

ACCOUNTS

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A MESSAGE FROM THE CHAIR

I am privileged to welcome you to the first issue of *Accounts* edited by our new team of University of Michigan doctoral students: Maria Farkas, Dan Hirschman, Erica Blom, Russell Funk, and Lotus Seeley. My enthusiasm is tempered somewhat by the fact that we are currently in the midst of what many observers view as the most serious economic crisis since the Great Depression. As economic sociologists, we have a unique opportunity, as well as an obligation, to address this situation. The events of recent weeks have made clear the value of Karl Polanyi's dictum regarding the importance of the state in managing a market system. But a full understanding of the crisis will require sustained attention, and the kind of broad, critical thinking that has characterized our field.

In this issue, and subsequent ones, we will discuss and present recent sociological work on financial markets. This issue includes an interview with Donald MacKenzie, who discusses the concept of performativity and his observations on the causes of the current financial situation, as well as a discussion by Gerald (Jerry) Davis, from his forthcoming book, *Managed by the Markets: How Finance Re-Shaped America* (Oxford, 2009). In future issues we hope to continue these discussions, and we encour-

age you to forward your reactions to these features, as well as your own observations. To submit, just send an email message to the student editors at accountseditors@umich.edu.

Please be sure to keep a spot on your calendar for next summer's ASA meeting, from August 8-11 in San Francisco. We have four regular sessions planned, on "Social Inequality and Development," "Politics of Markets," "Nature and the Organization of Economic Life," and (joint with the section on sex and gender) "Gender, the Economy, and Work." Details of these sessions, along with the organizers and contact information, are presented in this issue. In addition, we will hold a special one-hour invited session, prior to the section business meeting, on the current economic/financial crisis. The section's council members, officers, and I have decided that all four of our regular sessions this year will be open submission. We therefore encourage all of you to consider submitting papers that are relevant to the above topics. Feel free to contact any of the organizers if you are unsure about whether your paper fits. We are also presenting two awards this year: the Zelizer Award, which this year will be for the best paper published in either 2007 or 2008, and the Burt

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A MESSAGE FROM THE CHAIR (CONTINUED)

Award, for the best paper by a graduate student who has not received his or her degree prior to March 1, 2009. The award committee chairs are Marc Schneiberg for the Zelizer Award, and Damon Phillips for the Burt Award. More information on these awards is also presented in this issue.

Finally, one of the things I've learned in my brief tenure as section chair is how much easier my job has been made by those who came before me, as well as those who are currently serving. I would like to especially thank last year's chair, Lisa Keister, who not only did a terrific job leading the section but who has also been an enormous help in the transition. Lisa has left the section in great shape—with 761 members as of our last accounting, as well as a healthy

balance sheet that will ensure the continued strength of the section. I also want to convey my appreciation to our secretary-treasurer, Marc Schneiberg, and our council members, Nina Bandelj, Mary Blair-Loy, Marion Fourcade, Bob Freeland, Kieran Healy, Damon Phillips, and Ezra Zuckerman. And last but not least, I would like to thank last year's *Accounts* editors at Duke—Ryan Denniston, Lane Destro, Nathan Martin, and Lijun Song—for their advice in helping our current editors to get things up and running.

To our section members, we look forward to hearing from you during the year, and to seeing you next summer in San Francisco.

Mark Mizruchi
University of Michigan—Ann Arbor

2008-2009 ACCOUNTS EDITORIAL STAFF



(From left to right and top to bottom)

Erica Blom: Erica is not entirely certain of her specific academic interests yet, but they lie somewhere between economic, environmental, political, and comparative-historical sociology. Ultimately she hopes to convince corporations and governments that supporting small, organic farming practices and sustainable resource management will save the world and be good for business, too.

Maria Farkas: Maria studies the relationship between business and society, particularly the cultural regulation of business. She is currently fascinated by the recognition and construction of new phenomena in institutional fields.

Dan Hirschman: Dan started his academic life as an immigration scholar interested in remittances and development. A fascination with economics and economists led him

towards economic sociology and recent work on performativity. His current puzzle is trying to figure out how national income statistics came to be so important.

Russell Funk: Russell's main research interests are in the areas of economic and medical sociology. His past research has examined how the occupational cultures of different areas of medical specialization have adapted to the emergence and development of the bioethics movement. Russell is also interested in the study of occupations, and hopes to find one after graduation.

Lotus Seeley: Lotus is a student of Women's Studies and Sociology with research interests focused on ladies and labor, gender and work, and poststructuralist political economy. Her goal for the future is to produce a genealogy of the secretarial profession; her heroine is JK Gibson-Graham.

