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Can Baboons Save Wall Street? Response to Comments on *Taking the Floor*

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Abstract

My response to the Comments on *Taking the Floor* underscores the book's call for a balanced consideration of the social and material in the study of markets, as well as for an organizational — and not simply material, or structural — engagement with them. This form of "baboon sociology" sheds light on how market participants deal with devices that prove unfair, destabilizing, or simply inadequate to the market, and is particularly useful at a time when the dark side of information technology has become readily apparent.

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As noted by MacKenzie (2022), the expression "baboon sociology" was first advanced by Strum & Latour (1987) to challenge orthodox sociology that ignored the role of material devices in shaping society. Without materiality, Strum & Latour argued, humans would lose a critical source of durability in their relations, and find themselves in a position similar to baboons — compelled to spend most of their time sustaining social ties by grooming one another. Since Strum % Latour's admonishment, proponents of Actor-Network Theory (myself included, at least until recently) have been very careful not to neglect materiality in their accounts of the social, lest they be taken for a baboon sociologist.

In his comment on *Taking the Floor*, however, MacKenzie turns the baboon analogy on its head. Provocatively, MacKenzie writes that "the theoretical virtue of *Taking the Floor* and of Beunza's work more generally, is precisely its caution in [...] [turning] our back on baboon sociology." (p. 73) In other words, the book (as well as, he adds, my unpublished research with Yuval Millo on the New York Stock Exchange) is praised for attempting a nuanced approach to the question of what makes humans different from baboons. Other commentators on *Taking the Floor* also speak to the merits and demerits of the book's focus on the social: Chen finds insights on leadership, while Ossandón wonders what is actually gained from a return to baboon sociology.

In the paragraphs below I respond to all three comments by elaborating on MacKenzie's framing. Is MacKenzie correct? Is *Taking the Floor* an exercise in baboon sociology, and if so, what does that accomplish? More broadly — and perhaps more relevant to scholarly readers — what are the research gains from stopping short of Latour's (1987) narrowly materialist conception of the social?

The best answer to the above lies in part in Ossandón's critique of *Taking the Floor* (2022). Ossandón, who has been an insightful promoter of Actor-Network Theory in Continental Europe and Latin America, notably through the collective blog https://estudiosdelaeconomia.com and his insightful comments on other scholars (e.g., Ossandón & Pallesen, 2016), asks a simple question: "What does *Taking the Floor* accomplish?" The query is not a rhetorical but a literal one, much in the spirit of the outraged consumer who just discovered that a recent purchase does not contain what the packaging announced. In the book, Ossandón expected a contribution to the Social Studies of Finance, to economic sociology... or at any rate to sociology. But, he argues, he found none of that. Eventually, and perhaps reluctantly, Ossandón concluded that *Taking the Floor* is a book about management. The book, Ossandón adds, is paradoxical: while the Social Studies of Finance represented an anti-cultural challenge to economic sociology, *Taking the Floor* seems chiefly concerned with organizational culture. *Taking the Floor*, in Ossandón's felicitous expression, performs an "inversion of the inversion."

Ossandón is right. *Taking the Floor* underscores the organizational dimension of markets. While social scientists have debated for decades the extent to which markets are atomistic or socially embedded, the analysis of the global financial crisis advanced in *Taking the Floor* found instead that markets are chiefly mediated by the organizations that comprise them. In the credit crisis, these organizations included the large Wall Street banks as well as the Big Three rating agencies. Indeed, the key event of the credit crisis in the second half of 2008 were set in motion by one single bank, Lehman Brothers, and its bankruptcy on September 15th of that year. Other scholars in the social studies of finance have also pointed to organizational processes in their accounts of the crisis: MacKenzie (2011), for instance, found structural gaps in modeling that led rating agencies to underestimate correlation risk in their evaluation of collateralized debt obligations (CDOs), leading them to inflated ratings. Wall Street banks, MacKenzie adds, were quick to exploit the resulting arbitrage opportunity. Other accounts have similarly underscored the central role of organizations such as banks (Fligstein, 2021) and rating agencies (Carruthers, 2013). Some scholars have gone as far as to exonerate a market device, the so-called Gaussian Copula (a mathematical expression used to estimate correlation risk in CDOs) from accusations that the formula "killed Wall Street" (MacKenzie & Spears, 2013).

What does an organizational approach to the study of markets accomplish? Structuralist scholars may be tempted to focus on incentive schemes or corporate board interlocks as prime explanations of market-level phenomena. However, the post-2008 history of Wall Street is revelatory of an alternative explanation. While initial financial reforms in the US and the UK turned to structural measures such as the separation of risk-taking activities from public utility-like areas like deposit-taking, regulators soon realized that durable change in banks would be impossible through structural means alone, and turned to their culture. In 2014, the Chair of the Federal Bank of New York, William Dudley, unveiled the Fed's shift to "bank culture" as new supervision priority. (Interestingly, Dudley's (2014) definition of culture, "what people do when no-one is looking," comes closer to ethics and informal norms than to issues around symbols and meaning, suggesting that "culture" was being used by regulators as a euphemism to describe morality). In parallel, the Financial Services Culture Board was founded in 2015 in the United Kingdom to promote good practices among banks and building societies. In sum, it is the organizational norms of financial market participants, rather than structures or devices, that have chiefly worried regulators in recent years. It is precisely the problem of bank "culture," aka, morality in financial institutions, that *Taking the Floor* focuses on. The book highlights organizational norms as the chief concern of the manager of a derivatives trading floor, Bob, and it leverages his approach to draw general lessons about how to enhance moral standards on Wall Street.

