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A political anthropology of finance: Studying the distribution of money in the financial industry as a political process

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journals.sagepub.com/home/ant**Horacio Ortiz** Université Paris-Dauphine, PSL University, CNRS, IRISSO,
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Abstract

This article proposes an analytics to study the financial industry as a global political institution, based on its role in the production of global hierarchies, by the way it collects, produces and distributes money worldwide. I propose to do this by combining three analytic angles. First, I propose to situate the financial industry in a global space, where it contributes to produce multiple social hierarchies, which connect to the history of colonialism, the World Wars, the Cold War and its aftermath. These hierarchies cannot be subsumed under a single logic, but must be studied as intersecting and mutually constitutive. The second angle concerns the rules of monetary distribution applied by financial professionals, mobilizing, among others, the concepts of investor, market efficiency, risk and value, with their partly contradictory character and their technical, moral and political meanings. These rules are institutionalized in state regulation, labour and commercial contracts, giving the financial industry a certain institutional cohesion worldwide. The last analytic angle then concerns the way in which financial professionals make sense of their place in the global hierarchies they contribute to produce. They tend to use repertoires of meritocracy to connect their role in global monetary distribution to the social elites they tend to belong to, with conflicts that vary across the multiple forms of social identification present in the financial industry worldwide. Combining these three analytic angles allows for mobilizing

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fieldwork done in the offices of the financial industry to develop a critical account of its global political role.

Keywords

Finance, global, hierarchy, institutions, money, power

Introduction

The financial industry plays a fundamental role in the production of global inequalities. By the way in which it collects, produces and distributes money worldwide, it establishes hierarchies among states, territories, corporations, populations and kinds of activities, putting them into competition with each other and making them interdependent. In this process, vast parts of the world population are deprived of resources, while others accumulate them. The financial industry can thus be considered a political institution. It is a political social space in the sense that in it, social hierarchies that stretch beyond it are established, reproduced, transformed and legitimized (Balandier, 1967). And it is an institution in the sense that it is organized by practices that reiterate relatively stable rules about the production of social hierarchies (Abélès, 1995). This raises the question of the connection between the everyday practices of people working in the financial industry and the global hierarchies that result from them. These hierarchies are multiple, so that they can hardly be subsumed under a general financial logic. The everyday procedures of people working in a particular company and sector of the financial industry may seem disconnected from the global effects of the industry at large. And financial employees make sense of their professional and non-professional lives in multifarious, often ambiguous and contradictory ways, so that their relation to the production of global hierarchies may seem blurry. To address these issues, this article proposes an analytics to understand together the multiplicity of hierarchies produced worldwide by the financial industry, the bureaucratic character of its organization and the fact that its distributive effects result from the everyday practices that are meaningful to people working in it. These three analytic angles build on each other by highlighting interrelated aspects of the production of social hierarchies.

The first analytic angle concerns situating the financial industry in the production of global hierarchies, in order to identify its political role. The financial industry produces, collects and distributes money worldwide. The hierarchies it contributes to produce must therefore be analysed in a global social space, where all the earth's 7.6 billion people constitute one social group. In this space, social hierarchies are multiple. They are directly related to global histories of colonization, corporate expansion and the Cold War, among others, with their constitutive processes of racism, sexism, appropriation and exploitation. In these

different social relations, the money managed by the financial industry is used differently. The financial industry thus contributes to produce social hierarchies that are partly independent from it and that shape it in return (Montagne and Ortiz, 2013). Many analyses have shown how practices upholding ‘shareholder value’ have transformed companies (Ezzamel et al., 2008; Ho, 2009). Others have shown how expanded credit and new forms of financial calculation have transformed consumption and public administration (Chiapello, 2015; Leyshon and Thrift, 2007; Muniesa et al., 2017). But the multiple power relations organized through the money distributed by the financial industry cannot be subsumed under ‘neoliberalism’ or ‘financialization’ if they are considered as a single logic deployed uniformly worldwide (Van der Zwan, 2014; Venugopal, 2015). Doing so runs the risk of occluding other social hierarchies, on which these logics, and the financial industry, actually rest.

Instead, we can grasp analytically how the financial industry contributes to produce a multiplicity of global hierarchies with the studies in the anthropology and sociology of money showing that, because monetary practices vary greatly depending on social setting, money is simultaneously constitutive of different social hierarchies and constituted differently in each of them (Dodd, 2014; Guyer, 2016; Maurer, 2006; Zelizer, 2009). Guyer (2004) proposes that these multiple rules of monetary practice be considered as ‘repertoires’ that are ‘performed’—each performance holds the possibility to change the rules, to combine different repertoires and create new ones. These repertoires include multiple notions of time, space, agency, institutions and objects of exchange, according to imaginaries that can be based on religious, gender or racial identification, or on ideas about the legitimacy and reach of corporate or state power (see also Peebles, 2010). To analyse the global political role of the financial industry, I propose to focus on the multiplicity of social hierarchies the industry contributes to produce. We can do so by looking at connections between multiple repertoires of monetary production, collection and distribution where the financial industry plays a role. This implies analysing how the financial relations established by financial professionals observed in a specific office of the financial industry are actually part of a global space of monetary distribution (Hart and Ortiz, 2014). By focusing on the multiplicity of power relations that are both constituted by, and constitutive of the financial industry, we can situate the critical intervention of political anthropology at their intersections (Bear et al., 2015).

