-wave perspective. At the same time, they correlate to shifts in power and hegemony in the international economy relating to specific nation-states. Regionalism in international trade appears to be a field structured by the gravitational force of specific nation-states, elaborating thus the argument of Fligstein (2001) that global trade refers to a well-established trade between the leading regional economies. Structurally the change in trading patterns seems to fit a theory of an international economic field similar to that of Pierre Bourdieu (2005) where the nation-state replaces the firm as agent. In addition, each nation-state seems to have a gravity effect in the international economic field.3 But not all nation-states' gravity effect and dynamics seem to have the same effects on international trade structure. Nevertheless, this combination of long wave theory and economic field theory clears a path for constructing a component of a temporal-structural non-deterministic model of economic change.

Endnotes

1For the late 19th century I use data from Statistical Abstract of Foreign Countries. Part I-III. Statistics of Foreign Commerce, Department of Commerce and Labor, Bureau of Statistics, Washington, 1909. For the late 20th century I use data from United Nations, International Trade Statistics Yearbook, various years and the UN Comtrade Database.

2A similar thought is set in motion in the work of Grotewold and Grotewold (1957) but it restricts itself to a single trading partner due to the kind of depiction that it adopts (cartographic maps). As a result the global view is lost.

3As theorized by Martin (2003). See also Fligstein, McAdam (2012).

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Economy and moral in blue. A sociological study of the illegal dollar market in Argentina

Institution: University of Buenos Aires, Argentina

Author: Maria Soledad Sanchez, sanchez@unsam.edu.ar

Between 2011 and 2015, the development of an illegal dollar market has acquired a growing economic, political and social relevance in Argentina. Increasing inflation rates opened intense discussions about the value of the local currency, and the external constraints of the economy led the national government to introduce strict regulations on the foreign exchange market, in order to address the lack of dollars. Beyond the importance of this market in terms of its volume of transactions, its sociological significance lies in its capacity in highlighting deeper dimensions of the logic of Argentine capitalism, showing the extension and consolidation of multiple illegal yet legitimized practices in the local financial community. This transactions and its object of exchange, locally known as "blue dollar", are also productive to observe significant long term practices that shape the local financial cultures where the dollar itself is more than the numerical reference for the currency exchange but a true social and cultural value. Through a qualitative research approach, this project aims to characterize the "blue dollar" market from a socio-cultural perspective. This means, by apprehending the illegal practices as manners of acting, feeling and thinking that are crystallized in material, but also cognitive and evaluative structures created and recreated in the local financial community through specific social ties and dynamics. The articulation between the theoretical perspective of what can be seen as cultural studies of the economy (the contributions of Marion Fourcade, Jane Guyer, Kieran Healy, Michèle Lamont, Jens Beckert and Viviana Zelizer, among others) and cultural criminology (outlining a tradition from Edwin Sutherland to the subculture theories and its critics) allows for rethinking the tensions between the normative and the moral dimensions of these economic strategies. After a socio-historical reconstruction of the recent process of financialization of the local economy in order to comprehend how illegal currency trading became a regular and extended practice in the local financial community, I focus on the description of the heterogeneity of financial and commercial agents (as well as their business strategies) that shape this complex network of financial intermediations as a liminal space between what is legal and illegal. As well, I analyze the set of meanings and values that configure the "blue dollar" as a currency that is illegally traded but legitimately earned or saved, and also define its exchange as an illegal practice but not criminal or immoral. These constructions are related to the ways in which financial agents define the social function of the market and distinguish the currency they trade (producing moral differentiations between "white", "black" and "blue" dollars), as well as their insights and judgments about the legitimacy of State intervention over the economy and the capacity of the national currency to fulfill the principal monetary functions. Finally, the thesis also attends to the public debates over this illegal market, since the "blue dollar", its price and its forms of exchange acquired not only great visibility in the public arena, but also became the object of political disputes between multiple agents and social discourses that seek to either legitimize or criminalize those practices. In conclusion, the project suggests that the illegal dollar market does not operate in opposition to or beyond the formal financial institutions, nor is it opposed to extended beliefs and values that organize our economic culture, even though it may contravene foreign exchange regulations. In these transactions, a powerful and socially legitimated cultural (and moral) grammar is produced and reproduced, allowing us to understand why it is not a taboo to buy and sell "blue dollars" in the local financial market.

The Politics of Financial Literacy Education

Institution: University of Bremen, Research Group "Transnational Political Ordering in Global Finance"

Author: Marcus Wolf, marcus.wolf@uni-bremen.de

In my dissertation project I explore the ascent of financial literacy education as a policy project, and ask how it changed in the course of the recent crisis. The question I am interested in is how different actors have understood the issue of financial literacy and which narratives have become dominant at the EU, US and OECD level (since the mid-2000s). Has financial literacy been a project favouring the spread of financial rationalities or rather a consumer protectionist one? Also, to which extent has the subprime crisis served as a narrative anchor point for proponents of financial literacy? I argue that a view on narratives can help identify key coalitions and opponents of financial literacy education and lets us understand the role of ideas and policy frames in the promotion of and opposition against financialization.

Financial literacy education has been a core ingredient of the rise of a mass consumer culture in finance, but an equivocal one. The concept's appeal was nourished by its own ambiguity: while some of its proponents emphasize the importance of changing consumer behaviour towards more risk-friendly stock market investment, others want to see it as a project of consumer protection against financial industry. How can this coalition of proponents between industry, public administration and consumer groups possibly be holding together? Which actors were excluded and which ones included?

By analyzing publications such as reports, consultation responses, press releases by, and interviews with, major actors in the field such as public administrations, financial industry, consumer organizations, and academics, I want to gain an understanding of how they saw financial literacy education and how that perception changed in the crisis years. In order to identify key actors in the field, the project will additionally draw on network data that comprises global financial literacy summits, conferences and advisory groups both in the EU and the US. The project thereby combines methods from discourse analysis and social network analysis.

Following other scholars from international political economy (e.g. Blyth, 2002; Schmidt, 2008), I argue that ideas serve the purpose of forming discourse coalitions (Fischer, 2003). This approach transcends the borders of classical interest-group research (Korpi, 2006) which focused rather on resource mobilization as the main element of explanation.

By identifying key narratives of financial literacy education and at how they are shared among different actor groups, I thus aim at explaining how ideas of personal responsibility and financial market participation have spread throughout civil society actors and policy-makers. Insights from this analysis could thus contribute to an understanding of the political repercussions of financialization (van der Zwan, N., 2014) in terms of rationalities and policy frames.

Furthermore, by examining financial literacy narratives across time, the project can identify how large-scale events may change actors' perceptions of the norms that can legitimize reform proposals. This research can thus show how discourses of financial literacy education changed from an investor-oriented focus (risk diversification of investments, pension planning) to rather debtor-oriented issues (sustainable management of personal budgets, choosing the right mortgage contract) in the aftermath of the subprime crisis.

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