The Society for the Advancement of Socio-Economics
Call for Papers and Sessions
Capitalism in Crisis: What's Next?
Economic Regulation and Social Solidarity
After the Fall of Finance Capitalism
Paris, France, July 16-18, 2009

To paraphrase the ancient Chinese curse, we have the questionable privilege of living in interesting times. As the recent financial crisis made agonizingly clear, the future of capitalism is up for grabs and, at a minimum, the years of neoliberal triumph have come to an end. One craves a lantern at this dark and troubling moment, and the 2009 annual conference of the Society of the Advancement of Socio-Economics will provide illumination into the crisis and its aftermath.

First, we encourage scholars to explore the causes for the current economic decline and their implications for modes of regulating advanced capitalist economies. What has been the impact of globalization without regulation and does the current crisis signal a death knell for laissez-faire capitalism? How have different countries and regions attempted to manage the transition to post-industrial capitalism and what models have worked best to weather the current economic upheaval? What will be the role of the state and political contestation in the transition to a new regulatory regime and in managing post-financial, post-industrial capitalism?

Second, we welcome contributions that consider whether economic efficiency can be reconciled with social solidarity under the new rules of capitalist competition. Institutional arrangements supporting managed capitalism have been challenged by new market pressures, neo-liberal ideology,

and economic, social and political uncertainties. What is the future for the social and political institutions that support egalitarian forms of capitalism? How do contemporary developments resonate with historical turning points that gave rise to the development of key social and political institutions? We also welcome contributions that compare evolving forms of capitalism in developing and transition societies, and papers that contrast institutional development in these countries with changes in developed countries. Scholars might choose to investigate the challenges posed by globalization, the transition to a service economy, immigration, financial integration (and disintegration), and religious or ethnic strife – and to explore how various institutional realms at the national and international levels interact and respond to contemporary challenges.

Finally, while the literature on “models” or “varieties” of capitalism is vast, it has paid little attention to the dynamics of change in contemporary capitalism and, rather, has identified distinctive – yet static – constellations that are linked to varied political and policy outcomes. The enormous problems we face in the twenty-first century require scholars to move beyond the traditional comparative-statics “comfort zone” of institutional analysis. We invite scholars to bring insights from their specific empirical studies to develop new concepts and tools for analyzing institutional change today.

Paper and session proposal submissions are due
January 15, 2009.

For information on how to submit, as well as
travel awards, graduate student stipends,
registration costs, and more visit:

www.sase.org

If you would like to advertise your conference
or call for papers in *Accounts*, send an email to
the Accounts Editorial Team at
accountseditors@umich.edu.

PERFORMATIVITY AND THE FINANCIAL CRISIS: AN INTERVIEW WITH DONALD MACKENZIE



Q: *Your previous work focused on diverse topics in the sociology of science, from 19th century statistics to nuclear missile guidance. How did you become interested in economics in general, and finance in particular?*

A: My background is in the sociology of science and technology. Apart from the first piece of work I did, on the development of mathematical statistics, which was my PhD thesis and an “academic” study, I have always tried to select topics that have important implications for people’s lives. In the late 1990s I was just finishing a project on safety-critical and security-critical computer systems and starting to look around for something new, when my then head of department, Colin Bell, passed me a copy of Peter Bernstein’s book, *Against the Gods*. Much of the book is history of statistics and was therefore familiar to me, but I got fascinated by the final chapters that described the development of the modern economics of finance, and in particular by Bernstein’s discussion of the emergence of the Black-Scholes-Merton option pricing model. (An option is a contract or security that gives its holder the right, but does not oblige him or her, to buy an asset at a set price, or in an alternative form of the contract, to sell at a set price.) It is the kind of topic that is attractive to a sociologist of science and technology! The Black-Scholes-Merton model involves stochastic calculus, so we are dealing with something quite “technical,” but something technical that has major implications for people’s lives because of the great importance of the finance markets. From that

point on I was hooked!

Q: *For those who may not have read much in the sociology of finance, how would you describe the concept of “performativity”?*

A: As far as I am aware, the term “performative” was coined by linguistic philosopher J.L. Austin, who used it to refer to utterances that *do* something, rather than simply describing an already existing state of affairs. If, for example, I am late for a meeting, and when I enter I say, “I apologize,” then my utterance does not describe some previous state of affairs: it brings that state of affairs into being. My utterance *is* an apology; it is a “performative utterance.”

So the idea of “performativity” is that scientific and technical fields (in which I would include economics) do not always simply describe an already-existing external world, but change that world, for example sometimes bringing into being the state of affairs that they refer to. The key author who made us systematically aware of this aspect of economics is the French sociologist of science and economic sociologist Michel Callon, in particular in his 1998 edited book, *The Laws of the Market*. Consider, for example, the Black-Scholes-Merton option pricing model. Before it was formulated at the start of the 1970s, observed patterns of option prices followed the precepts of the model only very roughly. After the model was adopted by option traders, the fit between the model and the market improved considerably. The reasons why are

complicated, but one factor was that traders started to use the model to exploit differences between market prices and the model's postulates, and in so doing moved patterns of prices towards the model's postulates.

