New Political Economy ›
Volume 21, 2016 - Issue 3

21,528	75	28
Views	CrossRef citations to date	Altmetric

Listen

Articles

From performativity to political economy: index investing, ETFs and asset manager capitalism

Benjamin Braun

Pages 257-273 | Received 10 Jan 2014, Accepted 30 Jul 2015, Published online: 29 Oct 2015

Cite this article https://doi.org/10.1080/13563467.2016.1094045 Check for updates

Full Article Figures & data References Citations Metrics Licensing

Reprints & Permissions View PDF

ABSTRACT

As a disc … he details of
market … lysis of
capitalis … ectual
territory … allon offers a
theoretic … udy ‘the
econom … t devices
and … f the
gradual, … here the
tradition … ed by the
emerger … nt funds.
Highligh … rticle shows

In this article

the recently resurgent notion that the two approaches are incompatible, this article insists that the micro-sociological study of market devices fosters the analytical capacity of political economy by opening up new perspectives on the macro-dynamics of contemporary capitalism. In the case at hand, it brings into sharp relief the contours of the emerging constellation of ‘asset manager capitalism’.

KEYWORDS: Performativity financialisation investment chain passive investing exchange-traded funds (ETFs) asset manager capitalism patient capital

Introduction: let's study the economy!

After a brief period of doubt following the global financial crisis of 2008–9, economics seems to have consolidated its spot in the sun at the top of the ‘implicit pecking order among the social sciences’ (Fourcade et al. 2015: 89). ‘The Superiority of Economists’ documented by Fourcade, Ollion and Algan lends new urgency to the long-standing question of how political economy should position itself vis-à-vis economics. Responding to Fourcade et al., some economists have offered a simple explanation for their discipline's political influence – policy-makers prefer economists’ advice on economic issues ‘probably because … drumroll … economics is the discipline that studies the economy’ (Smith 2014; original emphasis).[1] Although polemical, statements such as this touch upon a sensitive point: precisely when ‘the economic’ attained hegemonic status in human affairs, ‘Parsons’ Pact’ made non-economist social
scientist , suffering
an intell political
economy ning some of
that lost ne political.[2]
Accordin ‘takes place
where s remains
limit 003: 85).[3]
Accordin e
assumpt ns of
capitalis n of the
relations s a more

In this article

capitalism' feature not only as epiphenomena, but as sites of politics. In a world in which markets 'increasingly set the conditions under which social institutions can develop and function' (Beckert and Streeck 2008: 7), the tendency to analytically prioritise the actions of policy-makers over those of market participants is problematic. Markets and market devices matter for political economy, not only as participants in or objects of political struggles over (de-)regulation, but as sites of politics in their own right.

A series of recent contributions have called on political economists to engage more directly with market structures and dynamics, especially in the financial sector (Drezner and McNamara 2013, Hardie et al. 2013, Green and Hay 2014, Seabrooke and Wigan 2014, Thiemann 2014). The current article argues that the performativity approach offers a promising framework for political economists to study the economy directly. The argument is empirically illustrated through a study of the part played by financial innovation, in the form of exchange-traded funds (ETFs), in the 'performation' of the 'passive investor'. Crucially, the analysis highlights the connection between these micro-level market practices and the ongoing transformation of the investment industry, and indeed of the dynamics of financialised capitalism more generally. In making this link, the article addresses the primary objection against the micro-sociological approach pioneered by Michel Callon and Bruno Latour and subsequently applied to finance by MacKenzie and others – the objection that obliviousness to the structural features of capitalism and secret collusion with economists render the performativity approach incompatible with the project of a critical political economy (Roberts 2012, Noys 2014, Koddenbrock 2015). Drawing on arguments recently

advance

(Christop of markets

and the nalysis to be

compart s to show

how mar ven – that is,

to est). Regarding

the n f the rise of

index inv ance

perspect nains by

'thinking pects of

financial t' (Goldstein

In this article

and macro levels by exploring the consequences of the performative transformation of investment practices for the broader political economy of what it describes as 'asset manager capitalism'. In doing so, it complements important recent research on the pension fund industry (Naczyk 2013, McCarthy 2014) and reiterates the call for a stronger mutual engagement between comparative political economy and the financialisation literature (cf. Estevez-Abe 2001).

The argument is developed over three sections. In order to show why political economy has much to gain from a deeper engagement with the performativity approach, the first section offers a systematic reconstruction of Callon's work on performativity, placing particular emphasis on the processual nature of performativity and the questions of causality and agency. The second section outlines the materialist critique of the performativity approach, but rejects it on the grounds that practices at the micro-level of market devices are key to the understanding of the macro-dynamics of capitalism. The third section substantiates this argument using an empirical study of the performative transformation of the investment industry as a result of the rise of passive investing strategies. The conclusion discusses the theoretical lessons from the case study and, using the topical example of 'patient capital', indicates how a micro-funded understanding of the investment chain opens up new perspectives on the broader political economy of asset manager capitalism.

What it means to say that economics is performative

Challeng phasised
that inst economics,
which 'p ow it
function mpact was
stronges Cetina and
Brue ve research
progr differs from
the prev omy
(Abdelal d Callon
(2005: 1 ernal
(causal) e effect of

In this article

> In the program that I propose the idea that economics can have an influence on behaviours or worldviews is meaningless. I don't think that norms, values and conceptions of the world can be made autonomous in order to establish them as intermediary variables through which abstract economic theories could act upon real economic agents. My question concerns the production of agencies and the spaces in which they circulate and meet. (Callon 2005: 13)

In other words, the hallmark of Callon's performative conception of the economic is the collapsing of the epistemological distinction between ideational and material structures. In political economy, this insight has been fruitfully applied to the performative constitution of both professional (De Goede 2005, Clarke 2012) and everyday financial spaces, imaginaries and subject positions (Aitken 2007, Langley 2010). Crucially, however, these pioneering contributions have mainly focused on the cultural and political performance of financial activities and identities, rather than on the devices and practices that create and sustain those markets on the – actual or virtual – trading floor. If ‘contemporary political economy … treats the economy as a black box’ (Streeck 2011: 138), the performativity literature has peeked under the lid while leaving the box mostly intact. The purpose of the following overview is to show that Callon's approach offers a framework for political economists to fully open the box and study the economy directly.[6]

Saving Callon from Austin: the genealogy of Callonian performativity

‘Saving Austin from MacKenzie’ is the title of a recent critique of the ‘sociological performativists’ by Mäki (2013). Contrary to Mäki's view, this section maintains that it
really is
nzie was
very clea
of the term
‘Austinia
ge of being
read as i
stic
philosop
n
perfo
d
techn
er with
Bruno La
ned the
generati
e
constitut
1, Callon
1986). C
wledge, but

In this article

intellectual genealogy, Callon's subsequent turn to performativity represented not so much a radical theoretical departure than an extension of his earlier work to a 'science' that had not previously been looked at by STS – the academic discipline of economics (Callon, cited Barry et al. 2002: 285).