The role that the financial industry plays in the production of multiple hierarchies worldwide raises the question of what are the concrete practices of monetary distribution that lead to these hierarchies. This is connected to the question of the extent to which the global financial industry can be analysed as a distinct social space. The second analytic angle addresses this institutional character of the financial industry. The financial industry is made of very different companies, with multiple aims and relations and operating across various jurisdictions. But financial professionals work in a bureaucratic setting, where they apply standardized procedures, methods and forms of knowledge. These shared monetary repertoires

concern the production, collection and distribution of money and have relative uniformity across the industry. They are formalized in labour contracts, commercial contracts and financial regulation, which make them compulsory for professionals. Miller and Rose (1992) have proposed to analyse this kind of situation showing that the capacity to produce social hierarchies does not rest solely with supposedly unified institutions, like the state. This capacity can also be distributed through the replication of methods, procedures and expert forms of knowledge in more or less connected sets of organizations (see also Escalona Victoria, 2016). Mennicken and Miller (2012) highlight how the use of the same accounting and financial methods across different organizations establishes a 'territory' of power relations that is specific to these methods. Sassen (2012) speaks of an 'operational field' to address the fact that the global power relations established by finance concern financial techniques, but also an assemblage that includes state agencies and other organizations beyond financial companies. My focus here is compatible with these approaches, but it implies delimiting the object of analysis differently. I propose to look at the distributive effects of the application of monetary repertoires of valuation and investment by financial professionals, whereby they produce, collect and distribute money worldwide. Of course, there may be cases where this analytic delimitation is not practicable. These methods are also used elsewhere outside the financial industry, and their application in this industry depends on other institutions, such as states and the academic settings where these methods are formalized. But the analytic angle proposed here corresponds to the kind of regularities of practice that we can observe when doing fieldwork in the financial industry.

Miller and Rose (1992) stress that bureaucratic methods, procedures and official bodies of knowledge have meanings that are at once technical, moral and political. This permits limited variation, as professionals mobilize them in disconnected or contradictory ways. In the financial industry, this implies that the main concepts in the repertoires of valuation and investment, such as 'investor', 'market', 'value' and 'risk', must be studied as having technical, moral and political meanings. This is fundamental to understanding both how money is distributed hierarchically, and how the hierarchies are legitimized morally and politically (De Goede, 2005; Langley, 2015; Ortiz, 2014a). This is obscured in Michel Callon's study of the performativity of economic models, i.e. their role in shaping reality, especially when he states that, in 'markets' that function 'correctly', 'politics' occurs 'outside of markets' (Callon, 2010: 166). This obviates the observation that the act of defining a social relation as a 'market' is itself only possible as part of power relations (Butler, 2010; Miller, 2008), leading some critics to assert that it risks 'rational(izing) the reliance on orthodox conceptions of the economy' (Cooper and Konings, 2016: 2). On the contrary, considering that valuation and investment repertoires are at once technical, moral and political is fundamental to analysing together how these global hierarchies are actually produced and how they are legitimized by political and regulatory discourses.

These two analytic angles consider that: 1) the political role of the financial industry consists in the way it produces global hierarchies and 2) these hierarchies result from the daily application of standardized rules of monetary distribution in the financial industry's bureaucratic organization. This raises the question of how the people who apply these rules of monetary distribution make sense of their distributive effects. This is the third analytic angle proposed here.

In order to directly connect the everyday experience of financial professionals to the political role of the financial industry, I propose to focus on how they imagine and experience themselves as part the global hierarchies they contribute to produce. This is crucial for understanding how their practices are acceptable, legitimate, or at least liveable to them, so that they repeat routinely the procedures that lead to these global hierarchies. Financial professionals, like many other employees of bureaucracies, usually make sense of their practices at work by connecting their professional and their non-professional lives and identities. As in other work settings, relations between employees and companies are complex and employees can have diverse emotional relationships to their work, ranging from adherence to aversion, and including different forms of indifference. Their viewpoints may not extend across the breadth of their professional fields and they may not fully understand some of the procedures they follow (Hoag, 2011; Weber, 1978). Yet, fieldwork shows that they often understand their role in producing social hierarchies as intimately related to the privileged place they perceive themselves occupying within them (Ho, 2009). Privileged professional positions are often attained by people who already belong to various social elite groups (Khan, 2012). For many financial professionals, their highly paid jobs in the financial industry confirm at the same time their broader elite status and the legitimacy of their capacity to influence the way money is distributed in society at large.

Many analyses have shown that the relations among employees in the financial industry are organized around social hierarchies defined in terms of age, race, gender, nationality, religion, class and educational background, among others. These relations can be conflictive, just like they are outside the financial industry. They can be contained within boundaries that do not correspond to the global space of operations of the financial industry, but that are marked by national and regional agendas. But in general, these conflicts do not lead employees to questioning financial industry procedures and their global distributive effects, and concern instead the rights of different employees to profit from their application. This third analytic angle thus asks how, even through conflicts among employees, the way in which professionals understand their place in specific social hierarchies tends to legitimize these global hierarchies and the financial industry's role in producing them.

These three analytic angles build on each other. The political role of the financial industry must first be set analytically in the global space of monetary distribution, so that the multiplicity of social hierarchies it contributes to produce are taken into account, instead of considering that there is a single financial logic at play. The analysis of financial procedures of monetary distribution then allows for

seeing the concrete practices whereby these multiple global hierarchies are produced and rendered interdependent in everyday practice. And the analysis of the meaning of global hierarchies for financial professionals then shows how their routine practices seem legitimate to them.

Combined, these three analytical angles help clarify how a multiplicity of global hierarchies are produced by the application of standardized procedures that are shared across the industry and that are applied by professionals who consider that their role in this monetary distribution is legitimate. We can then study the financial industry as a political institution, to formulate an anthropological critique of its role in the production of global hierarchies. In the following pages I use the rich analyses of the anthropology and sociology of finance to further develop these three angles. To do so, I put them in dialogue with an example from fieldwork I did in Paris in 2004 among employees working with credit derivatives in Acme, a large global investment firm,¹ before these financial contracts played a major role in the 'financial crisis' of 2008.

Global hierarchies

This section explores the proposition that the political role of the financial industry can only be studied in the global space of the social hierarchies it contributes to produce. The financial industry produces, collects and distributes money worldwide. In this process, it allows certain activities to develop and excludes others. The activities that access the money managed by the financial industry are redefined as assets and must often transform following the financial industry's requirements. They are thus put into competition with each other and rendered interdependent. This contributes to create global hierarchies of inclusion and exclusion, where the financial industry is partly shaped by relations of power that occur outside of it. This global extension of the industry is most often what gives it power in local settings. The social hierarchies established in a specific place where we do fieldwork, like Acme's offices in Paris, are thus part of a global monetary distribution. The financial industry makes them interdependent with other social hierarchies, with which they are co-constituted. In order to analyse the political character of the financial industry, we must situate fieldwork observations within this production of multiple global hierarchies. Not doing so may reinforce the visibility of certain hierarchies and occlude others that actually sustain them.

