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## **“Everyday investment in Asset Backed Securities: an anthropology of contemporary global credit relations”**

The financing of economic activity has been changing in the last thirty years and looks very different today than it did in the seventies<sup>1</sup>. While companies and states formerly financed their activities through bank credits, today, in the richer countries of the world, this happens mainly through the issuing of securities (bonds, stock, derivatives) bought and sold by a network of professionals working for companies based all over the world.

I describe here the everyday practices of a team of managers investing in credit derivatives known as Asset Backed Securities (ABS) within a multinational financial corporation based in Paris, Acme Inc. The field work consisted of a four month internship as an assistant financial analyst in 2004 and about 70 interviews with professionals between 2002 and today<sup>2</sup>. The description is concerned with the regularities of everyday life in the office and their different temporalities. These concern personal trajectories and imaginaries, within and outside the professional organization. They also involve organizational imperatives, possibilities, power relations and transformations. But description of the everyday must take into account the social organization in which these people interact. That means understanding the global strategies of the company in which they are employed and how the credit relations in which they take part by investing in Asset Backed Securities shape a particular distribution of monetary resources.

I will first explore how the figure of an “investor” carrying out marginalist calculation, which organizes and legitimizes the way money is invested by the team, cannot be understood as a person with a will and a consciousness, but as a figure that is distributed in different professional tasks within a network of institutions. The everyday practices of the team were organized around two sets of official rules that the actors had to follow to keep their job: investing money by using marginalist calculation, and organizing the activities in “projects” with two to three years time horizons. The personal trajectories, identities and power struggles were organized along these norms in the everyday interactions within the team and between the members of the team and the other employees of Acme and its commercial counterparts.

I will then analyze how the investment practices of the team I observed were part of a global organization of an unequal distribution of monetary resources. To do this, I will explore the objects that were exchanged, i.e. the credit relations that were enacted each time a credit derivative was bought and sold. The network of contemporary finance companies and regulatory bodies can thus be understood as an institution that organizes a particular set of global credit relations.

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<sup>1</sup> For a feel of professional investing as a “novelty”, cf. Lowry, R. P., “Structural changes in the market: the rise of professional investing”, in Adler, P., Adler, P. A. (eds.), *The Social Dynamics of Financial Markets*, JAI Press Inc., Greenwich, Connecticut, 1986, pp. 19-38.

<sup>2</sup> The internship in Acme occurred after I had done similar internships in a brokers company in New York and in a hedge fund consulting company in Paris, in order to achieve a PhD in social anthropology.

I will conclude by exploring how the descriptive tools of fieldwork research, taken with the conceptual tools of anthropology, reveal the social organization of credit relations as a particular form of unequal power distribution in the world economy. Thereby, I will explore the potential for an anthropology of contemporary finance in two ways: our capacity to render global financial processes as situated social practice; and to analyze such practice as a fragment of highly organized global power relations. This places anthropology within the tradition of pragmatism from Kant to de Certeau: telling readers what concrete human persons can do and thereby allowing them to engage with these human possibilities as part of their own everyday practical perspectives.

### **I The everyday institution of the marginalist investor.**

Michel Foucault remarked that power relations should not be understood as an opposition of wills where some dominate others, but as a set of operations, endowed with intentionality, and distributed in broad sets of interactions<sup>3</sup>. This allows us to understand how the everyday investment activities of the members of the team that I observed were organized along the narrative of marginalist calculation, without there being an individual that embodied the figure of the “marginalist investor” as his total identity.

The figure of the “marginalist investor” is crucial for contemporary finance<sup>4</sup>. It organizes the methods of valuation and investment, defining theoretically, in manuals and academic papers, how money should be allocated in the most efficient way. Linked with the notion of efficiency, the figure of the marginalist investor is part of the liberal discourse that legitimates the regulation of social relations through markets. According to this imaginary, independent “investors” coordinate their “interest” by marginalist calculation and price setting. Marginalist calculation means that the investor will calculate the cost and gains of each investment decision and will decide to buy or sell according to the marginal advantage of each. This marginal advantage, measured in monetary terms, can be minimal, but helps discriminating between investment actions. Performing this calculation, the investor obtains the optimal exchange situation for herself. When all investors can do this in a free market, the allocating of resources is supposed to be more efficient than any other form of exchange regulation could allow for.

During the four months that I spend as an assistant analyst in the ABS team, their investment techniques were in the process of changing. This process was linked to changes in the network of exchanges of ABS (the “ABS market”) where the team evolved and to crucial organizational changes in Acme. The process of change was officially organized by these two sets of stakes.

To see how the figure of the investor is enacted, I will analyze how the members of the investment team adopted different positions towards two official available definitions of the “investor” and what had “value” according to her. These positions organized the way the team invested the money of the clients of their employer, and how change was effected (a). To do so, the members of the team also positioned themselves towards the official narrative of work organization, centered in the idea that each employee had to be “autonomous” and “creative”, and organize his work in “projects” (b).

The change of the investment approach was considered both a response to a change in the investment environment and to the end of a project and the need to launch a new one.

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<sup>3</sup> Foucault, M., *Histoire de la sexualité I La volonté de savoir*, Gallimard, Paris, 1976, pp. 124-125.

<sup>4</sup> This figure is at the base of most research in economics departments, and is usually referred to its official founding father, Leon Walras.

The interplay of these logics of action<sup>5</sup> was thus the enactment of the figure of the marginalist investor, which is both a norm and an effect of the institutional setting, but not a particular person endowed with consciousness and moral responsibility (c).

a) The two figures of the “marginalist investor” as professional tasks

The ABS team’s investment activities were carried out as routines, procedures, organized partially along the “intentionality” of the figure of an “investor” that defines “value” and profits from it by calculating the opportunity cost of his action, in a fashion akin to that of the theoretical marginalist investor of the liberal approaches of economic exchange. Like in most of the rest of the financial industry, two conflicting figures of the “investor” were available and mobilized by the actors in the procedures of their everyday professional tasks.

*Fundamental and market value: the two figures of the marginalist investor*

The ABS team bought ABSs according to a particular logic of “valuation” of the assets, which was linked to a specific way to organize the investment activity as a whole. The valuation of ABSs by their “fundamentals” was linked to a “buy and hold” investment strategy. It was opposed to an approach to investment, characterized as “trading”, by which the ABSs were valued not by their “fundamentals”, but by their relative yield, like other “interest rate” assets, such as bonds. This distinction organized the positions within the team and the path it took when it changed its investment approach.

An ABS is a security that works like a bond<sup>6</sup>. The buyer of an ABS pays a certain amount of money and receives in return, at regular dates and for a certain period of time, a certain cash flow. At the end of the payments, the buyer will have received the capital invested and an interest rate. In the case studied here, the interest rate was calculated in relation to the Libor 3-months rate in euros<sup>7</sup>, and the payments received were a bundle of interest rate payment and capital repayment.

The cash flows paid by the ABS are, as its name implies, “backed” by “assets”. In the case studied here, the assets were loans issued to individuals in the US. Thus an ABS backed by mortgage loans (generally called a Mortgage Backed Security, MBS) is a security the returns of which come from the compounded returns of usually about 10 000 loans to

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<sup>5</sup> I use the term “logics of action” like, for instance, Michel de Certeau, in *L’invention du quotidien 1. arts de faire*, Editions Gallimard, Paris, 1990, pp. 40 and ssq., and Ludwig Wittgenstein when he speaks of “rules” of a game, in the *Philosophical Investigations*, tr. Anscombe, G. E. M., The MacMillan Company, New York, 1965, particularly § 207 and ssq., pp. 82 and ssq.. The “logic” is not “logical” in the sense of the academic discipline of “logics”. It is “the way to do it”, the regularities of action, multiple but limited, through which a particular situation is carried out. The way I understand the multiple interactions between logics is similar to the way Max Weber understood a multiplicity of causes to be at play at the same time, described with the notion of *Zusammenhang* (the object of *The Protestant Ethic and the Spirit of Capitalism*, is defined by Weber as a “*Komplex von Zusammenhängen*”, que Talcott Parsons translates by “complex of elements”, but which can also be translated by “complex of interrelations”, cf. Weber, M., *The Protestant Ethic and the Spirit of Capitalism*, tr. Parsons, T., Dover Publications, Inc., New York, 2003 (1904-1905), p. 47). In this respect, the notion is close to Deleuze’s concept of *agencement* (cf. Deleuze, G., Guattari, F., *Capitalisme ou Schizophrénie 2. Mille Plateaux*, Les Editions de Minuit, Paris, 1980, pp. 9-37): there is thus no overarching logic, or cause, but a changing interplay of regularities, some of which are organized along narratives of intentionality.