That is a strong form of performativity: the use of the model helping bring into being the patterns postulated by the model. But, more generally, economics (and related areas of market activity, such as accountancy) often do not simply describe states of affairs: they influence those states of affairs.

Q: *What connection, if any, do you see between "the performativity of economics" and the current financial crisis?*

A: I see lots of connections. Mathematical models are central in creating the situation that made the crisis possible. As is well known, its core is sub-prime mortgage lending in the US, which would not have reached anything like the scale it did had it not been possible to sell on the resultant mortgages in the form of bonds, and to package those bonds into even more complex financial instruments, such as collateralized debt obligations, or CDOs. (A CDO is an instrument via which, in return for payments, investors absorb losses resulting from defaults in a pool of assets such as bonds and loans. CDOs are divided up into a hierarchy of tranches. The equity tranche, which offers the highest payments, absorbs the first losses, up to a threshold of, for example, 3 percent. Above equity comes a less risky but lower-return mezzanine tranche or tranches. A typical mezzanine tranche is 3 percent to 6 percent: i.e. it would incur a loss only if total losses on the pool exceed 3 percent, and would then absorb those losses until they reached 6 percent. Above the mezzanine tranche or tranches are analogous, lower-risk, lower-return senior and supersenior tranches.)

Even the most experienced banker cannot value a collateralized debt obligation just by reading its prospectus: such a CDO will have lots of different borrowers in the pool of debt that underpins it, and you have got to understand not just the risk of default by each individual borrower, but also the interrelatedness or correlation of defaults. Mathematical models were essential in making credible knowledge of the properties of complex instruments of this kind possible. Without that credible knowledge, it would have been much harder to package and sell on mortgages and other forms of debt. And without the capacity to do that, there would have been a lot less irresponsible and predatory lending.

Q: *While no single story has yet become the dominant narrative of the current financial crisis, economic models and financial products are seen as key pieces in understanding the collapse. What explanations can economic sociology, and the sociology of finance in particular, offer for the current crisis that journalists, politicians or economists might miss?*

A: I think that a key insight is provided by Bruce Carruthers and Arthur Stinchcombe in their paper "The Social Structure of Liquidity," *Theory and Society* 28 (1999): 353-382. They point out that market liquidity – plentiful borrowing and lending, or buying and selling – 'is, among other things, an issue in the sociology of knowledge'. Believable market prices, valuations, credit ratings and balance sheets encourage lending, active trading, competition and keen pricing. If credibility is lost, then everyone becomes wary of lending, deals aren't done, and an increased proportion of sellers are the desperate, who have to accept fire-sale prices.

That is exactly what has happened. A key issue has been loss of faith in the ratings provided by

agencies such as Standard & Poor's and Moody's. Those ratings were key knowledge claims, key facts about mortgage-backed securities and CDOs. But since the crisis began in early summer 2007 mortgage-backed products that the agencies had ranked as investment-grade (even AAA, the top grade) have incurred major losses and the agencies have had to revise many ratings sharply downwards. To take an extreme but not wholly untypical case, Moody's downgraded the top tranche of one mortgage-backed CDO by 14 notches. When it was issued in April last year the tranche was rated Aaa, the top of Moody's investment grade scale; by November, it was rated B2, well down in junk. The loss of confidence now extends to banks. For one bank to be prepared to lend to another bank, the first bank needs to be confident that its counterparty is not going to default. That confidence has ebbed away because the bank failures that we have seen, beginning with Northern Rock in Britain then Bear Stearns and Lehman Brothers in the United States, have shown that even banks that looked sound enough when you inspected their balance sheets can actually be in deep trouble.

More generally, a pervasive issue is that modern accounting practice requires most securities to be "marked to market": in other words, for their balance-sheet values to be altered as market prices fluctuate, and for the resultant changes to be reported in the bank's profit and loss account. In many cases, markets aren't liquid any more, and the only prices you can now get are fire sale prices, when the holder of a security has got into distress and has had to sell. There is a nasty twist here to the mechanism described by Carruthers and Stinchcombe. As they point out, market liquidity depends upon facts, but marking to market and other fact-generation mechanisms in today's financial mar-

kets depend upon liquidity. There is a vicious circle, and the banking system is currently trapped in it. It remains to be seen whether the United States Treasury \$700 bn scheme will be sufficient to break the vicious circle and re-establish credible market prices.