In early 2004, I worked for 4 months as an intern in a group of seven people. Three fund managers, one financial analyst and three assistants (including myself) were tasked with buying asset-backed securities (ABS), mainly produced by banks based in the United States, with money coming from Acme's clients, mainly banks and insurance companies based in Europe. I assisted Juliette, the second senior fund manager, who spent most of her time reading the documents describing each ABS, in order to decide which ones to purchase. Juliette and her boss Marie, both in their mid-thirties, had spent their entire careers in finance focusing mainly on asset-backed securities. Juliette worked for a rating agency before joining Acme.

In 2004 she had been with the company more than two years and had seen her team expand with the growing production and trade of US credit derivatives. In order to grasp the political character of the financial industry, these observations need to be situated within global hierarchies of monetary distribution that sustain them. To do this, we must see how they are a segment of the global production and distribution of money and how they are interdependent with social hierarchies produced outside the financial industry and partly outside the geography of circulation of US-issued ABS.

Besides the production of money by states, money is produced by banks. This happens as banks issue loans that become deposits, within limits imposed by state regulation, such as requirements that a minimum amount of money be deposited at the central bank or held by the banks as their own capital, instead of being lent (Galbraith, 1975; Hart, 2000). Producing ABS allowed banks to take loans off their balance sheets and issue new loans without violating these regulations. Banks produce ABS by 'securitizing' loans, usually in bundles of 10,000. The bank transfers the bundle of loans to a separate entity, which issues a bond, the ABS. This security can be purchased by a third party, like Acme, which then receives income from the loan payments made by the bank's borrowers. Acme's ABS team bought hundreds of these assets, usually in blocks of €10 million, and securitized them again, issuing a collateralized debt obligation (CDO), which was sold to banks and insurance companies in Europe that were Acme's clients. Each CDO would contain around 150 different ABS, for an investment of around €1.5 billion. The €1.5 billion these banks and insurance companies invested in Acme's CDO belonged, among others, to bank depositors and insurance policy holders and was used by US banks to issue more mortgages. The money paid by bank borrowers, typically US homeowners paying mortgages, supported in turn the lending and insurance activities of European banks and insurance companies.

Thus, Juliette's investment and valuation practices contributed to creating a financial interdependence between millions of people across the Atlantic. They produced social hierarchies in the United States concerning access to mortgage loans and home ownership, and social hierarchies in Europe concerning access to private insurance and bank accounts. Juliette's practice of buying these ABS for Acme's clients contributed, in the United States, to the over-indebtedness and dispossession of low-income people, often members of minority groups, disempowered by historical discrimination, who sought middle-class status through home ownership. Their mortgage payments funded access to bank and insurance services in Europe, supporting repertoires of middle-class consumption, but also of life and death (through life insurance, for instance). Companies like Acme, rating agencies and the banks and insurance companies involved in producing, buying and selling the securities earned profits according to the terms of their contracts with their clients and commercial partners.

In 2004, the ABS team managed €5 billion in several CDOs for its clients. Yet, limiting our analysis to the particular social hierarchies produced with the €5 billion, or even to ABS and CDOs in general, fails to explain their connection to

other social hierarchies that Acme, and the financial industry at large, concurrently produced. These 5 billion euros must be analysed in the context of Acme's total management portfolio of €300 billion. More crucially, they have to be situated in the role Acme and its ABS team played in the worldwide distribution of tens of trillions of US dollars by the financial industry. Credit derivatives were only a small fraction of this broader monetary distribution.

I use current financial figures to place my fieldwork at Acme within global monetary relations, but proportionality holds more or less for the smaller figures of the early 2000s. In 2004, Acme was one of the 50 largest investment companies in the world, but a relatively small actor compared to the largest at that time, Fidelity, which managed over US\$1.5 trillion. Today, that position is held by BlackRock, which manages above US\$5 trillion. At the end of 2017, the 400 biggest investment management companies managed US\$63.3 trillion and almost half that amount (US\$31 trillion) was managed by the 20 biggest companies (*Investment & Pensions Europe*, 2018). Yet even this amount was a fraction of the total funds managed by the industry. Total figures can be approximated by the global capitalization² of financial contracts, since they are produced, evaluated and transacted mainly by professionals in the financial industry. At the end of 2017, a total of US\$85.7 trillion was in listed stocks—US\$32 trillion in the New York Stock Exchange and Nasdaq, US\$13 trillion in the Shanghai, Shenzhen and Hong Kong stock exchanges and US\$7 trillion in Euronext and the Deutsche Börse (World Federation of Exchanges, 2018). In outstanding bonds, the total figure was US\$112.5 trillion—US\$18 trillion issued by the US state, US\$10 trillion by the Japanese state, US\$4.6 trillion by the Chinese state and US\$8.5 trillion issued by Eurozone states. There were US\$11 trillion in financial derivatives outstanding, for a notional amount of US\$531.6 trillion³, mainly based on debt and foreign exchange transactions in US dollars (Bank of International Settlements, 2018). In contrast, global gross domestic product in 2017 was US\$80.6 trillion—US\$19.4 trillion for the United States, US\$12.6 trillion for the Eurozone and US\$12.2 trillion for China (World Bank Group, 2018), and the aggregate budgets of all states was US\$23.7 trillion—US\$6.3 trillion for the US Federal State, US\$3.1 trillion for the Chinese state and US\$6.1 trillion for the Eurozone states (Central Intelligence Agency, 2018).

The production of these numbers poses interrelated epistemological and political questions concerning their legitimate representation of any relevant social reality, as the expert discourses accompanying them often hide conflicts and relations of power (Bear, 2014; Neiburg and Guyer, 2017). Yet, these numbers highlight how the over 200 trillion US dollars managed by the financial industry tend to concentrate in particular territories, activities and populations, especially in the United States, Western Europe, Japan and, increasingly, China. These territories are marked by inequalities, but this should not occlude the fact that accumulation there occurs to the detriment of other regions, to which resources are denied (Piketty, 2014; Therborn, 2013). Undernourished people in the world rose in 2017 to 821 million people, living mostly in Latin America, Africa and Asia

(FAO et al., 2018), whereas different sources estimate that US\$100 billion would suffice to eliminate malnutrition worldwide (World Bank Group, 2014; Laborde et al./International Institute for Sustainable Development, 2016). Thus, the way in which the financial industry produces, collects and distributes money worldwide contributes to violent global hierarchies of accumulation and exclusion, poverty and malnutrition.