<sup>6</sup> A corporate or state bond is an asset with a nominal price and a yield, the “interest rate”. The “investor” buys the asset and receives a particular amount of money during a set time. This amount is usually defined as a rate of the price of the asset paid by the investor. Thus, if the investor buys a bond for 1000 US\$ and receives 40 US\$ every year, the interest rate is 4%. If the bond is a 30-year bond, the investor will theoretically receive 40 US\$ every year for 30 years, and the 100 US\$ (called the “capital”) with the last payment. There are different bonds, with different definitions of the yield and the payment of the nominal price.

<sup>7</sup> London Interbank Offered Rate, this rate, calculated and published by the British Bankers’ Association ([www.bba.org.uk](http://www.bba.org.uk)) is considered to represent the lowest rate at which major banks lend money each other, i.e. the lowest rate offered by private actors to the most reliable private actors world wide in a particular currency.

particulars<sup>8</sup>. To do this, the originator of the loans (for instance, a bank) sells them to a specific legally separate structure (conveniently called Special Purpose Vehicle, SPV), which then issues the ABS. The loans are thus taken off the balance of the bank, which both interests the bank, as it liberates existing obligatory reserves to originate more loans, and the buyers of the ABS, who know that the performance of the ABSs will not be affected by future difficulties of the originator. The SPV is thus called “bankruptcy-remote”.

The underlying loans have generally common characteristics, such as end dates and amounts. But they also have differences which, considered statistically, structure the way in which the ABS works. Thus, a particular MBS will be made of loans usually spread around the US, and contracted by people with different credit scores<sup>9</sup> and buying different types of homes. These differences, among others, are considered to allow for a diversification that will render the ABS less sensitive to localized credit problems. At the same time, they are projected into the structure of the ABS. The ABS is sold in different *tranches*<sup>10</sup>, ordered in relation to the likeliness of their returns being paid in the case of a problem of payment in the “assets” backing the security. These *tranches* are most often rated by some or all of the three members of the global oligopoly of credit trading agencies, Fitch, S&P and Moody’s<sup>11</sup>. Thus, in the case that some of the loans backing the ABS are not paid (as is actually the case with the credit crisis in the US), the best rated *tranches* are those which will receive any payment before the least rated *tranches*. The rating is built in relation to the allocation of the risk of non-payment. This usually means that the lowest rated *tranches* are effectively backed by the most fragile loans. The interest rate paid by the different *tranches* is supposed to be related to this risk. Thus, at the time of my research, the best rated *tranches*, the AAA, were paying Libor 3-months + 20 basis points (bp)<sup>12</sup>, while lower rated *tranches*<sup>13</sup>, for instance BBBs, were paying around 80 bp.

The financial value of an ABS depends on the way it is invested in. For the people I observed, there were two available, institutionalized and conflicting approaches. The monetary value of an ABS can be considered to be its nominal price or the spread it offers. These vary in opposite directions. A *tranche* of ABS with a nominal price of 10 million euros and paying Libor 3-months euro + 20 bp, i.e. 3,7%, will be paying an interest amount of 370 000 euros a year. These amounts are fixed at the time of the buying. If Libor rates fall during the time the asset is held, the asset will still be paying 370 000 euros, but effectively it will be paying a higher spread to Libor. Thus, because the spread is supposed to represent a risk, which is unchanged, the nominal price of the *tranche* of ABS will rise, so that the 370 000 paid still represent exactly 3,7% of return. On the contrary, if interest rates rise, the price of the asset will fall.

For an investor interested in buying low and selling high, the financial value of

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<sup>8</sup> These loans, the “asset” backing the “security”, are also called the “underlying” assets. ABSs can be structured with loans to credit card users, to small businesses and other economic activities. I will concentrate here on MBSs because they are the most common type of ABS and to simplify matters.

<sup>9</sup> The personal credit scores in the US are made by a practically monopolistic private company, FairIsaac, delivering what is usually called a “FICO score”. The problems posed by the capacity of this company to actually calculate the risk of non-payment of singular people are brought to light with the current credit crisis in the US. They are studied by Martha Poon in her PhD research currently under way, cf. Poon, M., “Scorecards as Devices for Consumer Credit: The Case of Fair, Isaac & Company Incorporated”, in Callon, M., Milo, Y., Muniesa, F., *Market Devices*, (Sociological Review Monographs), Blackwell Publishing Ltd., Oxford, UK, 2007.

<sup>10</sup> The French word for “slice” is used in the American contracts.

<sup>11</sup> Cf. Capelle-Blancard, G., Coupepy-Soubeyran, J., “Les agences de notation”, *Le financement de l’économie, Cahiers français*, n° 331, Paris, mars-avril 2006, pp. 70-77.

<sup>12</sup> A basis point means 0,01%. Thus, if the Libor 3-months in euros was 3,5%, the AAA *tranche* paid 3,7%.

<sup>13</sup> Depending on the ABS, the ratings could go much lower, down to the Ds, always with a structure like this: AAA, AA, A, BBB, BB, B, CCC, and so on.

the asset lies in the possibility of it offering a better return now than in the future. For an investor interested in securing a stable return in the long run, as were the people of the team I observed, the financial value of an ABS was its capacity to pay duly its return, no matter the relative evolution of its nominal price. This approach is called “buy and hold” across contemporary finance. It is thoroughly linked to the deep analysis of the quality of the ABS. When an ABS is bought for a short period of time, the underlying loans can be considered, statistically, to remain stable in the whole. The investor can thus not spend much time looking at them and at the way they are structured, especially since he is busy buying and selling assets often. But when an investor buys an ABS to keep it for several years, he should look carefully to what is called the “fundamentals”<sup>14</sup>, the particular characteristics of the loans. In particular, the investor should check the possibilities of the security containing fragilities.

The everyday activity of the team was organized around the “fundamental” approach to ABSs as it worked with the “buy and hold” approach. They spent a good part of their time looking at documents detailing the assets backing the ABS. They looked at the background of the originator of the loans, the statistics of the evolution of the previous loans it had issued, the geographical diversification of the underlying loans within the US, the quality of the loan in terms of FICO scores, in terms of the amount of fixed and variable rate loans or periods within a single loans, the types of homes bought with them, and other data. The investment managers took a day or two to survey all the elements contained in a particular ABS, as they were detailed in the contract defining the security, which consisted of a text of a hundred pages with juridical clauses and statistics about the underlying loans. The managers also asked the seller of the contract, usually a big international bank, considered here to be a broker, different from the originator and the SPV caretaker, to model the reaction of particular *tranches* to different credit strains. The managers then negotiated a spread with the employee of the broker that took care of them, whom they usually already knew personally. The definition of the spread, as one of the managers clearly affirmed, was “very subjective”, something they learned by talking to other professionals and which evolved over time, without the managers being able to influence it.

Thus, the “buy and hold” approach was intimately linked to the way of “valuing” the ABSs according to their “fundamentals”. The two were the specific investment imaginary and expertise of the leading members of the ABS team, and partially organized their position within the team and their relation to power struggles between departments in Acme.

The ABS team was formed initially outside of the department of Structured Products, in the bigger and more powerful department of Fixed Income investment. It consisted initially of two people, Isabelle and Bastien. Isabelle was in her early thirties and had already almost ten years of experience in the structuring of ABS contracts in the banking industry. Isabelle’s expertise was thus that of analyzing the “fundamentals” of ABSs. At the time of my internship, she was considered by her bosses and other people to whom I talked as one of the most qualified people in the Parisian professional milieu when it came to analyzing the value of an ABS. She talked about her past and the expertise that she acquired in it with pride, and held such expertise as the only legitimate to approach ABSs.

She was first hired at Acme as a senior analyst of ABSs to cater the interests of a wide variety of investment managers within the Fixed Income department<sup>15</sup>. She then hired Bastien, in his mid-twenties who had received a general education in economics and finance

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<sup>14</sup> This is called in the profession, a “fundamental” or “fundamentalist” approach.

