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### Sociability and Market Making: A Response to LiPuma and Lee

**T**he core claim of Edward LiPuma and Benjamin Lee's empirically rich and conceptually strong essay is that actors in the financial sector misrecognize their own sociality. Not only are social relations understood to be relations between things (often increasingly abstract things), but also the highly constructed arenas in which those things are exchanged are understood to be natural and spontaneously emergent entities.

I believe there is much truth in this view. Nonetheless, I am going to suggest here that it is overdrawn. The aim is not so much to cast doubt as to introduce complexity. Sometimes the recognition of complexity can be a lever for the identification of greater possibility.

So, regarding the claim—actors in the financial sector misrecognize their own sociability—LiPuma and Lee use the promising language of performativity and negative performativity as a way to capture the manner in which the word becomes flesh in the realm of finance. Asocial theoretical conceptions of atomized individuals and natural markets both emerge from and help to define the self-understandings of actors within that realm. Most important, they drive the dynamics of action within the realm. For LiPuma and Lee this social arrangement creates

among the actors a particular kind of faith in the logic of social life. Agents value self-sacrifice and the pursuit of self-interest, and they believe that the realms in which they do this—markets—are naturally emergent and spontaneously self-correcting and self-governing. This is a sort of deification of the price system: naturally emergent prices semiotically reveal pathways for proper action to those who have faith in their truth.

I agree with this as a characterization of the social imaginary within certain strands of contemporary economic theory. More important, I do not doubt that actors in the finance sector believe this is the way the world is—at least, in some part of themselves. I do doubt, however, that they think about the world in this way in every part of themselves, even in those parts that involve their work life in the finance sector. In particular, the performativity perspective has a difficult time understanding the dynamics of market *making* and, more generally, the strategies for innovation that are pervasive within the financial sector.

Innovation in financial technologies and products over the last thirty years has been driven by the belief that the greatest gains in value and profit are to be had not through the optimization of strategies within given markets but rather through the construction of new financial instruments (products) that create new markets. The phenomenon of securitization and all the instruments associated with its spread is about the creation of new markets. The idea is to identify new social pools of liquidity (potential purchasers of financial products) and sell new stuff (debt obligations, tranches of bundled mortgages, derivatives, etc.) to them in novel ways before anyone else is able to do so. The desire to create new markets is driven by competition, and it is chronic and relentless. Making a market in which you are the only supplier yields a very high margin. But such margins always spawn imitators and create competition in the new market. Competition tends to drive out profit from the market, so players constantly try to identify new forms of potential commercial need and develop new products that will create the possibility for the fulfillment of that need (a new market). This is all in the hope that the newly made market will (briefly) yield (often highly lucrative) monopoly rents.

Paradoxically, this orientation to market creation and innovation is actually highly constructivist and even reflective, not at all naturalized or performative in the LiPuma and Lee sense. Indeed, it produces specific kinds of sociability and intriguing forms of organizational practice and governance within and between financial firms. In contrast to the images of economic man in the imaginary of mainstream economics (and in the con-

structions of performativity theory), securities firms and investment banks are not comprised of lone wolf investors with minions doing the paperwork and isolated engineers making calculations on computer screens. Rather, they are continuously self-recomposing congeries of project teams and multifunctional offices peopled by specialized bankers and investors as well as lawyers, accountants, and financial experts from other organizations. Such multivocal organizational forms are deliberately designed to generate disruption of habit and provoke new ways of thinking about commercial relationships and value creation (new markets and new products). Actors with highly specialized roles (bankers, lawyers, physicists [(makers of the incomprehensible models)], bean counters, etc.), each embedded in distinct networks of specialized relationships, are repeatedly thrown together in changing combinations and must continually make sense of their always different and frequently conflicting goals and senses of the possible.

Crucially, as a matter of organizational governance, actors with multiple roles are formally committed to such social processes of collective sense making. The contracts that constitute specialized teams (when the teams include subcontractors such as lawyers or other banking specialists) or the formal governance architectures within the banks or investment entities (when the team is composed of people from different internal functional realms) outline target returns at anticipated intervals. Teams are obligated to review their actual progress against the forecasts. If targets are exceeded, players jointly create new more ambitious ones; if targets are not reached, processes of internal self-examination and review are triggered. In this way, repeated encounters with difference induce continuous reflection on the identity and role of arranged actors and what they take for granted.

The highly self-conscious and systematically organized hope here is that such encounters lead to new ways of viewing the range of social and commercial possibilities. Banks, like many other contemporary capitalist organizations (e.g., in Silicon Valley or even in prosaic manufacturing supply chains), have cultivated the collaborative, recompositional, and decidedly nonmarket-based forms of sociability described here in an effort to make new markets and capture greater amounts of value. A central consequence of such socially reflective processes is that actors continuously reconceive and redefine their roles and relations. Everyone in finance understands innovation as a process of social redesign within and among players in their world.

So, rather than the erasure of the social, at least in the most innova-

tive realms of financial practice, financial actors have systematically created arrangements that are self-consciously social and interactive. Actors are not only socially arranged; they also are acutely aware of the sociality of their reality. Indeed, their aim is continuously to rearrange it in the interest of the creation of new markets. The formally reflective arrangements that have diffused within contemporary capitalist organizations are designed to interrogate their own taken-for-granted practices. Making the tacit explicit creates the possibility for transformation.

The language of performativity, which emphasizes the stability of the taken for granted (naturalization), does not really capture these dynamics of innovation and market making that drive practice in contemporary finance. More significant, because the performativity perspective is primarily concerned with stability and reproduction rather than transformation and change, it is not a mode of analysis that is useful for those of us interested in engaging with pervasive processes of change within capitalism.

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