The role of the financial industry in producing these social hierarchies is directly related to a specific political history that it is crucial to take into account for analysing these outcomes. Since the 1980s, regulatory transformations in the United States (Krippner, 2011), Europe (Abdelal, 2007), Brazil (Müller, 2006), Japan (Amyx, 2004), China (Hertz, 1998), India (Reddy, 2009) and many other jurisdictions (Stiglitz, 2006) have embraced the fundamental ideas of neoclassical economics. According to this theoretical framework, financial transactions occur in efficient markets where individual investors, seeking to maximize returns, collect information that is reflected in asset prices, which, in turn, serve as signals leading economic actors to allocate resources in a way that is socially optimal. The legal owners of the money are considered investors because they entrust their money to financial professionals, and financial professionals are considered investors because they act on behalf of their clients. This legal relation of representation endows the financial industry with its capacity to decide where most of money goes. Trades with financial assets conducted by non-professionals constitute a minute proportion of the total. According to the theory of market efficiency, the distributive effects of this arrangement are considered socially optimal (Clark, 2000; Erturk et al., 2007; Montagne, 2006). Financial regulation results from complex, often contradictory processes in each state, where the neoclassical theoretical frame is usually combined with other imaginaries in financial regulation (Guyer, 2016; Langley, 2015). Financial regulation worldwide is thus diverse, but tends to share this frame, the application of which is nevertheless fragmented into separate national jurisdictions (Davies and Green, 2011).

But this shared regulatory framework does not explain the concentration of money in the United States, former colonial centres and current industrial centres, described above. This concentration results from a specific history where the financial industry is only an element among others (Eichengreen, 1996; Helleiner, 2003; Leyshon and Thrift, 1997). The centrality of the US dollar in global monetary relations has been crucial for the rise of the US financial sector since WWI. Its position strengthened after WWII, the demise of European colonial empires, the Cold War and the developments since its end in 1990. In this process, US-based bonds and stocks became prominent objects of investment in the United States and worldwide. Within the United States, they play a central role funding companies and in intergenerational relations through the pension system. This set the stage for the rise of 'shareholder value' and Wall Street 'raiders' in the 1980s (Ho, 2009). But these assets, and the power relations they organize, mix with other social hierarchies elsewhere. Stock markets in China, for instance, have mainly contributed to establishing links among middle-class savings, state-owned enterprises and central

government economic policy. Contrary to the narratives of neoclassical economics, financial regulation serves to sustain the centrality of the Chinese Communist Party in the production of social hierarchies (Hertz, 1998; Petry, 2020; Wang, 2015). The relation between states and the financial industry through state indebtedness is sustained by very different narratives, for instance, of republicanism and geopolitical domination in France (Lemoine, 2016), of modernization and religious legitimacy in India (Bear, 2015) and of the ambiguous illegitimacy of political elites in Cameroon (Roitman, 2004). Expanded personal bank credit can combine constraints of indebtedness with imaginaries of political inclusion for the poor and the middle-class—groups that are defined differently as they are co-constituted, for instance, with Peronism and Catholicism in Argentina (Wilkins, 2018), or with racialized relations in post-Apartheid South Africa (James, 2014). And the experts of Islamic finance observed by Rudnyckij (2019) mobilize the methods of the global financial industry in order to transform them in an attempt to create a global religious community. These different imaginaries of territory, state, nation, race and religion are, in turn, mutually constituted by the way in which the financial industry puts them in competition and renders them interdependent.

ABS production and circulation is directly related to the importance of bank loans in the United States, and of the US dollar worldwide (Helleiner, 2011). The increase in US mortgage-backed ABS in the 1990s accompanied a political discourse extolling their benefit to poorer segments of the middle-class, for whom they supposedly made home-ownership possible. Before the 2008 collapse, outstanding ABS worth 3 trillion US dollars had been sold and circulated, mainly among banks and investment companies in the United States and Europe.

The geographic footprint of ABS circulation directly reflects the history of the participating financial institutions and the multiple social hierarchies of race, ideological conflict and colonial and post-colonial domination that characterize them. Access to funds in the global financial industry, like the money managed by Juliette and her team, was denied to most of the world's poor and granted only to people and activities, like low-income homebuyers in the United States, who were associated with and vetted by US banks, the US Federal Reserve and the US government. After 2007, these institutions organized the foreclosure, dispossession and bankruptcy of millions of US homeowners. These social hierarchies of homeownership in the United States were produced together with other social hierarchies established, for instance, in terms of class, gender and race. And they were produced as the financial industry gave these homebuyers access to money that it systematically denied to people living in much worse conditions elsewhere in the world. The idea that the 2007–2008 'subprime crisis' was 'global' both reproduces these power relations and obscures other, much more urgent and dramatic 'crises' around the world, by normalizing and legitimizing them as the result of market efficiency. The financial industry has acquired its global distributive role through a long history marked by such differentiations, occlusions and legitimations. The political character of the financial industry needs therefore to be analysed at the intersection of the multiplicity of the social hierarchies that it contributes to

produce worldwide. Otherwise, focusing on a single set of social hierarchies may contribute to occluding other social hierarchies that sustain them.

In this section, I have proposed that in order to analyse the political role of the financial industry, we situate it at the intersection of multiple global hierarchies that it contributes to produce and that shape it in return. These hierarchies result from a complex history, combining repertoires of capitalism, colonialism, nationalism, racism, sexism and religious differentiation, among others. My aim was not to provide a detailed account of these global monetary hierarchies. Rather, it was to show that if we subsume them under a single logic, we risk erasing other power relations that sustain the one we foreground. These multiple social hierarchies are produced and rendered interdependent globally by the way the financial industry includes them or excludes them from monetary distribution. Thus, in order to understand how this happens in practice, we need to look at the procedures of monetary distribution applied by the employees of the financial industry. These are the repertoires of valuation and investment mobilized by people like Juliette in their workplaces. This is the second analytic angle addressed in the following section.

