Book Review

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When finance extends its reach, so does the SSCF. A comment on “Finance at work”

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DOI: 10.1515/ael-2018-0011

Valérie Boussard (Ed.) *When Finance Extends Its Reach, so Does the SSCF. A Comment on Finance at Work*, Routledge, Abingdon, New York, 2018, 263 Pages

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Book Review Symposium: “Finance at Work”

1. Charron, J. (2018). When finance extends its reach, so does the SSCF. A comment on “Finance at work”. *Accounting, Economics, and Law: A Convivium*, 10(1), pp. 1-5. Retrieved 10 Mar. 2019, from doi:https://doi.org/10.1515/ael-2018-0011.
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1 Introduction

The title of the book may be puzzling, but when you read it you realize that puzzles are not where you thought they could be. Until you also realize they may not all be puzzles.

It can make you think this edited volume is about how finance affects work and the workplace, or about how finance professionals work, or about the concrete effects of finance as a driving force. The third idea is the closest one to the rationale declared by its editor: the book “gathers researches about financial work in order to pursue the investigation of financialisation” (p.1) and thus “unpacks the financialisation process by scrutinising what financiers do when they work” (p.1). Financiers’ work is investigated, but from the perspective of financialisation, i. e. with a focus on the way the logic of finance, seen as “a particular work that specifically determines the manner in which capital is allocated” (p.6) has been spread during the last 20–30 years through time and social spaces. By researching how financialisation is worked out, this book intends to present an alternative to the “macro” view of this process.

Do the 13 research contributions match this claim? In terms of approach, certainly: they effectively deal with financialisation as a “boundary issue” (p.9), studying how financiers’ work defines and defends the frontiers of finance and extends its territory, how this work has been redefined to support this extension, and also how career paths at the top of the social hierarchy have changed accordingly.

Puzzles lie elsewhere: in the way financialisation is defined, in the definition of the research field the book belongs to, in its unacknowledged limitations that may not be limitations after all.

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2 Capital allocation, power and the rest

As we saw, the chosen definition of financialisation is focused on capital allocation: it is seen as a “shift in capital allocation [...] rooted in new valuation conventions and leading to assign new roles and uses to money” (p. 4). The very word financialisation suggests something called finance is spread, now seeing finance as what allocates capital echoes the (old) mainstream economic view of finance as an intermediary between savings and investment. Social sciences have taught us finance can be seen otherwise, in particular as a power relationship, financialisation appearing then as a change in the balance of power between actors, which can be understood and perceived in the wider context of social relationships. And in fact both aspects appear in the book.

From our view, 4 chapters put forward the change in capital allocation: Gilles Laferté and Abdoul Diallo show us how the *Crédit Agricole* “converted” wealthy farmers to more diversified and risky financial products, Antoine Ducastel and Ward Anseeuw how farmland has been “assetized” in South Africa, Pierre François and Claire Lemerrier how a continuity of the dominance of a financial elite has coexisted with a discontinuity in the way financial functions are performed, a similar evolution appearing in Valérie Boussard and Simon Paye’s study on career trajectories of HEC graduates with “the rise of commodified finance” (p. 164). On the other hand, 4 chapters rather stress the balance of power dimension: Taylor Spears illustrates the continuing dominance of the front office on the back office, in his case of front office quants on those working in “model validation” departments, Natascha Van der Zwan how the symbolic power of financiers blocked an attempt by American trade unions to build a “labour-friendly” investment fund, Emmanuel Lazega, Lise Mounier and Sylvain Lemaire detail a longstanding capture of the Commercial Court of Paris by financial interests, Antoine Machut shows, through career paths analysis, the inability of financial journalism to establish its autonomy toward financial institutions.

Interestingly enough, 2 chapters really combine both dimensions: the treatment of firms as commodities by M&A services firms, perceived through the work of their partners and employees by Valérie Boussard and Marie-Anne Dujarier, impacts the way they are valued and funded but also implies a domination relationship; in a quite different setting, the aggressive spread of credit by Spanish banks in the pre-crisis period investigated by Quentin Ravelli is shown as a way to extract money which was both new and predatory. A common point between the two cases is the arm’s length and mechanistic treatment of “investees” through standardized indicators and models. In our view, this common point is financialisation’s core component. We could ask ourselves if the change in capital allocation determines a change in the balance of power between actors or if the causality goes the other way around, but the phenomenon that seems to drive both aspects can be identified, following Eve Chiapello, as the spread of specific calculative instruments and metrics designed from an investor’s point of view, hence these are power tools as well as allocation tools.

