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## Article

## Note from the editor

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# Note from the editor

Dear reader,

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

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

Nowadays, finance is seen as continuous generator of “XXL-problems” for economies, for national political regulation but also for the global political order. As Michael Lounsbury, Pooya Tavakoly (in the first contribution) and André Orléan (in the interview) argue, the reason for this is not the lack of liberalization of financial markets. The opposite is the case. The public became more and more aware of deregulated financial markets as economic spheres wherein economic actors tried (and still try) to defy regulation and institutional control. Their aim was (and still is) to realize extreme profits for themselves instead of serving the economy and enhancing societal wealth. For Orléan there is a “built in” instability in liberal financial markets, they are multipliers of uncertainty. Also the value of financial assets cannot be seen as grounded in “real” as-

sets (machines, buildings, real estate, etc.) – for identifying a shared recognition of value proceeded by finance in a self-referential manner. For all these aspects financial markets will keep troubling economies and societies. All these aspects make financial markets and financial organizations a highly fascinating and promising object under study for economic sociology.

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

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

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

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

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

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

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

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

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

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

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## Endnotes

<sup>1</sup>See ESEEN 12(1-3) in 2011, ESEEN 10(2) in 2009, ESEEN 8(3) in 2007, and ESEEN 3(3) in 2002. All back issues of ESEEN are available at:

[http://econsoc.mpifg.de/newsletter/newsletter\\_archive.asp](http://econsoc.mpifg.de/newsletter/newsletter_archive.asp).

<sup>2</sup>See for the interview with Laurent Thévenot ESEEN 5(3) in 2004.

<sup>3</sup>See for the Interviews with (again) Laurent Thévenot ESEEN 8(1) in 2006, Robert Salais ESEEN 9(2) in 2008, Olivier Favereau ESEEN 14(1) in 2012, Christian Bessy and Claude Didry ESEEN 14(2) in 2013.

<sup>4</sup>I would like to thank the MPI staff, Christina Glasmacher und Mark Lutter, for the excellent cooperation.