Q: *Are there particular insights from the sociology of finance that could help policy makers prevent future crises?*

A: I think that the sociology of finance can provide useful insights by showing that markets are not populated by the abstract rational individuals typical of economic models, but by embodied human beings who are connected by social networks, embedded in market cultures, use technical systems, adhere to particular belief systems and so on. But we also need to be very cautious. After a crisis there is always an impulse to come up with regulatory measures that, if they had been implemented, would have stopped that specific crisis. But crises do not repeat themselves in any simple way, if only because market participants themselves learn from them. So predicting the mechanisms of the next financial crisis and finding ways of stopping it is a hard task, perhaps an impossible one. We run the risk of shutting the particular door through which the horse has most recently bolted, when the stable has got many doors, some of which we simply don't know about.

Q: *Tell us a little about your upcoming book, "Material Markets: How Economic Agents are Constructed". Who is it for and what is it about?*

A: *Material Markets* tries to do two things. First, it seeks to encapsulate the "performativist" or "social studies of finance" approach in a set of ten precepts for work in the field: precepts such as "facts matter," "actors are embodied,"

“calculation is distributed and material,” and so on. Then it illustrates those precepts in five substantive studies: of trading by a hedge fund, of the development of financial derivatives exchanges, of the practice of arbitrage, of how corporate profit figures are produced, and of the emergence of carbon markets. I certainly hope that graduate students and other researchers in economic sociology and related fields will read it, and maybe the current crisis might attract lay readers too.

Q: *What's next on the agenda for performativity and the sociology of finance?*

A: Predicting what is next is always tough, as I said in relation to the financial crisis: the next big thing will, I am sure, be something that most of us in the field have not thought of yet! Certainly, if one construes the research agenda of the field as constructing a “material sociology,” one that takes into account the embodied – and embedded – nature of economic agents, their use of technical systems, etc., there is a great deal to be done. What I am doing myself is two main things. First, I am looking at how knowledge of the properties of complex finan-

cial instruments such as CDOs has been produced, and trying to develop a “historical sociology” of this, looking at changing fact-generation mechanisms and at the changing credibility of the facts they produce. Second, I am looking at the emerging markets in greenhouse gas emissions, and in particular at the issue of “sameness.” There is a big issue here about whether a tonne of carbon dioxide emitted in one place *ought* to be equated with a tonne emitted or absorbed somewhere else, or with an equivalent quantity of a different greenhouse gas. A lot of the debates about carbon markets come down to people taking different positions on the issue of sameness, and a lot of the difficulties involved in constructing such markets lie in the problems of constructing adequate sameness.

Donald MacKenzie is Professor of Sociology at the University of Edinburgh. His books include An Engine, Not a Camera (MIT Press 2006) and Do Economists Make Markets? (co-edited with Fabian Muniesa and Lucia Siu, Princeton 2007). His forthcoming book is Material Markets: How Economic Agents are Constructed.



ACCOUNTS NEEDS YOU!

Have an idea for an issue of *Accounts*? Want to write a short essay to be featured here? Make a suggestion for who we should interview next? Send your comments, ideas and submissions to the editors at accountseditors@umich.edu! In the next issue, we hope to highlight qualitative work in economic sociology, as well as continue to feature work relevant to the current financial crisis. We prefer submissions between 1000 and 3000 words, but please contact the editors before sending in your work.

*MANAGED BY THE MARKETS:
HOW FINANCE RESHAPED AMERICA*
A PREVIEW OF JERRY DAVIS' NEW BOOK



[The *Accounts* Editorial Team is delighted to present a preview of Jerry Davis' forthcoming book *Managed by the Markets: How Finance Reshaped America* (Oxford University Press, expected release May 2009). Below is the preface to the book (also available at portfoliosociety.net) and a special introduction written for *Accounts*.]

***Accounts* Introduction**

The current economic crisis is frequently compared to the early years of the Great Depression, with financial institutions falling left and right: Bear, Lehman, Fannie, Freddie, AIG, and more to come. The comparison seems overblown—we don't have 20 percent unemployment just yet. But in one sense, it is apt: we are in a crisis of economic institutions, not just a financial crisis, and it cannot simply be blamed on "Wall Street greed," as one unsuccessful presidential candidate suggested. (Perhaps he was recalling a golden age when Wall Street was staffed by social workers?) The Obama administration will need to engineer a thoroughgoing overhaul of the regulatory system, just as Franklin Roosevelt did. What is required is not just a reform of Wall Street, but a broader rethinking of the place of finance in a service-based economy.

The well-being of American households is now tied to financial markets far more extensively than ever before, from securitized mortgages and credit card interest rates keyed to LIBOR, to college savings and pension plans that rise and fall with the S&P 500, to interstate toll roads sold to Australian pension funds by cash-strapped state governments. At the same time,

the transition to post-industrialism in the US is almost complete. The manufacturing sector shed 3.8 million jobs (more than one in five) during the Bush years, and Wal-Mart came to employ more Americans than the dozen largest manufacturers combined.