<sup>15</sup> The term “Fixed Income” refers to all financial assets which work like bonds, i.e. which yield an income that is pre-set in the contract, and can be considered to be “fixed”, in opposition to stock, for instance.

at two prestigious “grandes écoles”<sup>16</sup>. He was formed by Isabelle in the job of analyzing the intrinsic quality of ABS contracts. Isabelle was frustrated with her subordinate position and her lack of belonging to any concrete project within the Fixed Income department. She managed to get transferred to a position of investment management in a new department within Acme, called “Structured Products”. She kept on working with Bastien, who nevertheless remained in the Fixed Income department due to budgetary constraints on the Structured Products department. These constraints were due to the pressure of the more powerful Fixed Income department whose management felt threatened by the rise of what was seen by all as a new approach to investment. The Structured Products department was indeed explicitly created to offer new products to Acme’s clients, by producing and investing in derivatives and hedge funds, as a way to go beyond the approach of mainly investing in stocks and bonds, which was seen as classic, narrow and with little scope of business expansion<sup>17</sup>. By retaining Bastien, the Fixed Income department was passing a deal in which all operations with ABSs were joint with the Structured Products department, a way to keep an eye on the business and to avoid missing potential future gains from it. While approaching ABSs as just another “rate” product could have been consistent with the classic approach to major bonds in the Fixed Income department, insisting on the “expertise” on an “exotic” product placed Isabelle’s and Bastien’s activity clearly in the Structured Products department, where they had more freedom to develop their activities and increase their salaries as specialists.

It is partly in relation to an approach of ABSs by the “fundamentals” that the ABS team grew and that the positions within it and in relation to the different departments were stabilized. Isabelle’s direct boss, a very dynamic commercial manager, set up contracts of investment management which allowed Isabelle to secure an income in her new position as a fund manager. But the bonuses she would get could not easily go to Bastien, who still depended from the Fixed Income department<sup>18</sup>. At the same time, Isabelle was pregnant and would soon go on maternity leave. Since the activity was growing, she secured a budget to hire a new senior management. She contacted an old contact from the times when she was a structurer in a bank, Gwenaëlle, also in her early thirties, and a former manager for years in one of the main rating agencies and then in a bank structuring ABSs. Gwenaëlle had had major responsibilities in rating contracts made by the team in which Isabelle had worked, and the two had known each other professionally on good terms for years. Her knowledge of ABSs, like that of Isabelle’s, was thus one of analyzing in depth the financial and legal characteristic of each specific security. The two respected each other professionally and knew their respective expertise. Gwenaëlle was hired as she was herself pregnant, but the times of her pregnancy allowed her to substitute Isabelle on her maternity leave, and leave only when Isabelle would already be back. Isabelle talked smilingly about the fact that they “relayed” each other during their pregnancies. The fact that this was accepted by the bosses of the Structured Products department created a strong link between the two women as well as a

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<sup>16</sup> The “grandes écoles” have a similar symbolic charge in France to Cambridge and Oxford in the UK or the Ivy League in the US. Some positions in finance and government are generally considered to be closed off to those who did not study in these institutions, and holding a diploma from one of them can open many doors.

<sup>17</sup> As I’ll explore below, the Structured Products department was becoming a third major department, in competition with the “Fixed Income” and the “Equities” departments, which defined the main activities of fund management at Acme.

<sup>18</sup> Bonus payments, all across the financial industry, are usually decided by the bosses without appeal, although informal rules usually apply. Bonuses can multiply the salary. Thus, the second investment manager of the team, Gwenaëlle, had a fixed salary of about 100 000 euros, and her last yearly bonus had been another 100 000 euros. Usually, a team manager would negotiate with his bosses a global amount of bonuses, which he would then distribute in his team. Bastien’s salary and bonus were not paid by the bosses of Isabelle. These made the negotiations indirect and allowed for more power struggle than usual.

respect by them of their bosses<sup>19</sup>. Gwenaëlle explained to me in an interview that she had decided that she had to tell her bosses that she was pregnant before being hired, although she could have still hid it, because “I told myself, if they don’t hire me because I’m pregnant, it means that they’re stupid, so no regrets”. She told me that her only concern with working for Isabelle, was that she would have a boss who would have the same age and experience than her. It had been a “decision” to accept such disparity and had so far posed no problems in their relation.

The “fundamental” approach with a “buy and hold” strategy did not just gather together Isabelle, Gwenaëlle and Bastien, but also stabilized clear lines of opposition with a third senior manager.

This third senior investment manager was imposed on the team by the Fixed Income department, as part of the initial agreement between the two departments by which Isabelle had been transferred and Bastien kept in place. François was also in his mid-thirties, but had no experience at all in ABSs. He had been a trader and fund manager in bonds. While the revenue structure of a bond and an ABS are basically the same, the investment techniques developed for both could be very different, and crystallized the opposition between François and Isabelle and Gwenaëlle.

Isabelle, Gwenaëlle and Bastien, contrary to the marginalized François, had never been investment managers before entering the ABS team. The “buy and hold” approach was not only linked to the “fundamental” approach to valuing ABS, but was also the most classical approach to investment, as it is taught in manuals in business schools and MBAs. Whether it be stocks, bonds or other assets, the main approach consists in a diversification, where no asset constitutes more than a certain percentage of the whole investment, among other rules, so that no single asset can hinder considerably the return of the whole investment. In the case studied here, it was 2%, in line with practical norms in the profession. Other limits were set, for instance in the amount of assets issued by the same company. This logic of investment was followed by the team I observed. They also calculated a global return for the investment, and an average risk, in terms of the rating of the assets. They actually bought ABS *tranches* between AAA and BBB rating levels, and not below. They left some margins of play in the contract to adapt to the evolution of the offer of ABSs by brokers.

The investment techniques in bonds, especially in trading, considers its return as a percentage of the price. The investor will then look at the future prospects of rise or decrease of interest rates and make bets on the impact of such movements on the price of the bond. The investor will not necessarily hold the bond for too long, and will buy and sell the asset in relation to changes in the perspectives on interest rates, without much regard to the intrinsic quality of the bond<sup>20</sup>. Isabelle went into long tirades in an interview about the fact that her philosophy and that of Gwenaëlle was one of “credit”, i.e. an analysis of the credit risk of the loans composing each ABS, while François’ approach was a “rate” approach, which had no knowledge of the underlying asset. She deemed the difference unbridgeable and considered that François had no place in the team.

The opposition was linked to the fact that François had been imposed on her by a hierarchy that she considered illegitimate for several reasons. According to Isabelle, the Fixed Income department’s bosses did not adhere to the investment approach of the Structure Products department, insisted on maintaining her protégé Bastien kidnapped, made the

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<sup>19</sup> While their direct boss was a man, the head of the department was also a woman, coming from a “grande école”, who insisted in an interview on the need to hire more women in finance, and the difficulty of the task, since the people qualified for the jobs, mostly engineers, were mainly men. This is also why I use the masculine “he” to speak of generic actors in the profession, even if in the present case the managers were female.

<sup>20</sup> This strategy is clearly linked to the fact that, for bonds issued by rich states, the option of default is practically nil.

payment of his bonus very difficult, and stressed the limits of Isabelle's power as team manager, particularly as the Fixed Income department was thus allotted a share of the profits of the activities of the ABS team. But the opposition was organized and legitimized along the distinction between the two available figures of the marginalist investor and his way to define value.

The team of fund managers investing in ABS was thus constituted historically according to a certain understanding of how to define value and to profit from it by investing in it. This understanding related to the liberal figure of an isolated "investor" who allocates his resources according to his definition of value. Yet, in the case of the ABS team, as well as for the rest of fund management in the rest of financial industry, each individual is not an isolated investor valuating in his own idiosyncratic way. All are employees, applying procedures to manage funds that do not belong to them, according to rules of valuation and understanding of how to profit from investment that are legitimate in the profession. During the time of my observations, a change in the investment techniques applied by the team was being prepared along these available figures of the investor.