If Callon's intervention was informed by STS and ANT, the intellectual opponent was the 'new economic sociology' and its Durkheimian insistence that homo oeconomicus was 'little but an artificial man of reason', and that economic actors and markets were, like all actors and institutions, embedded in society (Durkheim 1974 [1888], cited Smelser and Swedberg 1994: 11). While the project of criticising and enriching homo oeconomicus stands little chance of formulating a critique of the assumptions of economics 'that has not been expressed somewhere or other by an economist' (Bourdieu 2005: 15), the more serious problem is that it does not allow for the possibility of the 'artificial man of reason' not being a myth but an – in principle – realisable programme of economics.[7] Callon, by contrast, provocatively suggests that 'homo oeconomicus really does exist', and that sociology needs to come to terms with 'his simplicity and poverty' (Callon 1998b: 50).

As a form of calculative agency that exists in the real world, homo oeconomicus cannot, of course, be conceptualised simply as a clever version of homo sapiens. Instead, economic agency takes the form of 'socio-technical agencements' – heterogenous configurations of human and non-human elements that enable or facilitate calculative behaviour (Callon 2007: 320).[8] 'The economy', then, is the sum of the socio-technical agencements 'that qualify themselves as economic' (Callon 2009: 20). From here, the
empirica y economic
agencen examine
their effe s 'recognize
economi that is, as
one of th ket order'
(Fourca

Perfo
counte

While sh my' of the
economy the notion

In this article

to capture ‘the dynamics involved in reconfiguring entities and networks of entities’ (Callon, cited Barry et al. 2002: 292, 294). This emphasis on dynamics stands in contrast to a narrow understanding of performativity as a remoulding of economic reality in the image of economic theory, which implies a static comparison of two states of the world. If anything, Callon's emphasis on the processual nature of performativity has increased over the years, as his has language shifted from (dis-)entanglement to ‘performation’, and, most recently, to ‘economization’.

The metaphors of (dis-)entanglement and framing are meant to capture the activities that configure calculative agencies and spaces. Drawing on Erving Goffman, Callon (1998a: 249) defined a frame as a structure that ‘establishes a boundary within which interactions … take place more or less independently of their surrounding context’. To put it simply, this boundary is the result of the disentanglement of certain relations from others, and of the imposition of a frame to keep that separation in place. The subsequent introduction of the notion of ‘performation’, defined as ‘the process whereby socio-technical arrangements are enacted’ (Callon 2007: 330), was explicitly intended to clarify that the performativity programme was not about the economy being ‘created entirely by economics’, but about the ‘interventions’ that allow knowledge to become effective (2009: 19). This emphasis on intervention and practice became even more pronounced in a pair of articles on ‘economization’, which placed particular emphasis on the ‘processes that constitute the behaviours, organizations, institutions and, more generally, the objects … qualified … as “economic”’ (Çalışkan and Callon 2009: 370, 2010). From this perspective, ‘marketizing’ activities – activities geared towards the establishment of markets – are but one category of economisation, albeit it

Crucially ons to spill
over int non-
calculab ternalities’
as exce than the
exce ame and the
‘imposs mpleteness
of perfor zie (2004)
coined t s understood
to be pe sses ‘so that
they bet uation in

In this article

which the use of an economic model undermines its empirical accuracy (MacKenzie 2006: 19).

Causal mechanisms and performative agency

In an article that has done much to popularise Callon's work in the management literature, Ferraro et al. (2005) use Robert K. Merton's notion of self-fulfilling prophecies as a synonym for performativity. This is problematic, as it short-circuits the question of the causal mechanisms at play. Defined as 'a false definition of the situation evoking a new behaviour which makes the originally false conception come true' (Merton 1948: 195, original emphasis), the standard example is that of a bank run – even though depositors may be wrong in thinking that an imminent insolvency of the bank puts their savings at risk, their combined cash withdrawals make their originally unfounded fears come true. In contrast to this solely belief-based mechanism, however, performative processes generally require the insertion of economic theories not only into human minds but also their material realisation in the technological infrastructure of markets (MacKenzie 2006: 19, Callon 2007: 323). The case discussed below illustrates this very clearly: Starting from the original academic case for index investing, it took decades before the socio-technical agencement of the 'passive investor' was finally assembled.

The compelling nature of MacKenzie's account of the Black–Scholes–Merton case has arguably contributed much to the (misleading) impression of performativity being about economic theories miraculously coming 'true'.[10] In the article quoted above, Mäki rejects the notion of performativity in the economic sphere on the grounds that 'using an economic model goes well beyond just recognizing it uttered or written down … Use
involves
s the target
– the ins
t on what it
says' (M
nativity
approac
rodox)
economi
n be
attri
hough the
acade
hree 'key
agents i

l
ction and

In this article

cognition; (3) the things which are being valued whose materiality influences the modes of valuation that are possible.

In short, then, ‘discussing performativity in the economy is more than discussing the performativity of economics’ (Muniesa 2014: 28).

And yet, it remains true that Callon's reluctance to distinguish between ‘those who arrange’ and the ‘things that have been arranged’ (Callon 2007: 320) makes it ‘hard to fill in the dance card with identifiable protagonists’ (Mirowski and Nik-Khah 2007: 203). What should one make, for instance, of Mirowski and Nik-Khah's point that Callon's (2007: 336) ‘economists in the wild’ often act as ‘hired guns’? Re-evaluating an episode that has featured prominently in the performativity literature (Guala 2001), Mirowski and Nik-Khah (2007: 211) ask whether the Federal Communications Commission (FCC) auctions of spectrum licences in the USA were a case of performativity or of economists masking the pecuniary interests of their employers behind ‘a fog of learned disputation and superfluous mathematics’. Inclined towards the latter interpretation, they argue that Guala's account neglects the powerful interests of the telecoms, who – partially by employing game theorists – managed to change the auction procedure to the point where it barely still resembled the original congressional mandate given to the FCC. Ultimately, however, Mirowski and Nik-Khah's persuasive argument does not invalidate the performativity approach. As illustrated by the protracted performative effects of economic arguments in favour of passive investing, an economic innovation is never self-performing – if it fails to ‘muster enough institutional and political support’ it may have no performative effects at all (Fourcade 2011: 1724–5).

Perfor l and microf

Renewe political
econ the renewal
of an ea ciological
focus on (Roberts
2012, N method
pioneere ical material
without at, in doing

In this article

according to this point of view, 'are refractions of, and fold into, abstract and immanent capitalist processes' (Roberts 2012: 36). In other words, the focus on the 'concrete and contingent' obscures the tendency of the real historical constellation of capitalism to impose its 'necessary' logic and contradictions on society. It is futile to study the configuration of socio-technical agencements as long as alternative configurations do not change the underlying model of capitalist accumulation.