The peculiar American system that ceded social welfare functions—health care and retirement security—to corporate employers is on the verge of collapse, as the large manufacturers that built the system retrenched or disappeared altogether. The death rattle of this system was obscured by a housing price bubble, which was enabled by a hyperactive market for mortgage-backed securities. The global market for securitized mortgages allowed homeowners to spend beyond their stagnant wages through refinancing and equity lines of credit. The housing bubble papered over the weakness in the real economy, and was responsible for perhaps one-quarter of the new jobs created in 2003-2006: at the height of the bubble, there were more mortgage brokers than textile workers and more real estate agents than farmers. But it is hard to envision either retail or real estate leading us out of the current mess.

What is now clear is that the regulatory system we have in place is hopelessly mismatched to what finance looks like today, and how it fits with the real economy. The U.S. requires a thoroughgoing overhaul of its regulatory institutions for a service-based, globalized economy. The Obama administration has its work cut out for it.

Preface*

The 21st century began with a series of economic jolts, and all of them revolved around finance. The market bubble in “new economy” stocks burst in early 2000, taking with it trillions of dollars in paper wealth and dozens of telecom and Internet companies. The new economy had created its own flavor of scandals, with accounting firms, securities analysts, investment banks, and mutual funds all brought into disrepute. Next was an unprecedented bubble in a very old commodity, homes, whose collapsing prices humbled financial firms from Wall Street to Zurich, ruined countless homeowners, and burned investors around the world, while leaving some of the biggest American banks largely owned by governments in Asia, the Middle East, and eventually the United States itself. Rising home prices and easy financing had conjured industries out of the ground, such as mortgage brokerages and finance companies, and collapsing prices had just as quickly disposed of them. An administration committed to restrained government repeatedly intervened in the markets to protect the financial system from collapsing, ultimately engineering the largest-scale intrusion into the American economy since the Great Depression.

The financial bubbles and scandals were accompanied by their own occult terminology. IPOs were infested with spinning and laddering; SOX was harming the market for ADRs; CDOs were risky because they contained exploding ARMs and NINJA loans; and SWFs were either riding to the rescue or imperilling our sovereignty. The average person was left to ask, “Where does all this leave my 401(k)?”

Finance had become the new American state religion. Its converts adhered to a shared creed: Index funds were a safe and remunerative place

to put your savings. House prices always went up, so it made sense to buy the biggest one for which you could get a mortgage. And most importantly, trust the market: it speaks with wisdom greater than any of its participants. Even the way people talk had been transformed. Getting an education became “investing in human capital,” and getting to know your neighbors was “investing in social capital.” A home was not so much a tie to a community as a tax-advantaged option on future price increases. Shakespeare wrote, “All the world's a stage, and all the men and women merely players...” Now, all the world was a stock market, and we were all merely day traders, buying and selling various species of “capital” and hoping for the big score.

The American mortgage meltdown had reverberations around the world and brought into question the creed of the new investor-citizens. Up to one-quarter of homeowners with mortgages found themselves trapped by houses worth less than they owed, and many of them were compelled to abandon their homes and move on. Entire neighborhoods from Southern California to Florida to Detroit were dotted with empty houses in foreclosure. Meanwhile, villagers in Narvik, Norway found that their municipal budget had been sacked by collapses in the value of bonds that their local government had bought from Citigroup, backed by mortgage payments owed by American property speculators. Citigroup in turn had to seek capital from the sovereign wealth funds of Abu Dhabi, Kuwait, and Singapore due to its own multi-billion dollar losses. Observing the mortgage crisis unfold was like watching a game of cricket: the action didn't make any sense, it never seemed to end, and it was impossible to keep track of all the players. Who was to blame—bonus-obsessed Wall Street bankers, an overly-cautious Federal Reserve, rapacious

* *Accounts* thanks Oxford University Press for allowing us to publish this excerpt. Direct all publishing enquiries to Jared Wright at jared.wright@oup.com.

mortgage brokers, lax regulators, greedy speculators (some of which were pension funds or Norwegian villagers), homeowners who borrowed too much? Indeed, who was *not* to blame? And how were we going to get out of this mess?

The early years of the previous century had also seen large-scale economic upheaval and financial crisis. The United States at the turn of the 20th century was in the midst of a generation-long transition from an agrarian to an industrial economy. Industry was becoming concentrated in a few dozen manufacturers, railroads, and utility companies, and a handful of New York banks held privileged positions in the new corporate power structure. Through a massive merger engineered by Wall Street in 1901, US Steel became America's first billion-dollar company, to be joined by other giants such as General Motors, General Electric, and AT&T. Big companies had the jobs, the assets, and the power; their executives and bankers were in charge. In this new corporate system, populists knew whom to hold accountable—J.P. Morgan, John D. Rockefeller, Henry Ford. To understand the plotline of American society, one had to understand the newly corporatized economy and its workings.

