Valerie Boussard¹

Social Dynamics behind Financialisation: About the Book 'Finance at Work'

¹ Universite Paris-Nanterre, Nanterre, France, E-mail: valerie.boussard@parisnanterre.fr

Abstract:

This rejoinder provides the editor's answer to Jacques-Olivier Charron's commentary to 'Finance at Work'.

Keywords: finance, financialisation, Finance at work

DOI: 10.1515/ael-2018-0013

Table of Contents

1 Introduction

2 A perspective drawing upon social studies of finance

2.1 Financialisation and capital allocation

2.2 Focus on finance and financiers at work

2.3 Financialisation as the outcome of boundaries' dynamics

References

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>.
2. Boussard, V. (2018). Social Dynamics behind Financialisation: About the Book 'Finance at Work'. Accounting, Economics, and Law: A Convivium, 10(1), pp. 1-4. Retrieved 10 Mar. 2019, from doi:<https://doi.org/10.1515/ael-2018-0013>.

1 Introduction

It is a great honour for authors involved in this collective book to be read and discussed in such a sharp way by Jacques-Olivier Charron. As an editor and author of this collective effort, his comment prompted me to elaborate on the main issue and results of the book. The following clarifications are intended to address his comment and to extend the discussion he initiated.

2 A perspective drawing upon social studies of finance

The book aims at pursuing the investigation of financialisation from a perspective opened by the so-called « social studies of finance ». Its overall purpose is to contribute to a better understanding of dissemination and intensification of financial activities through a social science approach. Anthropology, economics, history, political science and sociology are the main disciplines involved in this academic endeavour. All the book's authors, whatever their official discipline, develop a sociological view that reveals the social dynamics behind financialisation. In this sense, the book is about social relationships, and namely power relationships, between actors and groups of actors who make what finance and financialisation are.

Valerie Boussard is the corresponding author.

© 2018 Walter de Gruyter GmbH, Berlin/Boston.

This content is free.

Within this epistemological approach, the book follows two main threads. The first one regards the definition of financialisation as a shift in the capital allocation mechanism (1). The second one is the focus on financial work and workers (2). From these two threads, the book posits to view financialisation as a boundary work whose dynamics spread financial logics to new territories (3).

2.1 Financialisation and capital allocation

As a first thread, financialisation is considered in this book as a shift in capital allocation: perceptions and norms about what ought to be done with money have changed over time, and dramatically over the past 30 years. These changes are linked with new calculation conventions that tend to both value uses of money differently, and reorganize its allocation. This shift is visible in the three types of financialisation studied by scholars. These three faces of financialisation have been defined as follows by N. Van der Zwan (2014): a « new regime of accumulation » through the growing importance of financial activities as a source of profits; the « ascendancy of the shareholder value conception » of corporate governance as an ideological construct putting financial pressure on non-financial firms; and the « rise of the citizen as investor » fostering financial strategies to be embraced by households. In the three cases, the shift in the channelling of money is central. In this book, T. Spears provides an example of the new regime of accumulation with the case of a kind of financial asset, the interest rate derivatives, whose market grew during the 2000s, attracting new and unusual investors. V. Boussard and M. A. Dujarier focus on another growing financial flow, based on the ascendancy of the shareholder value conception, which is directed to the buying and selling of corporations and therefore transformed corporations into commodities to be traded. Q. Ravelli shows how, in Spain, the rise of the citizen as investor goes alongside the mortgage loans boom during the 2000s, changing radically the domestic economies of low-income working-class communities, generally immigrant ones, who bought large numbers of houses and apartments instead of renting them. Charron notices that this definition of financialisation recalls 'the (old) mainstream economic view of finance as an intermediary between savings and investments'. He is right: this definition allows studying an economic phenomenon regarding the flows and uses of money. And it allows focusing on the intermediary role of finance. However, as this role is understood in a sociological way, this intermediary role is not considered as the result of the 'market' where the market is an abstract construct. On the contrary, the market is seen as the result of actions and interactions of multiple actors working themselves as intermediaries in financial markets and activities. Moreover, this market is not limited to the encounter of supply and demand, or, regarding the financialisation case, of savings and investments. The market is seen as a range of intermediaries, devoting themselves to the creation and circulation of money, credit and money-equivalents, the constitution of savings and the use, either as investment or as consumption, of these different kinds of capital (Biondi, 2018). Charron opposes this definition of finance to the one forged by social sciences: finance is a power relationship or, put otherwise, finance is a social relationship. In my mind, these two definitions are not opposed. They have to be articulated. Indeed, the main issue of the book is to understand how social relationships shape a kind of capital allocation mechanism and how this mechanism both expresses power relationships and produces them. All chapters of the book participate in this articulation even if some of them insist more on one of the two faces of the coin. In this context, Charron raises a central question regarding the articulation between power relationships and capital allocation. Does the change in capital allocation determine a change in the balance of power between actors or does the causality go the other way round? The book does not aim to respond to this question, as the two processes seem to be empirically intertwined. The best way to find evidence of this entanglement is to focus on the calculative instruments and valuation devices used by financiers. Following Eve Chiapello (2015), Charron argues that the spread of specific calculative instruments and metrics designed from an investor's point of view are power tools as well as allocation tools. The book agrees with this argument: as allocation tools, calculation devices are a modality of power exercise. Conversely, the way they are designed is the result of power relationships. From this perspective, many chapters of the book show that devices are shaped by professionals while their own action is in turn shaped by these devices (Boussard and Dujarier; Spears; Ducastel and Ansew). These chapters also insist that different professionals are involved in the design of calculation and valuation devices: at the end of this design chain, the devices used are the result of a complex set of power relationships between financial actors, while they structure a specific balance of power over non-financial actors (Van der Zwan) and citizens (Ravelli).