One does not have to take at face value the rhetorical bonmots that capitalism 'does not exist' (Latour 1993: 173) except as 'an invention of anti-capitalists' (Callon, cited Barry et al. 2002: 297) in order to agree with the critics that '[c]apitalism as a historically specific social system of accumulation does not … figure in Callon's narrative' (Roberts 2012: 46). Yet it would be premature to jump to the conclusion that the micro-focus of ANT is fundamentally incompatible with the study of the macro-conflicts that are the domain of political economy. Indeed, Callon has argued that it was precisely the non-homogeneity of capitalism – well-established in the critical political economy literature (Nölke and Vliegenthart 2009, Bruff 2011, Jessop 2014) – that underpins the critical potential of his approach:

> If you accept the diversity of what is usually called capitalism, you are led to recognize that in some markets you have constant discussions or negotiations about ethical or political questions. The manner in which answers are found differs from one market to another one, from one country to another country and so on. So describing capitalism, even for the purposes of criticism, as something which is homogeneous is a way of maintaining this
> of
> e between
> accepting

Admitte try and
'align ophers 2014:
17). , as their
own und eeper
engager such a
program cribed as an
emergin omy. Thus,

In this article

Beckert (2013b: 325) has emphasised that in order to ‘comprehend the “expansive dynamism of capitalism”, one needs an understanding of the micro processes underlying macro outcomes’. And while the sociology and social psychology of actors’ decision-making processes under conditions of uncertainty constitute one pillar of this microfoundation (Beckert 2013a, Braun 2015, Chong and Tuckett 2015), the analysis of the performative constitution of the contexts in which such decision-making occurs – namely markets – constitutes a necessary second pillar. Economic geographer Jamie Peck, for instance, calls for the ‘still-disarticulated network of small-e economic heterodoxies’ to move on from the critique of economics to developing ‘positive intellectual programs’ that aim to contribute directly to the study of economies, suggesting that the notion of ‘heterogeneous markets’ may serve as an analytical focal point for the coordination of these efforts (Peck 2012: 114, 128). The idea that markets differ, geographically and in other ways, is at the heart of Christophers’ (2014: 12) recent call for a mutual engagement between political economy and what he calls ‘“techno-cultural” approaches to the economy’.

To sum up the argument so far, a micro-sociological focus on socio-technical agencements is relevant because the diversity of certain (key) markets underpins, and interacts with, the diversity of capitalism, which has long been at the centre of political economy. Therefore, to the extent that they view some varieties as more desirable/acceptable than others, political economists will benefit from studying ‘the implications of contemporary market dynamics for the laws of motion of capital’ (Christophers 2014: 17). In order to make the most convincing case for a Callonian microfoundation of political economy, the remainder of this article focuses on the investm

Passiv conomy
of asse

The tment
decision pital should
therefor mics. This
section mediation
industry upport for

In this article

the argument that the micro-analysis of markets and the study of the political economy of capitalism complement rather than contradict one another.

Traditionally, the business model of the investment industry is built on investors' willingness to pay for 'active' asset managers to 'beat the market' by selecting outperforming stocks and bonds.[11] Roughly since the turn of the century, however, the share of 'passive' investment mandates has been growing rapidly. While no investment strategy can ever by 100 per cent passive – any index represents an ultimately arbitrary subset of the market portfolio – passive investment mandates are defined here as those that aim to track, rather than to beat, the performance of a benchmark index. Passive (or index) investing has surprisingly only become a significant phenomenon quite recently. According to data from the Investment Company Institute (2000: 14), total index funds assets stood at only $3 billion in 1990, compared to total mutual fund assets of almost $1 trillion. Although growing rapidly over the ensuing decade, in 1999 $383 billion in index fund assets still accounted for no more than 5.5 per cent of US mutual fund assets. It was only in the subsequent decade that passively managed capital reached a significant proportion of total assets. Towers Watson (2014) reports that the largest fund managers saw their passive assets grow at an average annual rate of almost 14 per cent between 2003 and 2013, compared to overall asset growth for the 500 largest fund managers of only six per cent. As of 2013, capital worth $14 trillion is managed passively, accounting for almost one-fifth of global assets under management.[12] Recent high-profile cases that clearly illustrate this trend include two of the world's largest public sector pension funds, CalPERS (California) and PFZW (Netherlands), withdrawing their entire hedge fund allocations – $4 billion and €4.2 billion, r
s 2014,
2015a).

In a prel
lution', the
next sub
al asset
manag
theoretical
and
the late
1960s, t
h-cost –
asset ma
nce of index
funds in
the
performa
at it was not
until the
e technical

In this article

agencement of the 'passive investor' that the transformation of the investment industry into a low cost, 'universal owner' system really gained purchase.[13]

Extracting (analytical) value from the investment chain: the central role of asset managers and the puzzling persistence of active investment strategies

Political economists are accustomed to approaching the capital market from a production-centred perspective, that is, as a market in which firms compete for capital to finance their activities.[14] While suitable for the study of the relationships between varieties of capital markets and other economic institutions (Hall and Soskice 2001), a birds-eye view of the interactions between firms and investors arguably obscures the 'microfoundations of financialization' (Watson 2009) – especially that segment of the capital market in which intermediaries compete for and invest other people's money. For the purpose of the present argument, the key distinction is between two types of intermediaries – institutional investors, such as insurers, mutual and pension funds, and professional asset managers, such as hedge funds, the wealth management arms of large international banks, and giant asset managers like BlackRock or PIMCO (IMF 2015: 94). This subdivision of the investment industry into two categories of intermediaries – although not always clear-cut in practice – is crucial for the present argument.

In the words of Mehrling (2005: 59), the rise of institutional investors represented '[t]he most significant development in financial markets in the two decades after World War II'. Today, assets under management with institutional investors continue to grow not only as a result of the growing number and wealth of 'high net-worth individuals', but
primarily
xpectancy,
and inco
ngs. In the
member
lopment
(OECD),
accounted
for 26.7
tries, and
for a
nt in 2013
(OEC
sm' to
highlight
). Taking
seriously
assets,
mobilize
ng not only
that wor
hy 2014:

investment chain. Instead of investing their clients' capital directly, they place large parts of it (the ratios vary between and within countries) with asset management firms. As of the end of 2013, global assets under management at the 500 largest asset managers stood at $76.5 trillion, 41 per cent of which were concentrated in the 20 largest firms (Towers Watson 2014). With asset managers now 'the dominant players in the investment chain' in the words of one leading voice (Kay 2012: 11), the Chief Economist of the Bank of England suggests that the world has entered 'the age of asset management' (Haldane 2014). Because this additional layer of intermediation in the investment chain tends to be eclipsed by the term 'pension fund capitalism', for the purpose of the present argument 'asset manager capitalism' makes for a more fitting descriptor.[15]

The existence and business model of asset management is important due to what John Bogle, founder of Vanguard and life-long advocate of indexing, calls the 'the elemental arithmetic of investing': 'Gross return in the financial markets, minus the costs of the system, equals the net return actually delivered to investors' (Bogle 2008: 98). Even if the fees charged by pensions funds are low, the fees charged by active asset managers, which add to the 'costs of the system', are not.[16] According to one frequently cited study for the period from 1980 to 2006, 'investors spend 0.67 per cent of the value of all NYSE, Amex, and NASDAQ stocks each year trying to beat the market', which by a 'conservative estimate' amounts to 10 per cent of annual returns on the market portfolio (French 2008: 1538). A perhaps more intuitive gauge of 'the costs of the system' are the 2013 bonus figures for Allianz-owned PIMCO, the world's largest bond investment house. According to a report by Bloomberg, then-CEO Bill
Gross ar ion,
respecti st $1.5
billion (F at firms such
as PIMC to
comman deed, recent
findi nd the
grow nd the
growth c set
manage t of these
numbers a
distribut amount to

In this article

only a fraction of the costs of the services of (presumably) market-beating asset managers. Why, then did active management persist?