Rules of monetary distribution in the financial industry

Financial professionals produce the global hierarchies described above, by applying valuation and investment procedures that determine where the money goes. These repertoires of monetary distribution are standardized across the industry worldwide. Brokerage houses, investment banks, insurance companies, rating agencies and generalist banks, among other companies, make the financial industry a complex assemblage of organizations, with somewhat different aims and modes of organization. Yet, shared repertoires of valuation and investment provide organizational cohesion, and consolidate the role of the financial industry as global political institution. The legal character of these procedures reinforces this institutional aspect. Employees must follow strict rules of valuation and investment that are sanctioned by regulation and delineated in their labour contracts. Companies must follow similar rules specified in the contracts they sign with one another. Analysing the relations between multiple financial companies, Arjaliès et al. (2017) use the notion of ‘chain’ to highlight the fact that contracts bind employees to their companies, and companies to each other, leaving very little margin for changes in the way that money is distributed (Ortiz, 2014a). Sharing a set of rules distributed throughout its assembled parts makes it possible for the global financial industry to manage global hierarchies. At the same time, application of these rules and their minor variations is arranged through competition, collaboration and hierarchy within and among companies and professions (Abolafia, 1996; Godechot, 2016; Zaloom, 2006).

In order to look at the connection between the application of procedures of monetary distribution and global hierarchies, in this text, I focus on four related notions fundamental to most widespread methods of valuation and investment: ‘investors’, ‘efficient markets’, ‘risk’ and ‘value’. These notions connect directly

with the moral and political imaginaries of financial regulation that uphold the financial industry's global role. In most valuation and investment procedures, the whole world is perceived as a single 'efficient market' where 'investors' meet, and where they determine the 'value' of social activities in a 'socially optimal' way. Not only does this reproduce and legitimize the social hierarchies described above, it reinforces the supposition that the financial industry is the best, most legitimate institution to manage them. In what follows, I will highlight the technical, moral and political character of these rules in general, and describe a conflict and an organizational shift concerning their application that I had the opportunity to observe at Acme.

The ABS team was part of the Structured Department, which was directed by Nicole, in her late forties, who had spent most of her career working with financial derivatives. During my observations, Nicole replaced Fernand, who specialized in stocks, as Director of the Allocation Department. Now in the company's top operating position, Nicole oversaw the worldwide allocation of the €300 billion Acme managed for its clients. In her first speech in this new position, she declared that Acme's allocation would thereafter expand the use of derivatives to reflect their growing place in the financial industry at large.

But Nicole and those who supported the expansion of financial derivatives in Acme had actually little leeway to implement this project. As in all major investment firms, allocating Acme's funds had to follow a strict set of procedures organized around Modern Portfolio Theory (MPT) and the idea that the world must be considered as a single efficient market. Institutionalized after World War II, MPT holds that market efficiency prevents a single investor from 'beating the market' by finding more information than current prices already reflect. Prices, like the information they supposedly reflect, are considered to move 'randomly', according to the probabilistic sense of the term. In that case, by mathematical construction, the standard deviation of the price of a single asset, usually called 'volatility', is higher than the standard deviation for a bundle of assets. Therefore, investors should maximize diversification to reduce volatility, 'buying and holding' all available assets—that is, the 'whole market'. This combines in partly contradictory ways the liberal idea that free markets best represent value because they reflect the independent opinions of equal participants, and the idea that prices obey the laws of probability (De Goede, 2005; MacKenzie, 2006; Maurer, 2002; Muniesa, 2007). In practice, MPT is generally used to try to 'beat the market' by tweaking an investment portfolio's replication of the 'whole market', giving more weight to assets that are supposed to perform better, and less weight to those that are supposed to do worse. This method, generally known as the 'classic' investment approach, is used by the majority of companies and fund managers, and implies contradictory assertions that markets are efficient (otherwise, it makes no sense to apply MPT and buy the 'whole market') and that they are not (otherwise, it makes no sense to try to 'beat' them). Calculations of what constitutes the 'market' and how to 'beat' it by a small margin can lead to slightly different forms of investment. But applying this method overall results in a distribution of money that

tends to reproduce the global hierarchy of financial assets, which tends to be replicated in investment portfolios. In the process, this hierarchy is legitimized as a socially optimal allocation of resources produced by market efficiency.

Concrete application of this valuation and investment repertoire is organized in complex relations within companies and professions. In Acme, it was used in the Allocation Department and in most investment portfolios managed by individual fund managers or teams, like the ABS team. A team of statisticians of the Allocation Department used it to assess worldwide financial assets. Then, it provided guidelines on allocating funds among departments, sub-departments and teams, each of which was defined according to the type of asset it managed, such as Equity, Fixed Income, Emerging Markets, etc. Smaller investment companies usually perform similar analyses for fewer categories of financial assets. Replicating—with several twists—the proportion of available global assets, two-thirds of Acme's clients' €300 billion went into equities and bonds issued in rich countries and rated as 'investment grade'—that is, above the BBB rating issued by rating agencies. Less than 10% went to 'emerging markets' and assets deemed 'below investment grade', and the rest went to other types of assets produced in rich countries. Anything else was excluded as not being part of the 'investment universe'. Fund managers' salaries and bonuses depend, in part, on the amount of money they manage, the idea being that larger portfolios reflect greater client trust due to good performance. A former statistician in the Allocation Department explained that department heads, investment teams and individual fund managers would regularly demand that the assets they specialized in receive a bigger proportion of the total allocation. This tension appeared in general relations between employees at all levels.

In addition, MPT methodology was a major guideline at Acme for most portfolios managed by individuals or teams. The ABS team applied it by diversifying investment to include 150 ABS in each CDO. Juliette explained, the insurance companies and banks required its application for investing their money because it was the standard practice in the industry for any type of asset. She also used MPT to justify her expectations after Nicole rose to direct the Allocation Department: 'For us, I hope, [the change] should be positive, it should foster some ideas, say, that instead of having three percent of ABS in [Acme's total] portfolio, maybe the optimal allocation, we should work on it, but we made our own calculations and reached 15–20 percent'. Using the term 'optimal allocation' and the mathematical calculations formalized in MPT, Juliette could justify her demand for an increase in funds by mobilizing not only the technical aspects of the theory, but by invoking the supposed political role of market efficiency in a socially optimal allocation of resources.

