Taylor & Francis
Online

Economy and Society ›
Volume 33, 2004 - Issue 3

2,045 Views | 209 CrossRef citations to date | 8 Altmetric

Original Articles

The big, bad wolf and the rational market: portfolio insurance, the 1987 crash and the performativity of economics

Donald MacKenzie

Pages 303-334 | Published online: 08 Feb 2011

Cite this article https://doi.org/10.1080/0308514042000225680

Sample our Social Sciences Journals
>> Sign in here to start your access to the latest two volumes for 14 days

Citations Metrics Reprints & Permissions Read this article Share

Abstract

This article distinguishes two meanings of the performativity of economics, a thesis advanced by Michel Callon: ‘generic’ performativity, according to which markets and other economic relations are not to be taken as given, but as performed by economic practices; and ‘Austinian’ performativity, in which economics brings into being the relationships it describes. The two versions of performativity are explored by means of an examination of the history of portfolio insurance (a financial-market technique based on the economics of option pricing), of the 1987 stock market crash, and of subsequent efforts to diagnose the causes of the crash and to redesign the market to avoid future catastrophe. The article emphasizes the extent to which the financial markets of high modernity are designed entities, and argues that the question of their design is always a political question, even if it is seldom recognized as such.

Keywords:

Related research

People also read | Recommended articles | Cited by 209

Long-Term Capital Management and the sociology of arbitrage

Donald MacKenzie
Economy and Society
Published online: 2 Dec 2010

Information for

- Authors
- R&D professionals
- Editors
- Librarians
- Societies

Open access

- Overview
- Open journals
- Open Select
- Dove Medical Press
- F1000Research

Opportunities

- Reprints and e-prints
- Advertising solutions
- Accelerated publication
- Corporate access solutions

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