As indicated above, the business model of active asset managers is built on the belief that the best fund managers are able to deliver 'alpha' – an excess return over the relevant segment of the market – and that diligent research is able to identify such 'star managers' in advance (Holmes 2009). This financial practice has been fundamentally at odds with the teachings of financial theory for almost half a century. There is no need here for a detailed recounting of the story of how Harry Markovitz, Jack Treynor and William Sharpe, among others, pioneered modern financial economics in the 1960s (Bernstein 2005, Mehrling 2005, MacKenzie 2006). What matters is that the case against active investing on behalf of mutual fund shareholders goes all the way back to Treynor's and Sharpe's work on the capital asset pricing model (CAPM), which showed that the 'efficient' portfolio was the market portfolio, and therefore was the same for all investors. With regard to the empirical measurement of actual mutual fund performance, the key implication of the CAPM was that investors had to account for the market risk their fund's portfolio was exposed to. Applying such a framework to measure the performance of 115 mutual funds over the 1955–64 period, then-PhD student Michael Jensen found that once exposure to market risk was taken into account, there was no statistically significant evidence for even a single fund having outperformed a randomly selected portfolio (Jensen 1968: 415).

It was on the basis of increasingly solid theoretical and empirical arguments put forward by financial economics that Paul Samuelson, the preeminent economist of his
day, pub rtfolio
decision 'some large
foundati elson 1974:
18). Inde y MacKenzie
(2006: 8 case of
perform reviously
impr ction of the
first (clo itiative of a
manage virtually the
entire ca Scholes,
William S estment
came fro firm and

In this article

Bogle (1997) has emphasised the importance of the contributions of economists such as Samuelson and Malkiel in paving the way for Vanguard's first open-end index fund in 1976.

To the extent that these and other early index funds lived up to the promise of delivering the market return at very low costs to investors, the ability of active asset managers to defend their market share should be expected to decline as a result of market competition. And yet, as documented above, index funds remained a marginal phenomenon as late as the 1990s. It was not until the early 2000s that passive investing became a mass phenomenon. This points towards index mutual funds' younger, more complex and more tradable cousins – ETFs – as the game-changing market device. The next sub-section takes a closer look at this financial innovation, which does not feature in either Bernstein's or MacKenzie's accounts, and which has largely escaped the attention of political economists.

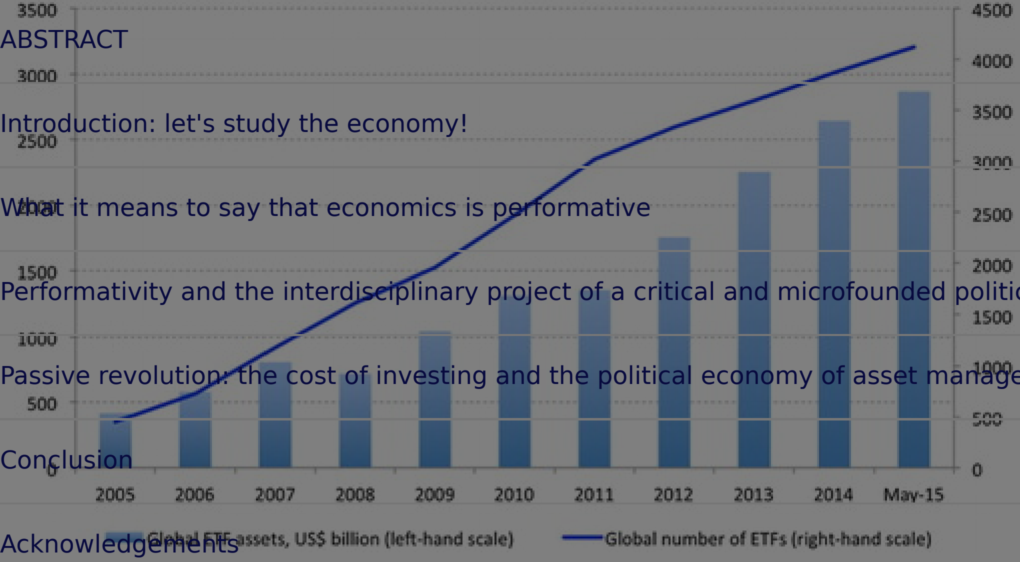
Completing the socio-technical agencement 'passive investor': ETFs

The first index ETF was introduced on the Toronto Stock Exchange in 1990. It was followed three years later by the launch of 'Spider', which tracked the Standard & Poor's 500 index and was traded on the American Stock Exchange. But it was only when 'Cubes', which tracked the Nasdaq-100, was introduced in 1999 that the ETF market really took off (Deville 2008: 68–70). As shown in Figure 1, both the number of ETFs and their assets under management have exploded over the past decade. Having more than tripled since 2008, global ETF assets are currently estimated to stand at close to $2.9 trillion.

Figure 1.

Source:

In this article



Display full size

ETFs provided an innovative solution to the two central challenges of indexing, both of which stem from the problem of index replication – transaction costs and share creation/redemption. As a result of fluctuations in individual stocks and changes in index composition, index funds need to conduct transactions to keep the composition of their portfolio in line with the composition of the index. Due to market liquidity costs such as bid-asks spreads, buying and selling securities is costly. A trade-off therefore exists between minimising 'tracking error' and minimising transaction costs (Frino and Gallagher 2001: 45–6). The problem is exacerbated for open-end index mutual funds, which allow investors to buy or redeem shares (in the fund) on a daily basis. Both inflows and outflows are associated with trading costs – a net inflow of cash must be invested in the securities that constitute the index, while a net outflow that cannot be met with cash reserves requires the liquidation of existing security holdings

(Kostove … whose
investor … y and at the
market v … value
(NAV).