*From "buy and hold" to "active management": a shift between the figures of the marginalist investor*

The investment managers in the ABS team were confronted, during my internship, to what they considered at the time, and retrospectively justly so, to be a durable evolution of interest rates: these were starting to rise after a period of fall, and the rise has actually not stopped until today since 2004. This set a double strain to the way ABSs worked. ABSs were often structured with floating and fixed rate loans. While the interest paid by floating rate loans would simply follow the rise of interest rates, the fixed rates loans would not. The overall return of an ABS with fixed and floating rates loans would therefore not be able, eventually, to match that of interest rates. At the same time, if interest rates rose too much, the small spreads offered by the highly rated ABSs would be relatively less interesting (20 bp added to 3% is more than 20 bp added to 6%).

To this strain a second one was added. The investment managers considered that in the last months before my arrival, several financial companies had started to deploy teams investing in ABSs, notably hedge funds. The rise in the overall demand of ABSs put a clear strain on the prices. I observed several times the investment managers refuse to buy an ABS from a broker whom they knew, telling him that the spread offered did not allow them to keep with the spread requirements of their engagements with their clients. The broker would then sometimes propose a higher spread, and would sometimes not insist, looking for some other company to buy the asset<sup>21</sup>. The managers told me that a AAA *tranche* would pay 25 bp a few months before, while it was being offered on average at 20 bp at the moment and some brokers were proposing even lower spreads. The "law" of offer and demand in the "ABS market" put thus a supplementary strain on the "value" of ABSs as yielding a stable spread above Libor 3-months. In the terms of the actors, the "value" of ABSs as stable return, in particular that of the higher rated *tranches*, was "disappearing".

The "obvious" outcome of this situation was that, in order to "create value", the investment managers should start investing in lower rated *tranches*, which yielded a higher interest rate. While the managers considered that the AAA *tranches* actually never defaulted

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<sup>21</sup> The employee of the broker company, called "sales", also applies procedures that are organized along the figure of a marginalist investor. Usually, the official task, to which is linked the bonus payment of the sales person, is defined by his capacity to sell high amounts of assets at the the highest price. The bonus of the sales is usually linked to these amounts.

or were even downgraded<sup>22</sup>, the lower *tranches* could be more volatile. This affected the temporal stability of their price, but more fundamentally it meant that one could not simply buy them and keep them for a long time with a peace of mind. A more “active management” was needed to invest in them: not just buying and holding, but buying, selling and buying again. This was considered differently by Isabelle and Gwenaëlle. While Isabelle, as the team manager, insisted the team needed to invent new investment strategies, she did not seem to favor any of them personally. In an interview, after ranting against François’ “rate” approach, she considered that the legitimate members of the team had acquired, after a few years of investment management, considerable knowledge of the assets and their “market” evolution, so as to change from a “buy and hold” strategy to a more “aggressive”, “market oriented”, i.e. to a more speculative approach of ABS. She insisted they should do so while maintaining a deep analysis of the underlying assets. Gwenaëlle, followed a similar line, insisting on the need of maintaining the expertise of analysis of “the fundamentals”. Thus, both kept out the possibility of François legitimately holding a position in a new investment strategy. But contrary to Isabelle, Gwenaëlle said that the idea of an approach closer to “trading”, i.e. speculative in the short run, appealed to her, and seemed “interesting” in that she would “learn” new things. This attitude was not matched by Bastien, who said that he did not cherish buying and selling assets often, a practice which, playing with his avowed high class social upbringing, he smilingly characterized as “vulgar”. He nevertheless conceded in occasional chats that he would adapt and maintain his position as a proactive follower of his two bosses.

The professional tasks of the members of the ABS team were organized around the capacity of making profits by investing in ABSs. They had thus to devise a new investment approach in the changing investment environment, if they wanted to retain their jobs. Having partially constructed professional identities along one of the figures of the “marginalist investor”, the change meant retaining it while adopting a new investment technique. This is what they eventually did. In the year after I left my position, Isabelle quit the team to take a job as a senior analyst in a rating agency, thereby retaining her approach through the “fundamentals”. Gwenaëlle took control of the team, and developed new funds by investing in lower *tranches* of ABSs, with a trading approach. But she did so while at the same time putting forward, in the official presentations of the team’s activities to potential clients, that its fund managers had a comparative advantage in relation to other trading teams, since they still did the fundamental analysis of each asset bought and sold, thereby adding the “secure” aspect of fundamental analysis expertise to the higher profits of “active management”. Bastien climbed to a higher position, as François left the team altogether. After two years, the team had grown to ten members, only three of which were already in place when I had left it.

In the everyday of the ABS team, the financial calculations, social identities, professional and personal imaginaries and organizational struggles were partly organized around the “fundamental approach” to ABSs in a “buy and hold” investment strategy. These two elements seemed called to change in the near future and eventually did so. In order to understand *how* they changed their investment techniques and grew to become an even bigger team, it is necessary to analyze how the investment strategy of the group was organized around a particular hegemonic narrative, that of working by mid term creative and always new projects, in a particular conflictive organizational setting.

b) The organization of the investment professional tasks in “projects” and the power struggles within Acme Inc.

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<sup>22</sup> A “downgrade” is the change of rating by a rating agency to a lower rating. It means that the *tranche* is considered to be less reliable as initially announced by the structurer. The downgrade has an immediate effect on the expected spread of the *tranche*, which is expected to rise, which means that the nominal price falls.

The change in the investment technique was effected by mobilizing available figures of a “marginalist investor” that defined the intentionality of the procedures applied by the actors as part of the fulfillment of their official professional tasks. The change also took place along certain official norms concerning the organization of work within the team, the Structured Products department, and Acme in general. These rules meant that work was supposed to be organized by “creative”, “autonomous” individuals with the time horizon of two to three years, defined as that of a “project”.

*The constitution of the ABS team as a set of investment projects*

Since the creation of the team, its members had been investing the money entrusted to their clients for a particular amount of time, by buying ABSs with a “buy and hold” approach. The fixed lapse of time defined in the contract with their clients meant that if an ABS came to the end of its payments or was downgraded before it, it had to be replaced, and that at the end of the contract period with the clients, all remaining ABSs would be sold. The managing of such a structure, given the stability of the better rated ABSs, was considered by the managers as smooth. They had thus developed several “funds” for different clients and bundles of clients. But this structure also made them dependent of their clients: if the latter chose to withdraw the cash for whatever reason, the team would be left with no job. It also made their clients dependent on them: if the clients did not like their results, their only exit strategy would be to recover the money invested, i.e. going through the lengthy process of selling all the ABSs held, without influencing their market price by selling them all at once.

During the time of my internship, the team was thus smoothly managing the funds created in the previous years, and engaged in the completion of their last “project”, which was particularly designed to prevent these dependencies. The new “fund” was a CDO, a Collateralized Debt Obligation, structured similarly to an ABS. The clients would not simply entrust money to the managers, but would buy *tranches* of a CDO, which they could sell elsewhere afterwards. The ABS team would initially sell the *tranches* to its traditional clients, but could eventually find other buyers, in the “deeper” “CDO market”. While the overall “buy and hold” approach, with its diversification logics, was strictly respected, the CDO structured the investment relation quite differently. It also comforted the strategy of the Structured Products department, which was to look for clients other than those traditionally working with Acme. This was meant to allow the department to be more independent from the other departments and struggle against them to acquire a more powerful position within Acme as a whole.

The money invested in the CDO, with which the managers bought ABSs, came from different clients. The contract itself was oriented towards securing a particular return to each client. A CDO is a security with *tranches* with different risk profiles, different ratings and different spreads. Each *tranche* of the CDO was related to a particular set of ABSs, and the CDO itself was designed, as the ABS, as a contract in which the best rated *tranches* were paid before the worse paid ones, in a clear hierarchy. This particular CDO was built for previously fixed investors, and was not going to be sold openly in the network of professionals investing in CDOs. But the structure was interesting for all the actors for different reasons.

The main investor for the best rated *tranches* was a major British bank, interested in entering the market of CDOs with a safe investment, in which its employees were able to control the process of structuring and the quality of the underlying assets. The best rated *tranches* were also insured, as was common in these structures in the profession, by an insurance contract with another major bank. The insurance contract took the form of a swap (a credit default swap, CDS), according to which the fund managers transferred a regular amount of money to the insuring company and, in case of default, the insuring company paid the money that the fund managers were supposed to pay to the investor. The lower *tranches*

were sold to French insurance companies, which invested the money paid to them by the millions of people taking all sorts of insurance policies. For these insurance companies, the interest of investing in a CDO of ABS was to diversify their own investments into a new asset, different from stocks, bonds and other main assets, and thus sensitive, presumably, to different economic risks.