This leaves us with 3 chapters that don’t fit well into this categorization, simply because they are less concerned with the spread of the logic of finance than with the inner workings of finance as a social world. These are the 3 final ones, constituting the 4th part called “Internal boundaries” introduced by Olivier Godechot stressing it shows sociology of finance is general sociology applied to this social world. Which leads us to our second puzzle: to which research field does this book belong?

3 Several categories, one conversation

Given Valérie Boussard’s research interests, you could first think to classify it in sociology of professions, sociology of work or sociology of management. There are chapters that can be labeled this way indeed. For the sociology of professions, the most obvious case is Camille Herlin-Giret on wealth managers: she shows how a specific rhetoric “that emphasizes working with and guiding people rather than money management” (p. 211) played a decisive role in both the definition of the profession (and its distinction from asset management or pure financial planning) and in the way its inner hierarchy makes it part of a male-dominated and elitist social world. Valérie Boussard and Marie-Anne Dujarier, for their part, clearly contribute here to the sociology of work with their research on M&As services firms. Considering companies as commodities, which is implied by the very activity of these firms, is shown to be highly consequential in the daily work practices and interactions. They describe professionals whose exclusive focus on figures and ignorance of what they may refer to is also related to the marked closure and social homogeneity of their professional environment.

Now economic sociology could also claim this book as belonging to its territory, rich as it is with detailed descriptions of interactions and interdependences between participants in the asset management “chain” (Antoine Ducastel and Ward Anseeuw), front office and back office (Taylor Spears), banks and their privileged clients (Gilles Laferté and Abdoul Diallo) ... The common focus on finance and financialisation, however, can justify the somehow narrower label “sociology of finance”.

Finding the right category, though, may be less relevant than finding the right conversation: which are the edited books this one better echoes, interact with? In our view, these are the ones belonging to what has come to be called “social studies of finance”: “The sociology of financial markets” (Knorr Cetina & Preda, 2005), “The Oxford handbook of the sociology of finance” (Knorr Cetina & Preda, 2012), “Finance: the discreet regulator” (Huault & Richard, 2012)¹ and “The making of finance” (Chambost, Lenglet, & Tadjeddine, 2018). Compared to them, “Finance at work”, apart from a more extensive use of financialisation as a general framework, brings to light under-researched professions (wealth management [contributions by Camille Herlin-Giret but also Gilles Laferté & Abdoul Diallo], financial journalism [Antoine Machut]) or perspectives, with Stéphanie Mignot-Gérard, Constance Perrin-Joly, François Sarfati and Nadège Vezinat using the notion of intersectionality when studying early careers in portfolio and wealth management; this last contribution, for example, in spite of its limitations (we can mention the research was conducted in a relatively “low-tier” institution, arguably not very representative of the field of higher education in finance), it is really innovative in applying this approach investigating the distinctive and interrelated effects of class, race and gender in educational choices in this field.

By and large, the book is also arguably a more focused and, to some extent, homogeneous project, with its claim to assign the 13 research contributions the common goal of showing “how financialization works”. Its very structure, with 4 “senior” researchers (Karen Ho, Donald Mackenzie, Sabine Montagne, Olivier Godechot) introducing the 4 sections, also seems to signal this “conversation”, whatever its name, has reached a form of maturity. Their first works, undoubtedly pioneering ones, begin to make room for a new generation, to the point that Frank Dobbin in his foreword can call “established leaders in the study of the practice of finance” (p. xiii) these 4 academics, whose common point is that they have contributed to *create* a research field that barely existed 20 years ago.

But again, what research field? And is it a field? The “SSF” label is unsatisfactory: it suggests this research applies to finance the pragmatic research program previously initiated by Bruno Latour and Michel Callon in the field of science and technology studies or “social studies of science”, which is, as Olivier Godechot rightly points out, “both historically incorrect [...] and misleading” (p. 191). “Sociology of finance”, as a label, makes room for the diversity of methodologies and theories in use in sociology. Even this one, however, should be used with caution, by keeping in mind “sociology” here has to be understood broadly as “social science”, not as the academic discipline of sociology. Scholars in anthropology, management, history, political science and (yes) economics have contributed to a better understanding of the extraordinary development of financial activities which has taken place since the 1980s, and the ongoing dialogue and interactions between them and sociologists makes it hard to define this research field in academic terms. It is an interdisciplinary venture driven by its focus on finance as a social world; may we suggest SSCF for Social Sciences Conversation on Finance?