ETFs are … cally
repli … s passive
expos … funds. The
distinctiv … e
continuo … 'in-kind'
creation … 014). The
latter is … thorised

In this article

by supplying the basket of securities that constitute the index (this requires large blocks of usually 50,000 shares, so-called 'creation units'). Since these creation/redemption transactions only take place at the fund's NAV (calculated at the end of the trading day), the price of the continuously traded shares typically deviates from the per-share NAV over the course of a day. The mechanism that prevents deviations beyond a narrow transaction cost bound is arbitrage: as the two prices diverge, APs can lock in a profit by selling high while simultaneously buying low. For instance, if shares in the secondary market trade below the NAV, APs can make a profit by acquiring the underlying basket of securities in the open market and by trading them for newly created shares in the fund. In the US context in particular, the tax efficiency of this structure constitutes yet another advantage for investors. This is due to the fact that whereas mutual funds are obliged to distribute to investors any capital gains made as a result of share redemptions, the in-kind redemption mechanism of ETFs avoids such taxable capital gains.

While this covers the basic structure of plain-vanilla ETFs, a series of further innovations and applications complicate the picture. Thus, while 'physical' ETFs lend out securities for extra income, 'synthetic' ETFs do not hold the index constituents at all but replicate index returns via total return swaps and other derivatives.[18] There are now leveraged and inverse ETFs, which offer magnified or inverse exposure to the index. Moreover, their liquidity and low cost have made ETFs a popular hedging vehicle for hedge funds, the least 'passive' of all investors. These developments, in conjunction with ETFs' role in the 'flash crash' of 6 May 2010, have alarmed financial regulators to the potential financial stability implications of the liquidity and counterparty risks that
arise fro ant size in
relation , Foucher
and Gray ntion.
Ultimate mely, that
ETFs app theories into
actua d the
finan ansformation
of the in encement of
the 'pas

In this article

This article began by noting that those who defend the ‘superiority of economists’ on the grounds that only economists ‘study the economy’ may not, after all, have it all wrong. For while political economists agree that processes such as the liberalisation and disorganisation of capitalism have expanded the scope and reach of markets (Streeck 2011: 139), they have been slow to adjust the scope and reach of their own research agenda to that (not so) new reality. In a world in which the political dimension of markets is not exhausted by their participation in the struggle – still taking place mostly in the halls of governmental power – over how to regulate them, but are sites of politics in their own right, the narrow association of ‘politics’ with the ‘identifiable actions of states and policy-makers’ is problematic (De Goede 2003: 85). In theoretical terms, then, this article has argued that (1) the diversity of market devices and practices are key to the understanding of the diversity of (in this case: asset manager) capitalism; (2) the study of market practices therefore constitutes a cornerstone in the microfoundation of political economy; (3) the performativity approach as developed by Michel Callon offers a powerful analytical tool to take on this task.

Relating the insights from the analysis of the performative transformation of the investment industry back to these theoretical arguments, it should be noted that while the preceding empirical analysis is cursory, its silence regarding the ‘identifiable actions of states and policy-makers’ reflects a conscious analytical decision. For while a more comprehensive empirical study would need to account for policy changes – for example, the regulatory push, in some countries, for a fee-based remuneration model for financial advisers (Financial Times 2015b) – the objective of this article was precisely to show that there is ‘politics’ not only in the regulation of the marketising
practice e investment
industry narket to
move to allon's
argume the best
equippe h they can
thriv ws that
finan . As ‘the
tempora expression
of powe ve the
effect of place, and
subsequ reduced

In this article

the cost of investing to the benefit of savers and at the expense – in relative terms – of asset managers.

This question of distribution within the investment chain is important, and there is an urgent need for further empirical research on the fee and incentive structures in the investment intermediation sector. Crucially, however, the micro-analysis of socio-technical investment devices is linked to the political economy of capitalism in a way that transcends the distribution issue and opens up the possibility of a more profound dialogue between comparative political economy and the financialisation literature. A case in point is the question of the provision of long-term financing for non-financial firms, which looms large on the agenda of economic policy-makers (Group of Thirty 2013), in particular in the context of the European Commission's new flagship project, ‘Capital Markets Union’ (European Commission 2013, 2015). Here, comparative political economists are used to associating ‘patient capital’ with ‘coordinated market economies’ and bank-based financial systems (Hall and Soskice 2001, Culpepper 2005). As shown in this article, however, the ‘patience’ of institutional investors’ financial capital may vary considerably with the mandates these investors assign their asset managers – even and especially in market-based financial systems. In other words, under asset manager capitalism, devices and practices in the investment intermediation market become increasingly important pieces of the long-term financing puzzle. With holdings increasingly resembling the market portfolio as a result of index investing, institutional investors and their asset managers, as ‘universal owners’, ‘should have a natural and compelling economic interest in the performance of the economy as a whole’, rather than with the performance of individual firms or stocks,
thus inc 416).
Certainly ivist hedge
funds, c ted by asset
manage le, open up
the poss erm
orien at staying
on to
microfou ro-level
devices ation
market.

In this article

Acknowledgements

I wish to thank Matthew Watson, Chris Clarke, Tobias Pforr, Roberto Cruccolini and the two anonymous referees for their comments and constructive criticisms.

Disclosure statement

No potential conflict of interest was reported by the author.

Notes on contributor

Benjamin Braun is Postdoctoral Fellow at the Max Planck Institute for the Study of Societies, Cologne. His research focuses on monetary trust, unconventional monetary policy, and the co-evolution of banking and central banking. Benjamin has recently published in the British Journal of Politics and International Relations and in Economy and Society.

ORCID

Benjamin Braun http://orcid.org/0000-0002-5186-5923

Notes

1. For tw and Berman
(2014) a

2. The u ects a
consci ative,
cultu

3. Coher tical
Economy the complex
interrela nsists that
both 'An the political

In this article

engaging directly with the latter. This applies even to the Open Economy Politics (OEP) approach, despite its wholesale adoption of the theoretical and methodological framework of economics (Cohen 2008: 41–4).

4. The concept of performativity has gained popularity also in the (mostly business school-based) fields of marketing, management, organisation and consumer studies. For an overview, see Muniesa (2014: ch. 2).

5. Note that this is true even of constructivist political economy, which generally treats economic ideas as intervening variables acting on the identities and interests of pre-existing agents within pre-existing spaces – the result being that ‘rather than asking questions about the social construction of economic relations and dynamics, it instead takes these off the table all together’ (Samman and Stanley 2014: 17).

6. Moreover, performativity opens up an analytical perspective that is not available to economics, the methodological framework of which has arguably prevented it from acknowledging, let alone studying, the performative dimension of key parameters of economic action in market economies, such as prices (Muniesa 2007), value (Stark 2009), interest rates (Boy 2014) or the very ‘laws’ of supply and demand (Mitchell 2011: 174).

7. For a discussion of the agreements and disagreements between the performativity approach and the new economic sociology, see Çalışkan and Callon (2009: 381–4).

8. The term is borrowed from Deleuze and Guattari with the intention of avoiding the unwelcome connotation, in terms such as ‘arrangement’ or ‘assemblage’, of a ‘divide between ave been arranged

9. More stances of overflow

10. F erformation of the B ntly, these factors w adily transfera

11. Whil arket, in

In this article

have seen rapid growth over recent years, with Vanguard's passive Total Bond Market index overtaking PIMCO's active Total Return Fund as the largest bond fund in the world in mid-2015 (Financial Times 2015c). As for ETFs, the share of fixed-income assets of total assets under management was 16 per cent in 2013, compared to 83 per cent in equity (IMF 2015: 125).