This structure had its own everyday temporalities and stakes, which matched the “project” work ethics and organization. The managers I observed had spent months negotiating the terms of the contracts with their clients and with the team of structuring specialists. The contracts imply an important use of statistics and mathematical expertise, which the fund managers had only partially. Another team in Acme worked with them, and then their work had to be proof read by the clients. After agreeing on the basic structure, a term sheet with no binding status, started a period of called the “ware house”, where the managers bought ABSs in order to fulfill the criteria set in the projected CDO contract. This period lasted about six months, during which about 70% of the funds were invested, coming from the major bank interested in the higher rated *tranches*. After it, came a period of marketing, of about three months. Finally, when all the *tranches* had been sold, a period of “rump up” started where the rest of the funds were invested. I arrived to the team when it was in this latter period. They still did a little marketing as a way to get to know potential investors for future deals, since this one had already been agreed with other clients before. For the management team, the interest of building such a structure was indeed partly to be able to market it to different clients, not necessarily in order to sell it (since there already was an agreement with certain clients), but in order to be recognized as a “player” in the “market” and thereby prepare the ground for future deals. Of course, the distribution of the different cash flows by the team was calculated with fees paid by the different investors so as to ensure a revenue for Acme which allowed the company to pay the managers a minimum high salary and a the high bonuses that were distributed since the business had gone well.

The “project” work ethics, to which all the members of the team adhered officially, organized the divisions and groups within it. It was also part of the team members’ relation to the tension between the Fixed Income and the Structured Products departments. The functioning by two to three years long projects, such as the construction of a CDO, was also linked to the temporalities of the hiring of new people in the team. It was in this situation that the change in the investment techniques came to be seen as a new “project”.

The inclusion of Gwenaëlle in the team corresponded to the ending of a previous project, where a fund had to be filled up by buying ABSs. After Isabelle and Gwenaëlle were both back to work, the new CDO project was launched, in which they were still working when I arrived and which I described above. Thus, the arrival of Gwenaëlle was linked to the option of launching a new project, and at the same time made this option realizable. The idea that the team would work in projects of which they were the sole specialists was put forward in the interviews and everyday comments not just by Isabelle and Gwenaëlle, but by other managers in the department. It was also the main work ethics defended in an interview by the head of the department, which claimed the need of “independence” and “creativity” of the people under her management, even if it meant that they could be paid more than herself. This work ethics, akin to the one explored as a particular management ideology for instance by Luc Boltanski and Eve Chiapello<sup>23</sup>, was compared by the head of the department to what she considered to be the old bureaucratic and ineffective style of the other departments (Stocks and Fixed Income) and of their common director. Gwenaëlle insisted in an interview on the fact that one of the appeals of the job was that she would be asked to propose new projects.

Gwenaëlle attacked, in an interview, what she considered to be François’

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<sup>23</sup> Boltanski, L., Chiapello, E., *Le nouvel esprit du capitalisme*, Gallimard, Paris, 1999, particularly pp. 93-153.

incapacity to be autonomous at work. This, she concluded, made him unsuitable to remain in the team much longer. François, in interviews, considered that he was not allowed to have any autonomy in the team, because the two other senior investment managers kept the knowledge to themselves and considered themselves to be the only legitimated to invest in ABS. He considered in interviews and lunch breaks that this was due to the fact that the team was “young”, i.e. had little experience and no senior manager above them, which made them believe that they “owned” the class of assets and were not “replaceable”. He concluded that this situation would change over time, but that in the mean time there was little space for him to enjoy working with them much longer.

The opposition in terms of autonomy and capacity kept out of the group an intern, Fatima. Bastien, Gwenaëlle and Isabelle complained that she took no “initiatives” and had proved that she would not be “creative” for the group. In a similar line to François’, she stated several times to me in interviews and talks that she had been prevented from acquiring the knowledge that would have helped her to be able to be “creative” and take “initiatives”, using the same words than her opponents. In spite of her masters in market finance, she was reduced to a data entry position, registering the trades that had been made and collecting information on demand. She linked this marginalization to the idea that Isabelle and Gwenaëlle were jealous of their expertise and were afraid to lose their comparative advantage if they shared it, and to the fact that she was being discriminated because of her “origins”, which showed in her name, her two parents having arrived to Paris from Algeria several decades ago.

Like Gwenaëlle, and unlike François, all the people were hired into the team in relation to temporalities set in terms of “projects”. Thus, I was hired because new procedures were necessary to cope with the growth of the team. All senior managers had a fund under management and as they intended to expand their activities beyond the scope of their traditional clients, they wanted someone to do the “reporting” papers, i.e. documents showing the thorough analysis carried out about each ABS bought by the team. These papers were intended to reach actual and potential clients, as well as particular people within Acme in front of whom the fund managers wanted to appear as active and upcoming. I initially wrote papers on each ABS bought, describing an analysis of the originators and issuers of the ABS, and its main financial characteristics. My job later expanded to producing daily, bi-weekly and quarterly reports on the activities of the group and of the “ABS market”.

During the time of my internship, a new junior manager was hired. He had some experience in investment management and was hired to develop a system of risk management, basically a system to monitor the characteristics and the evolution of all the assets under management, as they were becoming too numerous for all the managers to check them mentally. Contrary to Fatima’s, Julien’s role implied having an immediate knowledge of all the activities. He bombarded our e-mail boxes with several e-mails per day with news concerning the ABS market, the interest rate environment and related issues, an over-activity (he worked around 12 hours a day) that was well regarded by Bastien, Isabelle and Gwenaëlle, who considered explicitly, when Fatima was not around, that contrary to her, he suited the spirit of the team. Julien told me in an interview that he was sincerely interested in ABSs, and that he considered that while the fact that he had not gone to a “grande école” would close most doors to him, as it had happened in his previous jobs and internships, in this team he would be able to move up by working hard and being constructive for the projects of the team. His visible attitude depressed Fatima even more, during the last months of her internship, which she finished, after a year of working in the team, while I was still working. In an interview before her departure, she stated that she was leaving with disgust about her marginalization and a sense of frustration with the whole industry which, she said, only served to multiply her desire to succeed as an investment manager in the long run. The “project” discourse was thus upheld by all the actors, mobilized to justify or attack positions

within a particular distribution of power.

During the time of my internship, the CDO project had still a few months to go. It was clear for the two legitimate fund managers of the team that they should engage in a new project. This had to do both with the evolution of interest rates and with the work ethics of creativity and project building that informed their professional identities and imaginaries.

Isabelle and Gwenaëlle considered that they had “had enough” of doing the same thing for months, i.e. analyzing the quality of ABSs and buying them in order to fulfill a fixed set of criteria. There was no “creativity”, and while there was an interesting element of “responsibility” in fulfilling the contract correctly, both managers considered that it was unbearably “boring” to start doing the same thing after the current CDO would be completed and would only need surveillance management until its end. Gwenaëlle said she would simply not accept start doing the same project, because working was not just about having a high salary, but also about doing something “interesting”.

The times of the end of the current project were thus matching more or less those of a need to change the investment strategy. Not only did the managers not want to do the same thing, but financially, it would have been very difficult to make profits by investing in the high *tranches* of ABSs with a “buy and hold” strategy. The overall profits would have been too slim to reach satisfactorily the clients’ profits expectations and the salaries and bonuses of the team. While Acme was undergoing a top management overhaul, Gwenaëlle considered that they needed a few months of “rest”, where they would smoothly manage the ongoing projects, and develop new ideas for a “new” project. The overhaul in Acme’s top management informed the shape of these projects.

The tensions and set of possibilities within the team were voiced to me in the months and days before or closely following a major change in the top management of Acme. The head of the Structured Products department took the position of the person whom she had directly attacked in an interview with me a few weeks before, i.e. the manager on top of all department managers. In the “public” meeting where she announced it, she presented it as a change in the overall philosophy of the investment techniques of Acme. As she had stated in a previous interview with me with more details, the new top manager said that structured products and innovative investment techniques, as well as the overall work philosophy, had to be implemented by the rest of Acme in order to keep track of the “needs of the clients”. According to her, the latter were demanding that Acme offer the new fashions in investment management, such as derivatives, hedge funds and other “exotic” products.