2.2 Focus on finance and financiers at work

To this point, we add the second thread of the book: the focus on financial work and workers. Indeed, finance as a power relationship is envisioned as a complex chain of social relationships. The book assumes that its starting point is located in occupational and professional relationships of actors involved in financial activities. As

explained above, finance is not considered as an abstract and disembodied intermediary mechanism but as an array of concrete intermediaries: financial analysts, traders, asset managers, equity managers, auditors, business lawyers, etc. For these individuals and the organizations that employ them, finance equates with work: a work to divide, organize, evaluate and compensate on the one hand; a work that represents an occupational pursuit with its symbolic and social rewards on the other hand. The sociology of work and the sociology of professions give here the theoretical and empirical frame of the book. As noticed by Charron, 'how finance professionals work' is investigated as the driving force of financialisation. However, this work of financiers is approached from a variety of perspectives in the book. Three dimensions are scrutinized: conditions of employment and career design; composition of the working day, including the technical tools used; and finally the professional norms. Each chapter is a singular composition of these dimensions and offers a specific level of analysis of this financial work.

Investigating the financial work aims to unpack financialisation by focusing on the way it occurs. The highlighted process regards the way financial workers participate to create, strengthen, displace and expand the boundaries of financial logic. This process of demarking boundaries, viewed as a boundary work (Gieryn, 1983), plays a central role to define who can legitimately make decisions in capital allocation and which knowledge and calculation devices are appropriate for such decisions. From this perspective, the work of financiers leads to a shift in capital allocation. Financialisation is therefore the outcome of this financial work and not an overlooking phenomenon that is completely abstract, anonymous and disembodied. From this perspective, the book presents an approach to financialisation complementary to other ones that locate the process in the logic of capitalism itself, be it the market forces, the interest of a wealth maximizing rentier class or the imperial aspirations of the USA. The perspective argued by E. Helleiner (1994) belongs to these approaches focused on a macro level of analysis—specifically the States and the way they embraced financial liberalization. Helleiner's approach is of great interest in understanding that financialisation needs political support to thrive. Indeed, political and fiscal context is the frame in which financial logic can expand. But the question raised is: should this frame be considered as something external to financial work? Are these political decisions and strategies driven only by the hegemonic interests of some states (namely the USA and Great Britain)? 'Finance at work' argues that States and their interest in financialisation should be investigated from the work of involved actors: cross-careers between public and private sectors have to be scrutinized as a way to understand how financial logic pervades political logic and sets up a frame for financialisation. Two chapters of the book follow this vein (François and Lemercier; Lazega et alii) and participate in a more general research agenda of political science pinpointed by the recent book by France and Vauchez (2017). This perspective shows that boundaries between state and finance are blurred, namely through the revolving doors system. Subsequently, financialisation is above all a question of boundary work performed by financiers in the mere course of their occupational career.

2.3 Financialisation as the outcome of boundaries' dynamics

This point of 'boundary work' is the main result of the book, displayed throughout the introduction. The different chapters highlight that the financial work is performed within boundaries generated by a specific financial logic, while each financial work participates to create these boundaries, even by competition between various financial logics. The boundary work entails the strengthening of the boundaries to avoid the influence of external logics. Another part of this work, carried out by financiers alongside their daily activity, consists in moving or crossing the boundaries to influence external worlds. Subsequently, financialisation can be considered as the outcome of boundary dynamics. Because boundaries are challenged, both by inner and outer rivals, they are maintained, protected and much more expanded and displaced. Doing this, financial logics spread out of their initial world and gain new territories.

The majority of the chapters in the book gather data based on French case studies. However, its aim is not to describe some French way to financialisation. The proposition about financialisation as boundary dynamics attempts to capture a more general trend, as shown by the chapters about the USA case (Van der Zwan), the Spanish case (Ravelli), the UK/USA case (Spears) or the South African one (Ducastel and Anseew). As the editor of this collective book I wish that this proposition will pave the way to further empirical investigations in different national, occupational and organizational contexts in view to expand and develop the 'social studies of finance'.

Funding

Agence Nationale de la Recherche, Funder Id: 10.13039/501100001665, Grant Number: ANR CARFI, JCJC SHS 1, edition 2010

References

- Biondi, Y. (2018). Banking, money and credit: A systemic perspective. *Accounting, Economics, and Law: A Convivium*, Introduction, 8(2). 1–26.
- Chiapello, E. (2015). Financialisation of valuation. *Human Studies*, 38(1), 13–35.
- France, P., & Vauchez, A. (2017). *Sphère publique, intérêts privés. Enquête sur un grand brouillage*. Paris: Presses de Sciences Po.
- Gieryn, T. (1983). Boundary-work and the demarcation of science from non-science: Strains and interests in professional ideologies of scientists. *American Sociological Review*, 48(6), 781–795.
- Helleiner, E. (1994). *States and the re-emergence of global finance*. Ithaca, NY: Cornell University Press.
- Van der Zwan, N. (2014). Making sense of financialization. *Socio-Economic Review*, 12(1), 99–129.