12. These numbers do not reflect the increasingly significant phenomenon of ‘closet indexing’, whereby asset managers, in order to minimise the downside risk for their ‘relative performance’, pursue passive index-tracking strategies even though ‘those who appointed [them] were seeking – and paying for – active management’ (Kay 2012: 41). The phenomenon has led to the development of an ‘active share’ measure (Cremers and Petajisto 2009), which active managers increasingly publicise in order distinguish themselves from closet indexers.

13. Note that whereas ‘high finance’ has been at the centre of much of the literature on financial innovation (Engelen et al. 2010; Nesvetailova 2015), the present study focuses on innovation at the interface between the asset management industry and the ‘low finance’ world of households investing – directly or via pension funds – for retirement (cf. Seabrooke 2006, Langley 2008).

14. Much of the discussion in this literature revolves around the shareholder value model of corporate governance, which has an important performative dimension. In particular, Jensen and Meckling's (1976) writings on the principal-agent model of corporate governance, a key driver and element of the shareholder value model, ‘had a more rapid, and more thorough, effect on corporate managers than any other theory
hatched

15. Note d capitalism’
in that M m to coin
the term

16. S e not rentier-
based come
grouping e, it
probably nts flowing
from ins ne fee
structure

In this article

17. When awarding him the Sveriges Riksbank Prize in Economic Sciences, the Nobel Committee (2013: 43) highlighted the importance of Fama's work in the establishment of the index fund industry.

18. US-based ETFs generally rely on physical replication due to regulatory constraints (IMF 2011: 68). Following regulatory concern and bad press, synthetic ETFs have seen their European market share decline over recent years. It had fallen to just below 30 per cent at the end of 2014 (Morningstar 2014: 11).

References

1. Abdelal, R., Blyth, M. and Parsons, C.A. (2010), 'Introduction: Constructing the International Economy', in R. Abdelal, M. Blyth and C.A. Parsons (eds), Constructing the International Economy (Ithaca: Cornell University Press), pp. 1–19.
Google Scholar

2. Aitken, R. (2007), Performing Capital: Toward a Cultural Economy of Popular and Global Finance (Basingstoke: Palgrave Macmillan).
Google Scholar

3. Barry, A. (2013), 'The Translation Zone: Between Actor-Network Theory and
Intern), pp. 413–
29. do

4. Barry, arket: An
Int doi:
10

5. Becke omy', Theory
& Soci

ABSTRACT
Introduction: let's study the economy!
What it means to say that economics is performative
Performativity and the interdisciplinary project of a critical and microfounded political economy
Passive revolution: the cost of investing and the political economy of asset manager capitalism
Conclusion
Acknowledgements
Disclosure statement
Footnotes
References

6. Beckert, J. (2013b), ‘Capitalism as a System of Expectations: Toward a Sociological Microfoundation of Political Economy’, Politics & Society, 41 (3), pp. 323–50.
Web of Science ® | Google Scholar

7. Beckert, J. and Streeck, W. (2008), ‘Economic Sociology and Political Economy: A Programmatic Perspective’, MPIfG Working Paper 08/4.
Google Scholar

8. Bernstein, P.L. (2005), Capital Ideas: The Improbable Origins of Modern Wall Street (Hoboken, NJ: John Wiley & Sons).
Google Scholar

9. Best, J. and Walters, W. (2013), ‘“Actor-Network Theory” and International Relationality: Lost (and Found) in Translation’, International Political Sociology, 7 (3), pp. 332–34. doi: 10.1111/ips.12026_1
Web of Science ® | Google Scholar

10. Bogle, J.C. (1997), The First Index Mutual Fund: A History of Vanguard Index Trust and the Vanguard Index Strategy. Available from: http://www.vanguard.com/bogle_site/lib/sp19970401.html [accessed 15 January 2015].
Google Scholar

11. Bogle, … nk About Anyth… doi: 10.39…

12. Bo… ity Press).
G…

13. Boy, N… ebt Became Safe’, … e and Beyon…

In this article

4. Braun, B. (2015), 'Governing the Future: The European Central Bank's Expectation Management During the Great Moderation', Economy and Society, 44 (3), pp. 367–91.

| PubMed | Web of Science ® | Google Scholar

5. Bruff, I. (2011), 'What About the Elephant in the Room? Varieties of Capitalism, Varieties in Capitalism', New Political Economy, 16 (4), pp. 481–500. doi: 10.1080/13563467.2011.519022

| Web of Science ® | Google Scholar

6. Butler, J. (2010), 'Performative Agency', Journal of Cultural Economy, 3 (2), pp. 147–61. doi: 10.1080/17530350.2010.494117

| Google Scholar

7. Çalışkan, K. and Callon, M. (2009), 'Economization, Part 1: Shifting Attention From the Economy Towards Processes of Economization', Economy and Society, 38 (3), pp. 369–98. doi: 10.1080/03085140903020580

| Web of Science ® | Google Scholar

8. Çalışkan, K. and Callon, M. (2010), 'Economization, Part 2: A Research Programme for the Study of Markets', Economy and Society, 39 (1), pp. 1–32. doi: 10.1080/03085140903424519

| Web of Science ® | Google Scholar

9. Callon … cation of the
Scallo … n and Belief.
A New … 6–233.
Goog

0. Ca … ernalities
Revisi … n:
Routle
Goog

×

In this article

21. Callon, M. (1998b), ‘Introduction. The Embeddedness of Economic Markets in Economics’, in M. Callon (ed.), The Laws of the Market (London: Routledge), pp. 1–57.
Google Scholar

22. Callon, M. (2005), ‘Why Virtualism Paves the Way to Political Impotence: A Reply to Daniel Miller's Critique of the Laws of the Markets’, Economic Sociology: European Electronic Newsletter, 6 (2), pp. 3–20.
Google Scholar

23. Callon, M. (2007), ‘What Does It Mean to Say That Economics Is Performative?’, in D. MacKenzie, F. Muniesa and L. Siu (eds), Do economists make markets? On the performativity of economics (Princeton: Princeton University Press), pp. 311–57.
Google Scholar

24. Callon, M. (2009), ‘Elaborating the Notion of Performativity’, AEGIS le Libellio, 5 (1), pp. 18–29.
Google Scholar

25. Callon, M. (2010), ‘Performativity, Misfires and Politics’, Journal of Cultural Economy, 3 (2), pp. 163–69. doi: 10.1080/17530350.2010.494119
Google Scholar

26. Callon, M. and Latour, B. (1981), ‘Unscrewing the Big Leviathan: How Actors Macro-Struct … etina and A.V. Ci … Routledge & Kegan
Goog

27. Cho … n and Na … ce for Financ … . doi: 10.10

In this article

28. Christophers, B. (2014), 'From Marx to Market and Back Again: Performing the Economy', Geoforum, 57, pp. 12–20. doi: 10.1016/j.geoforum.2014.08.007

Web of Science ® | Google Scholar

29. Clark, G. (2000), Pension Fund Capitalism (Oxford: Oxford University Press).

Google Scholar

30. Clarke, C. (2012), 'Financial Engineering, Not Economic Photography: Popular Discourses of Finance and the Layered Performances of the Sub-Prime Crisis', Journal of Cultural Economy, 5 (3), pp. 261–78. doi: 10.1080/17530350.2012.674964

Google Scholar

31. Cohen, B.J. (2008), International Political Economy: An Intellectual History (Princeton: Princeton University Press).