My grandfather's life encompassed the shift from an agrarian to an industrial society in the early 20th century. After growing up on a family farm in Indiana and mustering out of the army in 1919, he migrated to Detroit to work at Ford Motor Company's Highland Park factory making Model Ts. He moved on to be a welder at the River Rouge, Ford's massive complex in Dearborn, where he worked at various points until the 1960s—retiring with a gold watch, a company pension, and health care coverage. His home in Dearborn—Ford's company town—was a storehouse of Ford products, from cars

and old tractor parts to Ford Philco radios, kitchen appliances, and a color television. For him, Ford was not so much a company as a way of life, reflected in the local custom of calling the company "Ford's." He and his colleagues had all seen old Henry on the shop floor at one point or another.

The Rouge was an entire industrial economy in two square miles, bringing iron ore, coal, rubber, and sand in one end and sending cars out the other. In the 1930s over 100,000 people worked at the Rouge in the most vertically-integrated factory the world had ever seen, with its own fire department, police force, and hospital. A factory tour I took as a child was both terrifying and enlightening, as I saw slabs of glowing orange steel rolling out to be pounded into door panels for Ford Mustangs.

Today, the idea of moving to Detroit to work for Ford as a young man—and retiring 45 years later with a pension—is as remote as the idea of carving a family farm out of the wilderness of Nebraska, or heading to Wisconsin to be a fur trapper. Most of the Rouge's components are now run by a handful of multinationals, not Ford, and its bankrupt steel mill was bought by Russia's SeverStal in 2004. The strategy of vertical integration has fallen into disrepute in manufacturing, as has the idea of a company town.* By 2008, the 100th anniversary of the Model T, the company that had invented the \$5 workday was selling for \$5 per share, and Ford's entire North American workforce was smaller than that of the Rouge during the Great Depression. Meanwhile, in January 2008 Ford had offered to pay off its remaining hourly workers to leave the company so that it would not have to look after them in retirement.

Sociologist C. Wright Mills wrote that "Social

* Ford has since sold its Jaguar division to the Tata Group, an Indian conglomerate whose Tata Steel company still operates a company town around its primary plant in Jamshedpur.

science deals with problems of biography, of history, and of their intersections within social structures.” The sociologist was like a map-maker, describing large-scale historical changes—such as the transition from an agrarian to an industrial society, or large-scale migrations from the rural south to the urban north—and the social structures through which they affected individual lives—say, large manufacturers like Ford and its Rouge complex. That was where individual biographies took place; that is how we can link one man’s move from farm to factory to the larger currents of social change. In the mid-20th century, management theorist Peter Drucker observed that “In the industrial enterprise the structure which actually underlies all our society can be seen.” In a sense, the Rouge was a map of the American economy, making the connections among the parts tangible and revealing how individuals fit into the larger enterprise of industrial society. Moreover, the Rouge’s mass-production model for making cars had spread far beyond manufacturing: farms, stores, insurance companies, research labs, governments, armies, and even the Gilbreth family of *Cheaper by the Dozen* had adopted the operating logic of the Rouge.

It is clear now that the map of society represented by the Rouge no longer gives us an accurate view of post-industrial America. Most Americans do not live their lives through careers in organizations; far more work in retail and other services than growing food or making tangible objects like cars. What we need is a new map, a new way to understand biography, history, and their intersection in social structure.

This book is a sketch of such a map. Drawing on the past 20 years of my own and others’ research, I aim to provide an understanding of how large-scale changes in the economy have

influenced the organization of American society. My basic argument is that 20th century American society was organized around large corporations, particularly manufacturers and their way of doing things. It is now increasingly organized around finance—not just particular Wall Street banks, but finance as a model of how things are done. If the Rouge was a map of American society in 1950, then Nasdaq was a representation of American society circa 2000. And if the Gilbreths saw child-rearing as a form of mass production, today’s sophisticated parents see their children as an investment in their social capital.

The argument unfolds over seven chapters. The first lays out the broad terrain in the shift from an industrial to a post-industrial economy. The second describes the hyperactive growth of finance over the past 25 years and the system of corporate governance that grew up in the US to guide its publicly-traded corporations. I then describe how corporations grew to predominance in the US over the 20th century and how they came to be social institutions, fulfilling many of the social welfare functions done by states in Europe. This model collapsed through the takeover wave of the 1980s and the subsequent triumph of the “shareholder value” movement; together, these two trends moved corporations toward a vertically dis-integrated network model that became widely adopted in both manufacturing and service. Chapter 4 describes how the financial services industry has been altered by a shift from the model of banking in *It’s A Wonderful Life*—taking in deposits and making loans—toward a Wall Street model in which assets (mortgages and other kinds of debt) are turned into tradable securities. Banks largely became portals to financial markets, which changes their basic mode of operation and the nature of their connections to local economies. In Chapter 5, I argue that many governments have increasingly followed the lead of share-

