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Article

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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 tradi-

tional 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,

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Endnotes

1Bitcoin 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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