The change meant several things for Acme and the ABS team. It meant that the Structured Products department would now be more powerful than the Stocks and Fixed Income departments<sup>24</sup>. This position of “power” had a quite direct impact in the amount of funds which would be allocated to the Structured Products department. The allocation of funds was fundamental for prestige reasons, since for each manager to have a high amount of money under management meant having more responsibility. But it was, often but not always, more fundamental in that the fees that each team received depended partly on the amount of assets under their management. An increase in the assets under management meant an immediate increase in the yearly bonus. A decrease in the assets under management meant an immediate decrease in the yearly bonuses and probably staff reduction in the years following it. Given the importance of bonuses in relation to the fixed salary, as described above, the stakes were high. Walking around the offices in the hours after the announcement of the change I could thus see people in corridors and desks either with cheerful or gloomy looks, some half-hiding their glee and others murmuring in the corners about changing jobs in the mid term. The atmosphere was electric and at the same time all pretended to and inevitably

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<sup>24</sup> There were other minor departments, of which I do not speak here in order to simplify matters.

did go on with their everyday business as usual.

In an interview that I did with Gwenaëlle after the change, she said that she clearly hoped that the amount of funds allocated to their team would strongly increase, and hopefully multiplied by five in the mid term. She also said that, in order to better allocate bonuses in relation to the activity of the managers of each team, the teams could take the legal status of a hedge fund. In the profession, a fund manager in a broad structure receives a variable bonus decided by his bosses, which often varies between 30% and 100% of his salary. Hedge funds, on the other hand, are paid with a fixed rate fee both for assets under management and performance of the investment. Under the label of “hedge fund”, the team would thus be much more independent from its bosses and even from Acme in general<sup>25</sup>. Isabelle held a similar line, while struggling to find a stable position between what she presented her ideals of “belonging” to the company she worked with and being loyal to it, and what she considered to be the “fact” that in finance “you make deals all the time, with your clients, with your bosses, everything is just about making a deal”, and therefore the logics of confidence did not work.

The everyday practices of the members of the ABS team are thus partially organized along two conflicting and legitimate figures of the “marginalist investor” and a narrative of work organization and ethics stabilized along the notions of “creativity”, “autonomy” and “project making”. The character of the marginalist investor is fundamental in the discursive legitimization of the regulation of social relations through markets today. It can be found in Nobel prize winning researches, official policy guidelines by international intergovernmental bodies such as the IMF and the OECD, and in mainstream political discourses about the social role of financial markets. This figure is embedded in the procedures carried out by employees of financial companies world wide, as part of the fulfillment of their professional tasks. The “marginalist investor”, whose existence and protection is supposed to ensure the “efficiency” of the allocation of resources by financial markets, is thus not a person, endowed with a will, a consciousness, and a moral responsibility, but a figure distributed in multiple professional tasks. These tasks are developed along this figure, and legitimized by it, within the work environment, and outside of it. This distribution along multiple tasks is made according to organizational stakes, such as “project building” in the case of Acme. The case study shows how the people observed mobilize organizational and investment logics in their everyday professional environment, making them interact with identity issues and professional carriers, concerning for instance their income or the “pleasure” or acceptability of their working environment. The multiplicity of logics at play distribute the figure of the marginalist investor in different moments and places, through different and sometimes conflicting aspects. Like in a foucauldian setting, where the notion of consciousness, calculation, will and responsibility infuse the regularity of practices in a set of normative procedures, the “subject” which is supposed to give birth to them is not a particular person, but a disseminated intentionality, present in most procedures, but absent of any instance of moral responsibility. This analysis sheds then a particular light on the effects of the distribution of resources that is carried out by contemporary finance world wide.

## **II Everyday practices as a fragment of a global distribution of resources by contemporary finance**

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<sup>25</sup> In the general professional imaginary, head fund managers are actually their own bosses and are not integrated in a bigger structure, but the evolution of the financial industry in the last ten years has strongly changed this, integrating hedge funds as one of the products offered by big institutions.

When Bastien or Isabelle buy an ABS, they can be described, as I have just done, as performing deeds that define the professional tasks that they are supposed to carry out according to their status as employees of Acme. The exchange and negotiation of margins that they carry out enact the figure of the “marginalist investor”, which is distributed in different ways in their tasks as well as in those of the people they interact with. An analysis of the object that they exchange, of the rules that define it, and the effects that it carries with it as it is exchanged, allows for integrating the everyday practice of these professional tasks in a global distribution of resources.

In the liberal legitimization of the regulation of social relations through markets, the figure of the “investor” is linked to that of “efficiency”. As we have seen, the “investor” is not a single person with a consciousness, but a series of professional tasks, carried out by several people, with different and sometimes conflicting positions, within complex social organizations. At the same time, the political discourses and the academic legitimizations that accompany it account for its stability as everyday practice in the companies that conform contemporary finance. By analyzing the objects that are exchanged through the professional tasks that constitute the investor, we can address the effects of exchange. This does not need to be done by engaging in a debate about the “efficiency” proper of the exchange, but it does allow for placing the debate in the perspective of the everyday practices that it is supposed to legitimize.

As we can see when we analyze the contracts that regulate the credit relations defined as “Asset Backed Securities”, and “Collateralized Debt Obligations”, these relations are organized around power relations, where some parties define both the value of others, and allocate resources for them at a price. These relations can thus be addressed in a similar way to how Marcel Mauss engaged with kula rings and potlatch practices. Instead of just seeing particular people exchanging, the question can be more general: who distributes which resources? According to what rules? The employees of contemporary finance can thus be understood as conforming an institution of a hierarchical distribution of resources, a space of power where decisions are taken influencing the participation into credit relations by most actors outside of it. The figure of the investor and its legitimization, in a way akin to the *mana*, are imaginaries through which the system of distribution is stabilized, with its hierarchies and its reasons.

I will first explore the credit relations that are established through the contracts defined as Asset Backed Securities and Collateralized Debt Obligation (a) and then analyze them as a hierarchical distribution of resources according to the rules of profitability in financial terms (b).

a) The ABS is a device with which monetary resources are distributed potentially world-wide. To take the case of a Mortgage Backed Security, the person obtaining a loan in the US in order to buy a house receives an amount of money and pays several amounts during a period of time. If her loan is included in an ABS, the person will not be paying the originator of the loan, say her local bank, but the actors investing in the ABS into which her loan was compounded with those of 10 000 other people. The ABS allows any investor who has access to its market to invest in a particular economic activity, in the case of MBS that of the issuing of mortgage loans. The diversification of the sources of payment, 10 000 loans, within one ABS, is supposed to hinder the impact of some individuals not paying their loan, which is statistically considered inevitable in the profession.

Thus, the ABS is built as a particular credit relation between an “investor” and

people paying loans, for instance mortgage loans in the US. The ABS “market”<sup>26</sup> has become big enough for originators to plan the issuing of loans in relation to how they will be able to transform them into an ABS. Thus, the loans are actually financed by the buyers of the ABS, not because the buyers bring the money to issue the loans, but because they ensure, as long as the situation remains stable, that the issuer of the loans will be able to refinance them. This relation organizes how individual people will access credit. The criteria that define how a loan will be issued are partly related to the way in which the loans will be integrated into an ABS. These criteria concern for instance the geographical diversification of the loans, the FICO score of the debtors, the prices of the homes bought with the loans. These elements, explicitly taken into account in the analysis of the value of an ABS in the team that I observed, put a strain or open a door for the particular credit institutions giving loans, for instance according to the geographical distribution of their clients, their income, statistical capacity to repay debt, and so on. Thus, it discriminates between different individual people according to their suitability to acquire a loan that can be included in an ABS. In this relation, the capacity of “the investor” to define the criteria is much stronger than that of each individual attempting to obtain a loan. This differential in the capacity to define “value” and allocate resources draws the limits of contemporary finance as a social space of power, distributing resources world wide. How these resources are distributed depends on the organizational stakes and the investment imaginaries mobilized by the employees of the companies that conform the industry, as I have tried to describe it above. These imaginaries organize procedures along the lines of a marginalist investor that is not embodied in single people endowed with moral responsibility, but that is distributed in a multiplicity of professional tasks.