4 A French sociology, nicely

In any case the work of the (rare) non-sociologists in this book cannot be epistemologically and methodologically distinguished from the work of the sociologists. The same can be said for the (rare) non-French compared to the French. Which introduces our third (possible) puzzle: “Finance at work” is quite predominantly a *French sociology* of financialisation, albeit this is not clearly acknowledged or taken in account by the editor.

In terms of academic disciplines, among the 22 contributors of the 13 chapters, we see 16 sociologists, 2 political scientists (Natascha Van der Zwan, Camille Herlin-Giret), 2 economists (Antoine Ducastel, Ward Anseeuw), one historian (Claire Lemerrier) and a database manager (Abdoul Diallo). This last specific case put apart, we checked the “academic nationality”, i. e. the country where the PhD has been obtained, for these contributors: 18 are “academically” French, 1 British (Taylor Spears), 1 American (Natascha Van der Zwan) and 1 Swiss (Emmanuel Lazega). 9 of the 13 researches have been conducted on a French terrain.

Should these features be considered as a limitation or a merit? A liability or an asset?

The prevalence of sociologists is none of them: it was just hard to avoid, probably. Interdisciplinarity is routinely praised but really hard to put in practice given the lack of institutional support and structures. There still aren’t research grants, laboratories, academic journals, annual conferences ... really and specifically designed to support the “conversation” we were talking about, with all its diversity and scope.

Then we would argue the focus of France is an asset, a real strength of this book. This point is clearly made by Sabine Montagne when she shows for example that, in the advent of shareholder value in France, the “rise of the CFO” didn’t play the key role it had in the US. Indeed Pierre François and Claire Lemerrier tell a story that is quite different from the American one: their study on the characteristics of the CEOs and members of several boards of the 120 most important French listed firms in 1956, 1979 and 2009 makes this evolution appear as a “second financialisation”: this elite was *already* predominantly financial in the 1950s and remained so, a passage through the financial sector delineating an “elite of the elite” in the three cohorts. What happened in the 1980s

and later, then, was a redefinition of financial firms and financial functions. Through a detailed study of the careers of this *crème de la crème*, the research also uncovered “loci of conversion” where this redefinition was first understood and implemented: for the French “state nobility”, it happened mainly within the Ministry of Finance, particularly its Treasury Department, whereas in the case of more “private” careers, merchant banks like Lazard and Rothschild played a prominent role.

The rise of wealth management studied by Camille Herlin-Giret also displays distinctively French characteristics, especially in the way this profession has been defined and organized, not to mention the legal, fiscal and social differences with the US or British context. Even the structuration of the LBO field in France, as investigated by Fabien Foureault, shows it was not a copy-paste of what happened before in the US and it was very well accommodated by some specific segments of French capitalism. This is not to say these contributions are relevant only for France: on the contrary, showing the national peculiarities of financialisation helps to understand its inherent complexity. The editor and some contributors could have relied on approaches like Amable’s “varieties of capitalism”, for example, to explain in which ways financialisation took a distinctive French flavor.

Finally, Natasha Van der Zwan’s chapter, telling a specifically American story, also illustrates the relevance of “nationally embedded” case studies. This one is the little-known story of the failed attempt of the AFL-CIO, the largest federation of unions in the US, to create a “labour-friendly” private equity fund. Interestingly, whereas the author puts forward an explanation in terms of “socialisation of critical outsiders into the world of finance” (p.58), an attentive reading shows sheer bad luck (the crash of the junk bonds market in 1989 and the ensuing discredit of LBOs just when general partners had been selected for the fund) played a role. Besides, this story can also be understood as a “prehistory” of the development of Socially Responsible Investment that happened later in different countries, including various attempts to make “non-financial” concerns taken in account by professional investors.² The American context, with its early prevalence of investor capitalism, helps to understand why and how this prehistory happened here.