Google Scholar

32. Colander, D. (2008), 'Review Essay: Do Economists Make Markets? On the Performativity of Economics', Journal of Economic Literature, 46 (3), pp. 720–24.

Web of Science ® | Google Scholar

33. Cremers, K.J.M. and Petajisto, A. (2009), 'How Active is Your Fund Manager? A New Measure That Predicts Performance', Review of Financial Studies, 22 (9), pp. 3329–65. doi: 10.1093/rfs/hhp057

34. Culpe :
Coord –99. doi:
10.13

35. De Go my', Review
of Inte 0056

In this article

ABSTRACT
Introduction: let's study the economy!
What it means to say that economics is performative
Performativity and the interdisciplinary project of a critical and microfounded political economy
Passive revolution: the cost of investing and the political economy of asset manager capitalism
Conclusion
Acknowledgements
Disclosure statement
Footnotes
References

36. De Goede, M. (2005), Virtue, Fortune, and Faith: A Genealogy of Finance (Minneapolis, MN: University of Minnesota Press).

Google Scholar

37. Deville, L. (2008), 'Exchange Traded Funds: History, Trading, and Research', in C. Zopounidis, M. Doumpos and P. Pardalos (eds), Handbook of Financial Engineering (New York: Springer), pp. 67–98.

Google Scholar

38. Deville, L. and Oubenal, M. (2012), 'Legitimizing an Ambiguous Financial Innovation: The case of Exchange-Traded Funds in France', in I. Huault and C. Richard (eds), Finance: The Discreet Regulator. How Financial Activities Shape and Transform the World (Basingstoke: Palgrave Macmillan), pp. 212–32.

Google Scholar

39. Dobbin, F. and Jung, J. (2010), 'The Misapplication of Mr. Michael Jensen: How Agency Theory Brought Down the Economy and Why it Might Again', Research in the Sociology of Organizations, 30, pp. 29–64. doi: 10.1108/S0733-558X(2010)000030B006

Google Scholar

40. Drezner, D.W. and McNamara, K.R. (2013), 'International Political Economy, Global Financial Orders and the 2008 Financial Crisis', Perspectives on Politics, 11 (1), pp. 155–6

41. Durkh ,
Sociol tb00740.x

42. Engele Conjuncture
and B
10.10

In this article

3. Estevez-Abe, M. (2001), ‘The Forgotten Link: The Financial Regulation of Japanese Pension Funds in Comparative Perspective’, in B. Ebbinghaus and P. Manow (eds), Comparing Welfare Capitalism: Social Policy and Political Economy in Europe, Japan and the USA (London: Routledge), pp. 190–216.

Google Scholar

4. European Commission (2013), Green Paper: Long-Term Financing Agenda of the European Economy. Available from: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52013DC0150&from=EN [accessed 8 January 2015].

Google Scholar

5. European Commission (2015), Green Paper: Building a Capital Markets Union. Available from: http://ec.europa.eu/finance/consultations/2015/capital-markets-union/docs/green-paper_en.pdf [accessed 16 May 2015].

Google Scholar

6. Ferraro, F., Pfeffer, J. and Sutton, R.I. (2005), ‘Economics Language and Assumptions: How Theories Can Become Self-Fulfilling’, The Academy of Management Review, 30 (1), pp. 8–24. doi: 10.5465/AMR.2005.15281412

| Web of Science ® | Google Scholar

7. Financial Times (2014), ‘Calpers Pulls Out of ‘Costly’ Hedge Funds’, Financial Times, 16 September. Available from: http://www.ft.com/cms/s/0/eb1cfd56–3d26–11e4–871d-00144

Goog

8. Financ
Invest
www
essed 13
Ja

Goog

9. Financ nancial
Times 5a4-11e4-

In this article

Google Scholar

50. Financial Times (2015c), 'Passive Index Investing Triumphs in Bonds', Financial Times, 5 May. Available from: www.ft.com/cms/s/0/91120dc8-f33e-11e4-a979-00144feab7de.html#axzz3ZL5c272D [accessed 7 May 2015].

Google Scholar

51. Fine, B. (2003), 'Callonistics: A Disentanglement', Economy and Society, 32 (3), pp. 478–84. doi: 10.1080/03085140303128

Web of Science ® | Google Scholar

52. Foucher, I. and Gray, K. (2014), 'Exchange-Traded Funds – Evolution of Benefits, Vulnerabilities and Risks', Bank of Canada Financial System Review, December 2014, pp. 37–46.

Google Scholar

53. Fourcade, M. (2007), 'Theories of Markets and Theories of Society', American Behavioral Scientist, 50 (8), pp. 1015–34. doi: 10.1177/0002764207299351

Web of Science ® | Google Scholar

54. Fourcade, M. (2011), 'Cents and Sensibility: Economic Valuation and the Nature of "Nature"', American Journal of Sociology, 116 (6), pp. 1721–77. doi: 10.1086/659640

Web of Science ® | Google Scholar

55. Fourca ts', Journal
of Eco

56. Fr he Journal
of

57. Frino, Journal of
Portfo

×

In this article

8. Godechot, O. (2012), 'Is Finance Responsible for the Rise in Wage Inequality in France?', Socio-Economic Review, 10 (3), pp. 447–70. doi: 10.1093/ser/mws003

Web of Science ® | Google Scholar

9. Goldstein, A. and Fligstein, N. (2014), 'The Transformation of Mortgage Finance and the Industrial Roots of the Mortgage Meltdown', Mimeo.

Google Scholar

0. Gourevitch, P. (1996), 'The Macropolitics of Microinstitutional Differences in the Analysis of Comparative Capitalism', in S. Berger and R.P. Dore (eds), National Diversity and Global Capitalism (Ithaca, NY: Cornell University Press), pp. 239–59.

Google Scholar

1. Green, J. and Hay, C. (2014), 'Towards a New Political Economy of the Crisis: Getting What Went Wrong Right', New Political Economy, 20 (3), pp. 331–41.

Web of Science ® | Google Scholar

2. Group of Thirty (2013), Long-Term Finance and Economic Growth. Available from: http://www.group30.org/images/PDF/Long-term_Finance_hi-res.pdf [accessed 08 January 2015].