holder value-oriented corporations, by conceiving of their role as business service providers—“vendors” of laws—and through the widespread use of outsourcing, particularly in the US. Thanks to changes begun in the Clinton Administration and accelerated under George W. Bush, the American government has increasingly come to resemble Nike, relying on contractors for much of the basic work of government. Chapter 6 assesses the effects of post-industrialism, corporate restructuring, and the spread of financial thinking to households. Here I survey the effects of widespread stock ownership on peoples’ perceptions of their political interests and analyze the causes and consequences of the mortgage crisis as examples of how finance has penetrated basic social processes. Finally, Chapter 7 gives a more speculative view of what comes next for American society if financial thinking continues its predominance.

This is a lot of terrain to cover in one book. In a limited space, my hope is not to provide a detailed topographic map of North America, but something closer in spirit to the London Under-

ground Train (tube) map. The tube map strips away a great deal of detail and follows a few simple rules—most notably, all train lines are portrayed as horizontal, vertical, or diagonal lines. On the one hand, this level of simplification is in flagrant violation of reality, as the tube’s lines twist and turn in all kinds of unlikely ways. On the other hand, a tube map is the single most useful piece of paper a visitor to London can have for navigating his or her way around a buzzing and complicated city. I hope I’ve succeeded in making a financial tube map for the contemporary United States that helps readers navigate our new economic and social terrain. □

Gerald F. Davis is Wilbur K. Pierpont Collegiate Professor of Management at the University of Michigan. His past works include Organizations and Organizing: Rational, Natural and Open Systems Perspectives (co-authored with W. Richard Scott, 2007) and Social Movements and Organization Theory (co-edited with Doug McAdam, W. Richard Scott and Mayer N. Zald).

2009 ECONOMIC SOCIOLOGY SECTION AWARDS NOMINATIONS

Viviana Zelizer Distinguished Scholarship Award

The Economic Sociology Section invites nominations for the 2009 Viviana Zelizer Distinguished Scholarship Award for an outstanding article published in the field of economic sociology. (The award alternates annually between books and articles.) Eligible articles must be published in the 2007 or 2008 calendar years. Authors are free to submit their own work. A letter of nomination and three copies of the article should be sent no later than March 1, 2009 to: Marc Schneiberg, Sociology Department, Reed College, 3203 SE Woodstock Blvd., Portland, OR 97202. Alternatively, you may e-mail an electronic copy of the article to marc.schneiberg@reed.edu. Please indicate the author’s name and “Zelizer Award” in the subject line of your email.

Ronald Burt Outstanding Student Paper Award

The Economic Sociology Section invites nominations for the 2009 Ronald Burt Outstanding Student Paper Award for a paper written by a graduate student in the field of economic sociology. Papers must have been authored by students who have not received their Ph.D. by March 1, 2009. Students are free to submit their own work. Electronic copies of the letter of nomination and the paper should be sent no later than March 1, 2009 to Damon Phillips of the University of Chicago Graduate School of Business, at damon.phillips@chicagogsb.edu.

2008 SECTION AWARD WINNERS

Viviana Zelizer Distinguished Scholarship Award

The 2008 Viviana Zelizer Distinguished Scholarship Award was given to Donald MacKenzie of the University of Edinburgh for his book, *An Engine, Not a Camera: How Financial Models Shape Markets* (MIT Press, 2006). Building on MacKenzie's already distinguished body of work in the sociology of finance, *An Engine, Not a Camera* looks at how finance theory has shaped futures, options, and derivatives markets. His areas of interest include the sociology of nuclear weapons and computing systems, among others. For more from MacKenzie, see his interview in this issue of *Accounts*.

First honorable mention was given to Kieran J. Healy of Duke University for his book, *Last Best Gifts: Altruism and the Market for Human Blood and Organs* (University of Chicago Press, 2006).

Second honorable mention was given to Bruce Western of Harvard University for his book, *Punishment and Inequality in America* (Russell Sage Foundation Publications, 2006).

Ronald Burt Outstanding Student Paper Award

The 2008 Ronald Burt Outstanding Student Paper Award in Economic Sociology was awarded to Dan Lainer-Vos for his paper, "Manufacturing National Bonds: Gift Giving, Market Exchange and the Construction of Transatlantic National Networks." In this paper, Dan examines the socio-financial mechanisms devised by the Irish Republicans in 1919 and the Israeli Zionists in 1951 to secure financial support from their sympathizers abroad. More generally, Dan's dissertation examines nationalism as an organizational accomplishment. Using insights from science and technology studies and a historical comparative methodology he explores how national movements coordinate the divergent interests of the groups that compose the nation. Dan was recently appointed Assistant Professor of Sociology at the University of Massachusetts, Amherst.