National peculiarities matter, and so does politics. Unlike the editor, we don’t think “Macro” approaches of financialisation tend to be “tautological” (p. 5): (Helleiner, 1994) for example, remarkably argued that financialisation on a global scale was not the work of financiers but the result of political decisions and strategies. How it has been spread and how it is still kept alive and transformed, though, is the stimulating terrain of what we called SSCF, a domain this book strongly and distinctively contributes to, going beyond its claimed focus on the spread of a mode of asset allocation by exploring various and sometimes under-researched facets of finance.

Addendum - Answer to Valérie Boussard

The editor’s answer to my review of “Finance at work” brings welcome clarifications. In particular she presents the aim, epistemological approach and threads of the book in a way which is both more concise and precise than in the book itself. The authors indeed adopt a “sociological eye” to understand “the dissemination and intensification of financial activities”. The editor also rightly argues that the two views of finance as capital allocation and finance as a power or social relationship “have to be articulated” and that it is precisely the case in the book, a point which I acknowledge to a certain extent although I still don’t think it is the case in all chapters of the book.

But this answer also urges me to clarify and develop the point I wanted to make when I opposed these two definitions of finance.

First I think defining finance as allocation, embedded or not in social relationships, can be misleading when dealing with financialization; it can make the reader spontaneously think of finance as a mechanism (or a set of social relationships, for that matter) whereby a *constant* flow of money is channeled, which doesn’t account for the tremendous *quantitative* growth of finance (in terms of assets under management, debt to GDP ratios and so on ...) that happened till the 2007–2008 crisis, a growth which required not just money allocation but really huge amounts of money creation. This is at least one way through which financialization has to be related to the “macro” view I mentioned. The role of states, but also central banks, regulators, lawyers ... is by no way abstract, anonymous or disembodied, a point social scientists have begun to explore (in Huault & Richard, 2012, but I would also mention Sennholz-Weinhardt, 2014; Violle, 2017 and many others). The editor remarks two chapters (François & Lemerrier; Lazega & al.) take in account the political dimension of financialization, stressing the role of “cross-careers between public and private sector”. These cross-careers certainly play a role, but as François & Lemerrier precisely show, an elite can remain financialized and still give finance a different meaning and different implications in a “fordist” period and in a “neoliberal” period, and it is hard to see the difference as coming from these very professionals. The current situation illustrates the role of politics can go far beyond what is implied by “revolving doors” practices: the Brexit, which is arguably going to change dramatically the geography, sociology and politics of global finance, seems hardly a consequence of the work and endeavours of finance professionals, even if some supported it.

Which leads me to the point of power. When I mentioned it, I was mainly thinking about the investors/investees opposition I developed in 2015 in an article (Charron, 2015), and Michel Feher developed another way in other articles and in a recent book (Feher, 2018). The idea is that finance embodies a domination of actors who

finance (investors) over actors who are financed (investees), with some actors being on both sides. In the book this really appears, albeit not in these terms, in Van der Zwan's work, with trade unions (representing investees) trying to make them heard by professional investors through the definition of "labour-friendly" investment criteria. The Spanish grassroots social movement studied by Ravelli, struggling against predatory credit practices, is also clearly an investees' action. Power relationships of course can also be seen within the social world of finance, it is illustrated in other chapters (Spears for example), but these are different in the sense they don't depart from an investor's point of view. The difference the editor makes between finance seen "as an abstract and disembodied intermediary mechanism" and finance seen by social sciences corresponds to the division between financial economics and what I called SSCF. This difference remains relevant, even if economists, for example those belonging to behavioral finance, may disagree. But another dividing line, between the investor's point of view, still strong throughout research (including some parts of SSCF) and regulation, and investees' point of view, could become more apparent at a time financialization may have reached a point where its discussion can no longer be limited to experts and academics.

Notes

1 Reviewed in this journal by Carruthers (2015)

2 This appears particularly when seeing the list of investment criteria the projected "Employee Partnership Fund" was supposed to abide by: "(1) strong labour-management partnership in the restructured company; (2) sensitivity to jobs; (3) respect for existing collective bargaining structures; (4) promoting worker ownership; and (5) providing the necessary return for the fund" (p. 66). This list, combined with a general concern with "long-term return through growth and increased productivity, rather than transactions designed to maximise short-term returns using break-up strategies" (p. 66) was indeed an early, albeit still vague, attempt to specify what "labour-friendly" could mean for an investment fund.

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