The notion of market efficiency, and the idea that companies like Acme and employees like Juliette act like maximizing investors, are organized around notions of 'risk' and 'value' used to establish and legitimize the ranking of activities within the supposedly efficient world market. When I was hired, ABS team members told me that they needed to change their investment strategy. Up to that time, they had

bought the 'safest' types of ABS, which paid low interest rates. Those rates were decreasing, reducing the fees Acme and its partner companies could deduct from the income they paid their clients. The 'solution' was to invest in 'riskier' assets paying higher interest rates.

The interest rate paid by an ABS is defined as a 'risk-premium' relative to the interest rate banks use when they lend to each other, the Libor.⁴ This interbank rate is closely connected to the interest rates determined by central banks, in particular, the Federal Reserve for the US dollar. This notion of 'risk' has multiple definitions (De Goede, 2005; Langley, 2015; Pradier, 2006). It partly refers to the possibility of losing the money invested. Mobilizing the idea that the strongest states can raise taxes to prioritize their lenders over other members of the polity, United States sovereign bonds, those of some rich European states and a few others are considered 'risk-free' because they are not expected to default. Activities deemed 'riskier' than 'risk-free' must pay a 'risk-premium': those that don't are simply excluded from the 'investment universe'. But the notion of 'risk' is also defined statistically as the standard deviation of past returns and is then often called 'volatility'. The higher the 'volatility', the higher the 'risk-premium' the investor should demand. The 'risk-free rate of return' is central to MPT and to most valuation and investment formulas. This concept plays a crucial role in establishing the hierarchy of financial values, including or excluding activities according to whether they appear as committed to prioritizing financial creditors over other participants, like workers, consumers, citizens or the environment. Partly expressed and institutionalized by rating agencies, this hierarchy constitutes the technical, moral and political justification for the exclusion of the most impoverished part of the global population from money distributed by the financial industry (Boy, 2015; Fourcade, 2017; Ortiz, 2014b; Sinclair, 2005).

Thus, defining ABS and CDOs in terms of 'risk' and 'risk-premium' situated them within the global hierarchies of the financial industry's monetary distribution. In 2004, top-rated ABS, based on the mortgages of US low-income households, were considered almost equal to the 'risk-free' assets described above, with a 'risk-premium' of 0.1%.⁵ Moving to lower-rated ABS in order to obtain a higher risk premium, as Acme's ABS team intended to do, further integrated the US-based low-income population in the repertoires and the monetary distribution of the financial industry, while simultaneously excluding others, considered outside the 'investment universe'.

While all ABS team members considered this change necessary, they held opposed opinions about it. These positions were partly organized around the moral and political meanings of notions of financial value, used to define financial assets. The new technique implied giving different weight to three partly interdependent definitions of 'value': 'fundamental', 'relative' and 'speculative'. An asset's so-called 'fundamental', 'intrinsic' or 'true' value, is defined by the future monetary income obtained by the owner of the money invested in it, such as dividends or interest. In the case of ABS, it is assessed by looking at the bank loans composing the ABS to evaluate whether, or how many, borrowers could default. So-called

‘relative valuation’ assesses whether the asset’s ‘fundamental value’ is ‘undervalued’ or ‘overvalued’ in relation to the market price of other assets, such as ‘risk-free’ assets. This presupposes that the prices of other assets efficiently reflect their fundamental value, but that that is not the case for the asset being valued (MacKenzie, 2011). In these two cases, valuation presupposes that the price does not reflect all available information efficiently, but that it will in the future. Therefore, one should buy (sell) if the market price is considered too low (high), before the market ‘corrects’ itself. So-called ‘speculative valuation’, on the other hand, considers markets are inefficient. It presupposes prices vary according to investors’ opinions, and may not reflect fundamental value, although these opinions are often considered to follow fundamental and relative valuation. These three definitions of value are interdependent, because each method uses results and modes of reasoning from the others. But they are also contradictory, as they presuppose different states or definitions of ‘market efficiency’ and ‘investors’. This situates them differently in relation to the political legitimacy given to market efficiency in financial regulation and neoclassical economics (Ortiz, 2013, 2014b).

The new technique encouraged buying and selling ‘risky’ assets often, to avoid exposure to their default and possibly gain from short-term price variations. Marie approved the move, but claimed it went against her ‘beliefs’, as it led to speculation ‘disconnected’ from fundamental valuation and market efficiency, thus creating ‘artificial value’. Juliette, on the contrary, vaguely downplayed the opposition, which, as we saw above, was central to the ‘classic’ investment method used by Acme and the ABS team: ‘I think that as long as you have a fundamentalist view [...] nothing prevents you from doing trading’. In both cases, the employees assessed and justified including lower-income US households in the ‘investment universe’ in terms of the hierarchy of risk and value, within the general frame of market efficiency and MPT and with the aim of sustaining their clients’ and their own profits.

A few months after these exchanges, Marie left Acme to perform fundamental valuation of ABS at a rating agency. Juliette replaced her, hiring more financial analysts to do fundamental valuation, while embarking on new investment strategies that included speculative valuation, as a further €2 billion was allocated to her team between 2004 and 2007. After 2007, Acme’s investment in credit derivatives lost €2 billion. In order to protect its clients, which had invested much more money in other assets, and playing at the margins of the relation of representation that institutes the figure of the investor, Acme’s top management decided to take up these losses on Acme’s own balance sheet. Relations between employees and teams in the company, organized through repertoires of valuation and investment such as MPT and definitions of risk and value, had kept the ABS team in a marginal position before the collapse of ABS. In other companies, the inclusion of US low-income household in global hierarchies managed by the financial industry transformed part of this industry. The application of the same repertoires reoriented the activities of some companies to the point that the collapse of ABS led them to bankruptcy and bailouts. But this ‘crisis’ did not affect the repertoires

themselves, which have remained central in the way the financial industry produces and legitimizes global hierarchies (Ortiz, 2012).