On behalf of the section, we would like to offer special thanks to the 2008 award committee members:

2008 Viviana Zelizer Distinguished Scholarship Award Committee

Marion Fourcade (chair), University of California, Berkeley

Leslie Salzinger, Boston College

Josh D. Whitford, Columbia University

2008 Ronald Burt Outstanding Student Paper Award Committee

Kieran J. Healy (chair), Duke University

Jason Owen-Smith, University of Michigan

Filiz Garip, Harvard University

ASA SESSION ANNOUNCEMENTS

ALL SESSIONS ARE OPEN SUBMISSION

“SOCIAL INEQUALITY AND DEVELOPMENT”

Organizers:

Nitsan Chorev
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What impact does social inequality have on economic growth and development? The empirical evidence is mixed. Some research finds that inequality promotes development and growth, while other research concludes the opposite. Most of this research has been conducted by economists, but the issue is too important to be left to one discipline. The purpose of this session is to present sociological analyses, relying on both quantitative and qualitative studies, of the impact of social inequality on development. What are the mechanisms that

link social inequality and development? Under what conditions would social inequality lead to economic success or failure? Social inequality includes economic and political inequality, but also ethnic and gender inequality of access to resources or opportunities. Development includes economic growth, but also growth in various indicators of social development, such as literacy and mortality, life-expectancy, school enrollment, and poverty reduction.

“POLITICS OF MARKETS: CONTROVERSIES, TOOLS, AND POLICIES”

Organizers:

Daniel Beunza
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In seeking to avoid the reduction of markets to political struggle, economic sociology has paid relatively little attention to the complex nature of markets-politics interface. Indeed, economic sociology has successfully established itself by advocating a less political focus on institutions, networks or cognitive structures. But this has also meant that some effects of politics on the market have not been fully explored. This session is aimed at redressing this trend. It calls for papers that consider how politics interact and mediate, rather than substitute, the sphere of the market. We identify three promising themes.

The politics of valuation. Whereas economics regards markets as self-

regulating barometers of value, economic sociology looks at markets as forums for controversies over value. Controversies are a fundamental element of politics, but they also are the lifeblood of financial valuation, as the presentation and resolve of contrasting opinions is the fundamental process that drives activity and liquidity. Some examples of this include consumer activism, socially responsible investment, activist hedge funds, and even value investment or the work of securities analysts. Here, economic sociology can offer a novel and sophisticated view that ties together social movements and Wall Street investors, or public choice and consumer choice. In this vein, we are calling for papers that focus on con-

troveries and conflicts within markets, and examine the relationship between such events and market structure and behaviour.

Politics of market design. The institutional design of markets has pivotal influence on market outcomes, not least because underlying political motivations become embedded into the infrastructure of markets. Examples of this include securitization, government rescue of failing banks, the use of game theory in auction design, or the determination of property rights in science. Yet, in spite of the centrality of this dimension, the study of market design has been virtually neglected in economic sociology. We call for papers that analyse the ef-

fects that market and product design have on the shape and behaviour of markets.

The marketization of public policy. In the last two decades, we have witnessed with see that markets play an increasingly important role in enacting public policy. This includes, among others, the mortgage finance, the development of green energies or the health care industry. What are the effects that the increasing reliance on markets has on the political system? We are calling for papers that analyse governmental projects or long-term policies (local, national or trans-national), their connections with markets, and the political outcomes that emerge as a result.

“NATURE AND THE ORGANIZATION OF ECONOMIC LIFE”

The natural world provides most of the materials that are redistributed in the course of economic activity. However, economic sociologists have so far paid little attention to the question of how economic activities and institutions are structured by historically specific schemas governing attitudes and action toward the natural world. Meanwhile, as public concern about the environmental impact of economic activity has risen dramatically in recent years, for-profit organizations have turned in increasing numbers to economists and business

scholars for help in calculating the costs to the environment of their activities, as well as for help in publicizing their efforts to do so. Economic sociologists possess powerful tools for the critical analysis of these and other developments in relations between “nature” and “economy.” At the same time, economic sociologists stand to benefit from reflection on how historically specific understandings of the natural world shape economic institutions and practices. This panel will feature work that accomplishes one or both of these tasks.

Organizer:

Victoria Johnson
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“GENDER, THE ECONOMY, AND WORK”

This session will explore how gender, the economy, and work (paid and unpaid) are closely intertwined. Gender and families impact the economy and work in various ways. At the same

time, social location with respect to the economy and work construct the experience of gender and family responsibilities.

Organizer:

Mary Blair-Loy
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