Crucially, Bob's approach to moral improvement was in many ways a *baboon* solution. Bob's premise was that the narrowly material approach attempted in his previous bank during the mid-1990s, the introduction of a formula to measure risk (so-called Value at Risk, see Tett, 2009 and Power, 2009), proved spectacularly wrong. Concluding that purely mechanistic attempts at control are bound to fail, Bob relied instead on engaging traders directly through regular one-on-one discussions, a technique that seems to echo the grooming among baboons portrayed by Strum and Latour (1987). Other tactics seem no less baboon-like: creating trust by sitting traders adjacent to each other, staging public punishments and expelling traders that defied Bob's norms, or abolishing stacked monitors so as to leave traders naked under his gaze. Notably, Bob's approach did not ignore the effect of material devices such as the layout of the desks or the size of the trading floor. Indeed, Bob's efforts were largely a reaction against the misuse of a single market device, Value at Risk. In effect then, *Taking the Floor* is an account of non-material attempts at shaping the social... in a context where a strong material influence was already in place.

To be clear, then, what does baboon sociology accomplish in *Taking the Floor*? I would argue it advances the Social Studies of Finance by considering the problems posed by material devices, along with their non-material solutions. Financial markets, as much as society at large, have in recent decades undergone an extraordinary material transformation. On Wall Street, this took the form of the so-called *quantitative revolution*, and includes well-known combination of information technology and economic theory that made performativity such an appropriate lens. More broadly, society has also been reshaped by the rise of the Internet, mobile connectivity, and social media. This turn of events would seem to ratify Latour's emphasis on materiality, but his analysis failed to anticipate the dark side to technology that is now increasingly apparent. In finance, the dark includes the tendency of models (MacKenzie, 2003) and algorithms (Mackenzie, 2021) to create instability in markets or, as *Taking the Floor* finds, induce moral disengagement. In society, technology has prompted concerns over surveillance capitalism (Zuboff, 2021), election manipulation, and a long list of problems. Thus, technology admittedly reshapes markets and societies, but rarely in the direction originally intended by its designer — and often in ways that prove destructive or destabilizing.

What, then? This is precisely the scenario considered by *Taking the Floor*. The book adopts the local perspective of a single manager, and empirically considers the solution that he arrived at, which the book titles "proximate control." This setup also describes my unpublished study of the New York Stock Exchange with Yuval Millo. Starting in 2006, a regulator-mandated trading technology decimated the Exchange's market share from 80 to 25 percent, as well as threatened to create a financial crisis. What did the chief executive of the NYSE do? Like Bob in *Taking the Floor*, this manager opted for a combination of high technology and mundane social relations, that is, a hybrid approach, to address the disruptive force of the original technology. The solution did not exclude technology; it countered the problems posed by technology.

In sum, far from missing the material, the analytical return to the social within *Taking the Floor* makes visible the creative, entrepreneurial and admittedly imperfect solutions that market participants mobilize to counter the dark side of devices. This speaks to Callon's (2008) theorizing, which called for an expanded conception of *homo economicus* as one that not only calculates but also exhibits affect, identity, etc. Callon distinguishes between change through a rigid introduction of devices in a way that is ill-fitting and "prosthetic;" and a contextualized approach in which devices are tailored to the actors so as to produce an enabling "habilitation." *Taking the Floor* extends this Callonian agenda by considering how actors in a position of managerial authority (but who lack control over tool design) transform a prosthetic setting into something closer to habilitation.

Put differently, and as the lucid comment from Chen (2022) identifies, *Taking the Floor* is in part a theory of leadership in markets. The book speaks to the puzzling experience often encountered by academics when becoming head of department, or when their authority is contested by students or administrators. In such situations, many discover that formal authority is not enough, that control over tools like the schedule of classes does not by itself confer respect, and that material resources such as formal dress in the classroom prove a very thin ground to stand on. Baboon techniques such as an assertive tone of voice, an imposing physical presence, or grooming-like tactics like personalized emails or providing edible treats in class, often prove far more effective. Leadership is admittedly an overused expression, and for that reason I decided against using it in *Taking the Floor*, but Chen's use of the word gets at it precisely right.

The above — that is, the thread that runs from baboons, to banks, to leadership — also sheds light on an issue that Ossandón astutely identified, that is, the problem of how to intervene in markets. As Ossandón points out, since 2016 I have been offering ethnography training to bank executives in the City of London. The trainings, which take place over the course of four months, and which have been delivered four times in total, are offered in collaboration with the UK's Financial Services Culture Board and the knowledge exchange team at my institution, Bayes Business School. By endowing executives with skills at participant observation, the training hoped to sensitize managers to the importance of organizational norms. Admittedly there is a dose of slippage here, in that ethnography is primarily aimed at uncovering culture rather than ethics, yet the cause of the credit crisis was ethical rather than cultural. In any event, the choice of ethnography as intervention follows from the core postulates of *Taking the Floor*: organizational ethnography is the logical implication of organizational approach to its markets.

In sum, the generous and illuminating comments on *Taking the Floor* by MacKenzie, Ossandón, and Chen bring to the fore much of what is radical and noteworthy in the book. *Taking the Floor* calls for a balanced consideration of the social and material in the study of markets, as well as for an organizational (and not simply material, or structural) engagement with markets. It is my hope that my response to these comments will inspire and stimulate others to deviate as I did from existing scholarly cannons.

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