The repertoires of valuation and investment described in this section are used widely in the financial industry. Their application is central for how the financial industry distributes money worldwide, producing and making interdependent multiple global hierarchies. These repertoires contribute to legitimizing these hierarchies, describing them as the optimal allocation of resources resulting from ‘market efficiency’. Their application reproduces the centrality of states that concentrated power in the colonial period, the World Wars, the Cold War and after that, and excludes the most impoverished parts of world population, who, assessed in terms of ‘value’ and ‘risk’, are considered unworthy of belonging in the ‘investment universe’. Shared across the financial industry, these repertoires give this industry its cohesiveness as global political institution. This not only does not prevent but actually sustains a multiplicity of monetary repertoires outside the financial industry, which contribute to shape the industry in return. These global hierarchies are sustained by financial professionals’ everyday repetitive application of valuation and investment repertoires. In order to understand how this repetition is possible, it is necessary to analyse how these professionals make sense of the place they occupy in the social hierarchies they contribute to produce. That is the third analytic angle, developed in the following section.

The social position of producing global monetary hierarchies

This section addresses the way in which financial professionals make sense of the everyday practices that give them a role in the production of global hierarchies. This depends in great part on how they understand these hierarchies and the place they occupy in them, so that they can consider their role in producing them legitimate or acceptable. In the financial industry, as in other bureaucracies, workers often perform repetitive applications of standardized procedures, generally without need for justification. As in other work settings, financial employees’ emotional relations to their work range from fervour through indifference to revulsion. They often explain their choice of a career in finance mainly by the salaries that are higher than anywhere else. Everyday procedures, such as designing investment strategies and trading assets, have important distributive effects, but are usually considered repetitive technical tasks that are part of normal activities at the office and would not demand moral or political reflexivity. And workers may not grasp the interconnections of the different company-wide procedures that are beyond their domain of expertise (Arjaliès et al., 2017; Hoag, 2011). Max Weber considered the financial industry as an extreme case of bureaucratic power where professional practice was ‘neither ethical nor anti-ethical, but simply non-ethical’ (1978 [1922]: 709). Nevertheless, the situation is more complex. Employees can have varying moral and political views on the financial industry.

In many situations employees need to provide moral and political justification for their work. This is particularly the case in conflicts between employees, teams,

companies and professional specializations, but also when the media or political discourses speak of a financial ‘crisis’. Within the vast variety of examples analysed in the sociology and the anthropology of finance, we can highlight important regularities in this respect. One regularity concerns how employees feel that, due to their mastery of expert knowledge, they have the right to be the ones applying procedures legitimized along political repertoires of ‘market efficiency’. Another concerns how they perceive themselves to be part of the social hierarchies they contribute to produce in terms of various social identities that do not relate directly to financial practice, such as gender, age, race, religion and nationality.

Ho (2009) has shown how employees tend to justify their role in the production of social hierarchies with the idea that they are the smartest component of society. They often offer as proof the elite education that tends to be a requirement for occupying the best-paid, so-called ‘front-office’ positions. Godechot (2016) analysed, in turn, how employees claim to merit the high salaries and bonuses they receive by alleging ownership of sources of revenue in the financial industry, such as relations with clients and mastery of valuation and investment methods. As in other social settings, the narrative of meritocracy tends to naturalize as personal achievements what are actually advantages based on broader social hierarchies, such as the monetary and educational resources which tend to determine access to elite education and the financial industry’s highly remunerative jobs (Khan, 2012). This was observable in the ABS team. In 2004, Marie and Juliette received combined yearly salaries and bonuses of, respectively €400,000 and €300,000. They had both studied in the French *grandes écoles*, elite institutions similar to the Ivy League in the United States. They told me several times that they considered themselves to be among the most qualified experts in credit derivatives in France. Juliette thus legitimized her income to me in terms of the importance of the work she performed for her company and as a reflection of her own trajectory: ‘what is valued with remuneration? It values the work you have done, and also your value, that is the value of, hm. . . , in terms of experience, as an individual’. My internship was certainly facilitated by my degree from a *grande école*, and my connection to the team’s financial analyst through an acquaintance from another *grande école*.

This generally elitist self-identification of financial employees is partly organized through conflicts that concern other forms of social hierarchy, such as gender and racial identity. Marie explained that she had to work more than men to hope being treated as equal to them, and this demand led her to reach exhaustion as head of the ABS team. Juliette, on the other hand, asserted that she had deflected those demands when signing her labour contract and negotiated limits to the extra work hours she was willing to accept. Similar tensions and more abusive forms of gender discrimination (which are not exclusive to the financial industry) have been described in more detail by Fisher (2012), Ho (2009), Roth (2006), Salzinger (2016) and Zaloom (2006). In the ABS team, Fatima, whose parents had moved to France from Northern Africa, was the lowest-paid assistant. She was eventually side-lined and looked for a job elsewhere, confident she would obtain it due to her training in finance in a good university. In an interview with me, she adamantly

declared that her marginalization in the team was not due to racial discrimination, but she considered racial discrimination pervasive in the industry. Proof could be seen, she said, in the overwhelming presence of people of Northern African descent in low-paid jobs in the middle and back offices of the financial industry, a description echoing what Ho (2009) showed for Wall Street.

These examples show how social discrimination can lead employees to demand inclusion in the rewards of the financial industry's production of global hierarchies, rather than question the legitimacy of these hierarchies. Marie and Juliette did not question the legitimacy of the financial industry, and Fatima explained that racial discrimination only reinforced her resolve to realize her goal of becoming a fund manager. Fisher (2012) shows how female employees who organize against gender discrimination in the financial industry only aim for gender equality within the industry, without regard for global hierarchies that are produced by the industry and reproduce gender discrimination (Young et al., 2011). Thus, conflicts and hierarchies among financial professionals tend to reinforce the legitimacy of global hierarchies arising from the financial industry's repertoires of valuation and investment. For these employees, the legitimacy of the distributive effects of the application of valuation and investment procedures was not only based on the idea of market efficiency. This legitimacy came also from the idea that they were the people entitled to apply these procedures due to personal merits, which often reflected their elite backgrounds.

