



Economy and Society >

Volume 32, 2003 - [Issue 3](#)

2,298 Views

178 CrossRef citations to date

10 Altmetric

Original Articles

Long-Term Capital Management and the sociology of arbitrage

Donald MacKenzie

Pages 349-380 | Published online: 02 Dec 2010

🗨️ Cite this article 🔗 <https://doi.org/10.1080/03085140303130>

Sample our
Social Sciences
Journals



>> [Sign in here](#) to start your access
to the latest two volumes for 14 days

📖 References

🗨️ Citations

📊 Metrics

🖨️ Reprints & Permissions

Read this article

🔗 Share

Abstract

Arbitrage is a key process in the practice of financial markets and in their theoretical depiction: it allows markets to be posited as efficient without all investors being assumed to be rational. This article explores the sociology of arbitrage by means of an examination of the arbitrageurs, Long-Term Capital Management (LTCM). LTCM's 1998 crisis is analysed using both qualitative, interview-based data and quantitative examination of price movements. It is suggested that the roots of the crisis lay in an unstable pattern of imitation that had developed in the markets within which LTCM operated. As the resulting 'superportfolio' began to unravel, arbitrageurs other than LTCM fled the market, even as arbitrage opportunities became more attractive, causing huge price movements against LTCM. Three features of the sociology of arbitrage are discussed: its conduct by people often personally known to each other; the possibility and consequences of imitation; and the limits on the capacity of arbitrage to close price

discrepancies. It is suggested that by 1998 imitative arbitrage formed a 'global microstructure' in the sense of Knorr Cetina and Bruegger.

Keywords:

Arbitrage Economic Sociology Imitation Long-Term Capital Management (LTCM) Globalization Risk

Related Research Data

The Trading Crowd

Source: Unknown Repository

Inefficient Markets

Source: Unknown Repository

RELIABILITY AT RISK The supervision of financial models as a case study for reflexive economic sociology

Source: European Societies

The Social Structure of a National Securities Market

Source: American Journal of Sociology

Economic Action and Social Structure: The Problem of Embeddedness

Source: American Journal of Sociology

The Pricing of Options and Corporate Liabilities

Source: Unknown Repository

A Status-Based Model of Market Competition

Source: American Journal of Sociology

Related research

People also read

Recommended articles

Cited by
178

Information for

[Authors](#)

[R&D professionals](#)

[Editors](#)

[Librarians](#)

[Societies](#)

Opportunities

[Reprints and e-prints](#)

[Advertising solutions](#)

[Accelerated publication](#)

[Corporate access solutions](#)

Open access

[Overview](#)

[Open journals](#)

[Open Select](#)

[Dove Medical Press](#)

[F1000Research](#)

Help and information

[Help and contact](#)

[Newsroom](#)

[All journals](#)

[Books](#)

Keep up to date

Register to receive personalised research and resources by email



Sign me up



Copyright © 2026 Informa UK Limited [Privacy policy](#)

[Cookies](#) [Terms & conditions](#) [Accessibility](#)

Registered in England & Wales No. 01072954
5 Howick Place | London | SW1P 1WG

 Taylor and Francis
Group