The organization of the investment relations in terms of a Collateralized Debt Obligation is a clear case of the distribution of this figure. The fund managers of the ABS team employed by Acme were not investing their own monetary resources, even if their investment activities had a clear relation to their income, through salaries and bonuses. The funds they invested came from different companies, i.e. were transferred by the employees of these companies through the commercial relations that they established with the employees of Acme as part of their official professional tasks. These tasks implied the calculation of profits and of opportunity costs along marginalist lines. The multiplicity of entities investing in the different *tranches* of the CDO, potentially multipliable by the capacity of each company to sell the *tranche* to a third party in the future, renders the “investor” even more distributed in professional networks. The terms of the contracts defining the rights and duties of the holder of each *tranche* carry with them the definition of the potential “investor” that will own them.

Thus, the CDO was, in a parallel way to the ABS, a way to distribute world wide monetary resources in terms of credit relations. All the investors in the CDO were indirectly financing the issuing of loans by the companies transferring them to ABSs, for instance in the US. The money held by the investors was itself coming from elsewhere. In the case of the ABS team, its clients were mainly French insurance companies and British banks. The payment of loans captured by the ABS were thus financing activities such as insurance in France, or credit in the UK and elsewhere. This distribution of resources was done according to the figures of the marginalist investor, in particular organizational settings. These figures had important influences in the way resources were effectively distributed by the employees of all the companies put in relation by the contracts defining the ABSs and the CDOs.

b) This paper has explored a change in the way to value assets and to structure the investment in them in a particular time and place, in a particular organizational setting, by

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<sup>26</sup> The actors talked constantly of the “ABS market”. There is no institutionalized “market” for ABSs, as there is, for instance, for stocks in several parts of the world. The expression “market” was loosely defined as the actors buying and selling ABSs regularly.

people with particular trajectories. At the same time, the change in the investment technique could be observed, during the period, for several actors in numerous companies world wide. They were investing more and more heavily in lower rated *tranches*, which could simply not be approached by a classic technique of “buy and hold”. The increase of demand of lower rated *tranches* helped financing the loans which “backed” them, i.e. those considered to have a lower probability to be repaid. As it has been recorded through the summer of 2007 by the media world wide, in the case of MBSs, this was done by signing loan contracts with people who did not clearly understand their clauses. Their incapacity to pay their loans meant usually the loss of their home, resold to clear the debt. The massive character of the phenomenon, touching several millions of people, meant a collapse in the prices of housing, leaving thus people without a home and still with a debt to be paid. The impossibility to repay the loans, even by selling the homes that were financed with them, led to the bankruptcy of credit institutions and to a massive default in the lower *tranches* of the MBSs, which were unexpected practically, although completely in line with the terms of the contracts defining them.

This movement of financial resources, distributed through contracts, was partially organized by the way in which the different figures of the “marginalist investor” were distributed in professional tasks in a commercial network of financial companies and regulatory bodies. According to this figure, “value” was defined in particular ways, and marginalist calculation was carried out in order to define the most profitable investment. The organization observed at Acme is a good case of the way in which marginalist calculation, as the enactment of the “investor”, is possible through particular organizations that strongly influence the way it is carried out. The actors were supposed to define a temporal horizon of profitability of a few years, even if their investments were oriented towards an activity that usually had a temporal frame of a few decades, that of mortgage loans. The members of Acme had no relation with the people getting the loans, or with the credit institutions issuing them. This relation was made through the terms of the contracts defining the objects that were exchanged, the ABSs and CDOs. While the investment decision was made in a network of clients and fund managers, the valuation procedures were carried out by rating agencies. With the crisis of 2007, voices were raised in the media, the political milieu and the professional representative bodies in the financial industry about the need to detect an instance that could be held morally responsible for the human suffering caused by an allocation of resources that seemed in clear contradiction with the idea of “efficient” markets. The issuers of the loans, as well as those taking them seemed to have been singled out. The analysis of the everyday practices in the financial industry seems on the contrary to point to the fact that such instance does not exist as a moral or physical person, as the law and moral discourse would define them. Although the figure of the “marginalist investor” both organizes and legitimizes the everyday practices of credit distribution by contemporary finance, it is not as embodied in a single instance, to which mistakes could be imputed, but it is distributed in multiple professional tasks, whereby intentionality is both diluted and omnipresent.

The case of ABSs and the crisis they went through in the summer of 2007 highlight the way that this distribution of a legitimizing figure that defines the intentionality of professional tasks is at play in contemporary finance globally. The market value of ABSs collapsed during the summer of 2007, because no employee of a financial company could define their value, since all seemed to contain the potential of a default. The losses incurred by the major global financial companies, which were the major financiers of the “ABS market” were integrated in a global strategy for each company, of which the ABS were only a small part. In Acme, they constituted less than 2% of all investments. The capacity of these companies to afford losing billions of US\$ at one point in one segment of their activity is due to their capacity to gain them in the long run and in other activities. The housing bubble

in the US was due partly to the increase in available mortgage credits, which in turn existed because they could be financed world wide through the ABS and CDO “markets”. These “markets” where “investors” defined value and exchanged goods were actually a network of companies where employees enacted the figures of the “marginalist investor” through professional tasks and according to particular organizational stakes. These stakes and tasks connected the issuing of mortgage loans to ABS, CDOs and to the other activities of the financial companies, such as investment in bonds and stock. We could see this clearly in the fight between departments in Acme, which I briefly described above.

Marcel Mauss remarked that the exchange of kula valuables had to be understood in a broad distribution of social positions, where some members were at the center of credit relations whereby resources were distributed. Those actors held some personal power, but their position constrained them to follow rules of exchange which were carried by the objects themselves. These objects, defined by their mana, were constitutive of a particular hierarchy in the distribution of resources<sup>27</sup>. The objects exchanged by the actors I just described in the ABS team have a similar feature. The contracts that define them imply rights and duties in the circle of actors in which they circulate. This circle, best defined as a network of employees of companies, enacts the rules written in the objects, and produce the objects according to those rules. The actors outside of the network stand in a weaker position to those within the network in relation to the social definition of value and resource allocation. But the members of the network are as obliged as others to follow the rules of the exchange, by enacting the figures of the marginalist investor and the rules of profitability of the organizations in which they are employed. Their only capacity to profit from their position seems to be the high salaries and the symbolic honor of their positions (the latter being actually ambiguous).

The rules of the exchange imply the enactment of the marginalist investor, which is supposed to bring about an “efficient” distribution of resources. This imaginary carries with it the arguments of its political and moral legitimacy. The practices that are supposed to make it work in actuality are nevertheless organized as a distribution of intentionality in a multiplicity of professional tasks in a network of employees of financial companies. The organizational logics within this network and the trajectories of the concrete people employed in the network as thus as crucial to understand the effective distribution of resources carried out by contemporary finance. This points to a questioning about the position of anthropology in relation to these phenomena, with which I will conclude this paper.

### **III The potentials of an anthropology of contemporary finance: the analysis of a space of power and the ethics of the description**

I will explore three sets of questions. The first concerns the type of “reality” that a discourse from social anthropology can try to “describe” with an object like the one I have explored in this paper: I will claim it is the “reality” of everyday practice, with its particular temporalities, possibilities and impossibilities, and imaginaries. I will then explore what can be the reflexive content of a anthropology of “power” in this case. This will lead me to conclude with some remarks about the relation of the anthropological method to other social sciences and to the discourse it can convey about the social phenomena that it tries to grasp.