While Marie, Juliette and Fatima did not challenge the repertoires they applied, some social identifications may influence the way employees apply these repertoires. Ailon (2019) shows how trading instructors who work with lay traders in Israel and identify as Jewish Israeli make sense of the global dominance of US financial markets by comparing them to their own national identity. Pitluck (2014) shows how employees of small financial firms in Malaysia mobilize different investment strategies depending on whether they perceive their counterpart as a Malaysian or a foreigner. In these two cases, contested definitions of national identity, and the right to claim it, inform the understanding of the world as an efficient market. In turn, national identities are redefined, and their hierarchies transformed, by the place they occupy in global financial relations. In both cases, assessment of nationality becomes a variable that employees take into account when applying the repertoires of valuation and investment.

In the cases described by Ailon and Pitluck, the repertoires of valuation and investment, described in the previous section, are not modified. Chong (2018) explores a situation in which this is somewhat different. She conducted fieldwork in Northern China in Systeo, a global consulting firm that restructured its client's organizations by applying repertoires of 'shareholder value'. These repertoires were also deployed internally at Systeo. Chong shows that, in everyday practice, employees co-constitute the repertoires of shareholder value with repertoires of cosmopolitanism, Chinese techno-nationalism, upper-class aspirations and culturalist distinctions between China and the West, in multiple, contradictory and often unstable ways. When employees worked to restructure Chinese state-owned

enterprises (SOEs) managed by members of the Chinese Communist Party (CCP), shareholder value was used to reorganize the companies without privatizing them (Ortiz, 2017; Wang, 2015). This redefined the notion of shareholder, as the aim of the restructuring was to serve the state. Systeo's employees then adopted modes of relating to colleagues and clients that seemed more compatible with the aesthetic markers of social elites at the SOEs and in the CCP. This could lead to identity combinations and conflicts. For instance, Systeo's global human resources guidelines implied that employees should engage in charitable activities, such as helping earthquake victims. Employees who grew up in China considered this absurd, because that kind of help was the state's duty. The power relation between Systeo and the Chinese SOEs, and the multiple social trajectories and allegiances of Systeo's employees, resulted in new combinations of elitist social identities and repertoires of valuation and investment. These combinations challenged Systeo's organization and some of its political repertoires of valuation and investment. Nevertheless, these challenges reproduced the idea that only specific elites, marked by particular expert knowledge and social trajectories, had legitimacy to determine where money should be distributed.⁶

The production of global hierarchies by the financial industry depends on the constant repetition of procedures applied by employees of the industry. This professional routine is only sustainable as long as employees make sense of it as part of their lives. In particular, for a political anthropology of finance, this implies understanding how they make sense of the global hierarchies they contribute to produce. This sense-making can be detached from any political justification, since it is legitimized as the correct fulfilment of professional duties, in particular as repertoires of valuation and investment include political legitimizations in terms of market efficiency. But the anthropology and the sociology of finance show that employees tend to understand that their privileged position, education and income legitimize their right to apply the repertoires of valuation and investment. Conflicting social hierarchies among employees tend to reinforce the legitimacy of these repertoires and their distributive effects. Even when, in some settings, these conflicts challenge part of the rules of monetary distribution, they still assert the right employees feel they have to apply them. Thus, in order to analyse the financial industry as a political institution, the social identification of employees must be understood, not only within company walls, but in relation to the global hierarchies they contribute to produce via application of repertoires of valuation and investment.

Conclusion

In this article, I have proposed to consider the financial industry as a global political institution, with an analytics that can be operationalized when we do fieldwork in this social space. This implies, on the one hand, situating the financial relations we observe in fieldwork within global financial relations that sustain them. The political character of the financial industry is established in this global space, where it contributes to making a multiplicity of hierarchies interdependent and co-

constitutive. Secondly, it implies looking at the procedures of valuation and investment with which financial professionals collect, produce and distribute money in everyday practice. In this bureaucratic setting, the efficacy of employee's practices is partly due to the repetition, with some variations and explorations, of a set of repertoires that are broadly used across the industry. And their moral and political meanings are directly related to how financial regulation and academic production legitimize the distributive effects of their application in the financial industry. Finally, it implies looking at how financial employees understand their own place in the global hierarchies they contribute to produce. They legitimize their application of financial repertoires in part by connecting them to their own elite status outside of the financial industry. This happens even as employees mobilize different social identities in their conflicts with each other.

Defining the financial industry as a global political institution risks exaggerating its internal consistency or the clarity of its borders in relation to other social spaces. But this proposition is analytical. The aim of this article is not to describe essentially what the financial industry is, but to delineate some of the questions we can ask in order to understand the power relations at play in our field-sites. The three analytic angles proposed here concern interrelated aspects of the production of social hierarchies. Building on each other, they aim to connect the everyday practices we observe in the financial industry with the bureaucratic setting of which they are a part and with the global hierarchies they contribute to produce. We can thus avoid seeing the global political role of the financial industry as the constitution of a single form of social hierarchy. We can also integrate the analysis of technical procedures with the study of their moral and political legitimizations. And we can address how the varied and often vague or contradictory ways in which financial professionals perceive the legitimacy of their work life is fundamental for the routine character of the production of these global hierarchies.

The analytics proposed here leaves open the question of the relation between the global financial industry and other institutions or kinds of social relations that are also fundamental for global hierarchies, such as capitalism, imperialism, nationalism, racism, sexism or religious discrimination. It avoids proposing that global finance would correspond mainly to one of them. This is because the global hierarchies produced by the financial industry can only be understood at the intersection of multiple repertoires. Stressing only one kind of social hierarchy as the main rationale of finance may contribute to occlude other repertoires of violence on which this particular one also depends. On the contrary, it is by looking at how the distribution of money makes these hierarchies co-constitutive that we can analyse the financial industry as a global political institution.

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Notes

1. Ortiz, 2014a. In agreement with the people I observed, and to protect their anonymity, all names are false.
2. Capitalization is the product of the number of assets multiplied by their price.
3. These derivatives contracts are usually a commitment to exchange a notional amount in the future, which is much higher than the price of the contract itself. But, usually, this nominal amount is not exchanged, because different contracts cancel each other out before the commitment must be fulfilled.
4. London Interbank Offered Rate.
5. That is, if the Libor was 3.4%, the ABS paid 3.5%.
6. There are other important instances of this kind of process, not addressed here for lack of space. One is the increasing use of algorithms in the financial industry (cf. Lange et al., 2016). Another is Islamic finance (cf. Rudnyckyj, 2019).

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