#### **a) The description of the everyday practice**

The method of observation leads to a particular knowledge. In my case it was

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<sup>27</sup> Mauss, M., 1995 (1923-1924), "Essai sur le don. Forme et raison de l'échange dans les sociétés archaïques", in Mauss, M., *Sociologie et anthropologie*, Presses Universitaires de France, pp. 143-279.

participant observation, and it led me to share some time with the employees of financial companies, as well as their expectations, urgencies and other affectively implicating experiences linked to the fact that we were working together. This observation was complemented with interviews aimed at enriching the understanding of what I experienced in my everyday interactions. Following for instance Michel de Certeau<sup>28</sup>, I would say that this method of observation leads to a knowledge of the everyday practices. What we are able to see, is the stakes of the moment, as they are lived by particular people in particular places. To understand these stakes, the anthropologist needs to learn to act like the people she observes<sup>29</sup>. In my case, it meant learning the methods of financial analysis, understanding the stakes of investors, sales, traders, analysts and back office, operationally, legally, and in what they meant for each person in her intimacy. This was necessary in order to interact with them during a four month internship, not only to get along and making our time livable, but also to be operational in the professional tasks they asked me to fulfill if I was to remain welcome in the office during working hours. Getting along was crucial to be able to share meals, evenings and other activities, where the people observed would express points of view about finance as an industry, their work constraints, their colleagues, their family stories, their wishes, fears, etc. Learning the technical aspects of the professional task was as crucial.

The knowledge acquired concerned thus theoretical issues about financial analysis, organizational issues about bonus payments, personal issues about time constraints and modes of living, among other things. But the knowledge produced in the description is a knowledge of how all these elements are practiced in the everyday. It implies describing how, in particular situations, people mobilize theoretical knowledge, affective concerns, imaginaries about value, investment, personal realization, and so on. It means thus analyzing how different temporalities are at play, sometimes at the same time, like for instance when a fund manager is having a coffee break and talking about her family life, while enhancing her professional network and plotting her future position in the organization in relation to the change in investment techniques. It also means describing the imaginaries which can be developed around the ideas of what the “marginalist investor”, with the particular definitions of value and investment techniques that they imply. The knowledge acquired by the anthropologist is that of being able to interact with the regularities of the practices observed in the field. The knowledge produced is thus one that aims at bringing the reader to feel what it is to be “in the situation” in the field described. It is giving the reader the possibility to feel the practices described as “possible”, “plausible” in a particular situation, and therefore engaging with them.

These practices are thus not presented as an abstract representation of a generic type of humanity. They are presented as a concrete part of a global phenomenon, a portion of a broad organization of practices. The idea is not to give an aesthetic knowledge of a human avatar, but a practical knowledge of a human concrete possibility, being carried out in the present of the actors, the reader and the writer. An anthropology of financial practices does not aim at stabilizing an otherness in a picture of groups to which the reader and the writer would not belong, but to describe practices which concern concretely the everyday practices of both of them<sup>30</sup>.

## b) The possibilities of the practical knowledge

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<sup>28</sup> *Op. cit.*

<sup>29</sup> Cf. Bazin, J., 1996, “Interpréter ou décrire. Notes critiques sur la connaissance anthropologique”, in Revel, J. & Wachtel, N. (eds.), *Une école pour les sciences sociales. De la VIe section à l’Ecole des Hautes Etudes en Sciences Sociales*, Editions du Cerf-Editions de l’EHESS, Paris, pp. 331-347.

<sup>30</sup> In this sense, it is an anthropology of the “contemporaneous”, cf. Augé, M. (1994), *Pour une anthropologie des mondes contemporains*, Flammarion, Paris.

The description of the everyday allows therefore for a practical positioning towards the practices that are described. The reader is led to feel that she could be doing what is described, and to take a position towards it. This position is possible by the demystification that the process of description, as reproduction, allows for. By showing the concrete stakes of the everyday through which the distribution of resources comes about world wide, the description dislodges mechanic representations of finance, which present it as the result of either a rationality of efficiency or as a rationality of exploitation, but in both cases a phenomenon detached of the type of engagement that the reader could feel about her own everyday.

The description allows also for a critique of the logics observed. By pointing to the tensions that organize the everyday, their changes and regularities, the distribution of resources by the financial organization appears as a multiplicity of logics that sometimes challenge each other. The analysis of the investment approaches and definitions of value carried out by employees show that the distribution of resources in contemporary finance is far from being a clearly consistent method of economic regulation. On the contrary, we see power struggles, cognitive black holes, group interests, narrow horizons and broad global effects which play often in different fields, and do not appear to follow a single teleology or even explicit strategy developed by a centralized set of actors. This does not mean that responsibility and causality are ungraspable. It means that causality must be understood in the effects of everyday practices within organizations stretching world wide. By showing the inner tensions of those practices, the description should allow for a critical engagement with them, for instance with the methods of valuation, the legitimacy of standard settings, the decision making processes and the decisions of buying and selling.

Finally, the description aims at conveying an engagement with the everyday practices which sets these practices on the same plane than the everyday practices of the reader and the writer. The writing itself is thus understood as an interaction between the writer and the people observed, and between the writer and the reader. This interaction, like the interactions described, is thus understandable as an engagement in the everyday. The description, by being reflexive, aims at conveying to the reader the idea that the practices in contemporary finance, just like any other practice, are not inevitable, but are the result of an everyday engagement. The same can be said about their description by the anthropologist. Thus, the writing conveys to the reader the idea that her interaction with the financial practices and with their description is also a result of her own engagement. It tries thereby to bring the reader to engage with the reality that is described as she engages with her own<sup>31</sup>. In this sense, it is a “pragmatist anthropology” in the Kantian sense: a description of the concrete possibilities of human action, not of what we are, but of what we can do<sup>32</sup>.

### c) Inter-disciplinarity and global objects of study

Engaging with an object such as global financial practices implies communicating with other disciplines than social anthropology. In the case of the object I studied, it meant reading a good deal of empirical economic research about financial phenomena. This allowed me to understand the evolution in time and place of the amounts being distributed, the institutions at play and their relations, and so on. The results of empirical economic research about financial phenomena are obtained by methods that I can not only not control, but not even develop, since I do not have the necessary mathematical background, for instance. But even if I had that background, they speak about a “reality” that works differently than that of the “everyday” that I try to describe. The communication with this crucial discipline works

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<sup>31</sup> This is the politics of writing about everyday practices developed by de Certeau, *op. cit.*

<sup>32</sup> Cf. Kant, E. (2002 (1798)), *Anthropologie du point de vue pragmatique*, tr. Foucault, M., Vrin, Paris.

then by trying to understand how the results it describes are at play in the everyday I observed. This does not invalidate those results, or the methods with which they were obtained. Like everywhere in social sciences, there are controversies about how those results are obtained and how they should be interpreted. I had to choose sides in order to make sense of what I observed. It seems to me that it is unavoidable, when analyzing global objects such as contemporary finance, to engage in a fruitful communication with other disciplines. This points to the limits of the method of research of social anthropology: we need knowledge that we cannot produce. In the study of an object such as contemporary finance<sup>33</sup>, which involves millions of people around the world, whose interactions often take place through the manipulation of statistical data and methods of calculation, inter-disciplinarity is not a supplement, but a condition of social anthropology.

In this sense, an object like contemporary finance implies a reflection about what would be the characteristic of an “economic anthropology”. In a crucial sense, the object of “economics” seems to disappear in a multiplicity of practices where several imaginaries are at play. Even the explicit enactment of imaginaries that are defined as “economic”, such as “economic theory”, seems to be understood as an everyday practice, routinized and labile like many other activities within companies. But the questions raised in the history of anthropology and, more broadly, in that of philosophy, from which anthropology draws its major concepts, allows for asking questions to the everyday practices that challenge and disenchant the spell of autolegitimation of a quite mainstream economic and political discourse about the regulation of social relations through markets where investors meet freely. This can only be done by an interdisciplinary approach, without losing the specificity of the anthropological knowledge of concrete practice.

This “limit” of anthropological knowledge shows what I take to be its richness. The knowledge of the everyday practices, of the imaginaries with which we engage in them, the possibilities and impossibilities in the regularities of our interactions, is crucial in order to engage with those practices as a concrete actor. Anthropology allows us thus to bring human realities closer to the reader of the description, as close to her as her own everyday practice can be. This seems to have been the humanist thrust of the discipline since its inception. Global processes seem to be adequate objects for this thrust. An anthropology of global objects such as contemporary finance aims at bringing to the everyday of the reader the politics of the distribution of resources as it takes place through this organization. It does so by putting financial practices at the level of other practices. And by putting all those practices in a common practical (i.e. temporal and spatial) plane of engagement: that of the actual whole world.

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<sup>33</sup> I do not pretend that this is true only for the object I studied, but it is simply the object of which I can speak.