Google Scholar

3. Guala, F. (2001), 'Building Economic Machines: The FCC Auctions', Studies in History and Pl 01)00008-5

4. Haldar ndon
Busine
ww h723.pdf
[ac
Goog

5. Hall, F Foundations
of Cor

In this article

ABSTRACT
Introduction: let's study the economy!
What it means to say that economics is performative
Performativity and the interdisciplinary project of a critical and microfounded political economy
Passive revolution: the cost of investing and the political economy of asset manager capitalism
Conclusion
Acknowledgements
Disclosure statement
Footnotes
References

66. Hardie, I., et al. (2013), ‘Banks and the False Dichotomy in the Comparative Political Economy of Finance’, World Politics, 65 (4), pp. 691–728. doi: 10.1017/S0043887113000221
Web of Science ® | Google Scholar

67. Hawley, J. and Williams, A. (2007), ‘Universal Owners: Challenges and Opportunities’, Corporate Governance: An International Review, 15 (3), pp. 415–20. doi: 10.1111/j.1467-8683.2007.00574.x
Web of Science ® | Google Scholar

68. Hirschman, D. and Berman, E.P. (2014), ‘Do Economists Make Policies? On the Political Effects of Economics’, Socio-Economic Review, 12 (4), pp. 779–811. doi: 10.1093/ser/mwu017
Web of Science ® | Google Scholar

69. Hodgson, G.M. and Ingham, G. (2010), ‘Review Symposium: Donald MacKenzie, an Engine Not a Camera: How Financial Models Shape Markets, 2006; Material Markets: How Economic Agents Are Constructed, 2009’, Socio-Economic Review, 8 (2), pp. 399–410. doi: 10.1093/ser/mwp020
Web of Science ® | Google Scholar

70. Holmes, C. (2009), ‘Seeking Alpha or Creating Beta? Charting the Rise of Hedge Fund-Based Financial Ecosystems’, New Political Economy, 14 (4), pp. 431–50. doi: 10.108

71. IMF (2
http:// 5 January
20
Go

72. IMF (2 Asset
Manag
https: 9 April

In this article

Google Scholar

73. Investment Company Institute (2000), 'The 1990s: A Decade of Expansion and Change in the U.S. Mutual Fund Industry', ICI Perspective, Vol. 6, No. 3. Available from: http://www.ici.org/pdf/per06-03.pdf [accessed 21 January 2015].

Google Scholar

74. Jensen, M.C. (1968), 'The Performance of Mutual Funds in the Period 1945–1964', The Journal of Finance, 23 (2), pp. 389–416. doi: 10.1111/j.1540-6261.1968.tb00815.x

Web of Science ® | Google Scholar

75. Jensen, M.C. and Meckling, W.H. (1976), 'Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure', Journal of Financial Economics, 3 (4), pp. 305–60. doi: 10.1016/0304-405X(76)90026-X

Web of Science ® | Google Scholar

76. Jessop, B. (2014), 'Variegated Capitalism, Das Modell Deutschland, and the Eurozone Crisis', Journal of Contemporary European Studies, 22 (3), pp. 248–60. doi: 10.1080/14782804.2014.937410

Google Scholar

77. Kaplan, S.N. and Rauh, J. (2010), 'Wall Street and Main Street: What Contributes to the Rise in the Highest Incomes?', Review of Financial Studies, 23 (3), pp. 1004–50. doi: 1(

78. Kay, J. ion Making.
Availa
htt a/file/25345
4/b anuary
2015]
Goog

79. Knorr tual

doi: 10.1086/341045

Web of Science ® | Google Scholar

30. Koddenbrock, K.J. (2015), 'Strategies of Critique in International Relations: From Foucault and Latour Towards Marx', European Journal of International Relations, 21 (2), pp. 243–66. doi: 10.1177/1354066114538854

Web of Science ® | Google Scholar

31. Kostovetsky, L. (2003), 'Index Mutual Funds and Exchange-Traded Funds', The Journal of Portfolio Management, 29 (4), pp. 80–92. doi: 10.3905/jpm.2003.319897

Web of Science ® | Google Scholar

32. Lagna, A. (2015), 'Derivatives and the Financialisation of the Italian State', New Political Economy Advance Online Publication, pp. 1–25.

Web of Science ® | Google Scholar

33. Langley, P. (2008), The Everyday Life of Global Finance: Saving and Borrowing in Anglo-America (Oxford: Oxford University Press).

Google Scholar

34. Langley, P. (2010), 'The Performance of Liquidity in the Subprime Mortgage Crisis', New Political Economy, 15 (1), pp. 71–89. doi: 10.1080/13563460903553624

Web of Science ® | Google Scholar

35. Latour University
Press)
Goog

36. La egy, and
He .
Goog

37. MacKe io Insurance,
the 19 ety, 33 (3),

In this article

Web of Science ® | Google Scholar

38. MacKenzie, D. (2006), An Engine, Not a Camera: How Financial Models Shape Markets (Cambridge, MA: MIT Press).

Google Scholar

39. MacKenzie, D. (2007), 'Is Economics Performative? Option Theory and the Construction of Derivatives Markets', in D. Mackenzie, F. Muniesa and L. Siu (eds), Do economists make markets? On the performativity of economics (Princeton, NJ: Princeton University Press), pp. 54–86.

Google Scholar

0. MacKenzie, D. (2009), Material Markets. How Economic Agents Are Constructed (Oxford: Oxford University Press).

Google Scholar

91. MacKenzie, D. and Millo, Y. (2003), 'Constructing a Market, Performing Theory: The Historical Sociology of a Financial Derivatives Exchange', The American Journal of Sociology, 109 (1), pp. 107–45. doi: 10.1086/374404

Web of Science ® | Google Scholar

92. Madhavan, A. (2014), 'Exchange-Traded Funds: An Overview of Institutions, Trading, and Impacts', Annual Review of Financial Economics, 6 (1), pp. 311–41. doi: 10.11

93. Mäki, akostas and D. Die ophy of Sci

94. Mande Governance-Relate zation of Israel

×

In this article

95. McCarthy, M.A. (2014), 'Turning Labor Into Capital: Pension Funds and the Corporate Control of Finance', Politics & Society, 42 (4), pp. 455–87. doi: 10.1177/0032329214547351

Web of Science ® | Google Scholar

96. Mehrling, P. (2005), Fischer Black and the Revolutionary Idea of Finance (Hoboken, NJ: John Wiley & Sons).

Google Scholar

97. Merton, R.K. (1948), 'The Self-Fulfilling Prophecy', The Antioch Review, 8 (2), pp. 193–210. doi: 10.2307/4609267

Google Scholar

98. Miller, D. (2002), 'Turning Callon the Right Way Up', Economy and Society, 31 (2), pp. 218–33. doi: 10.1080/03085140220123135

Web of Science ® | Google Scholar

99. Minsky, H.P. (1996), 'Uncertainty and the Institutional Structure of Capitalist Economies: Remarks Upon Receiving the Veblen-Commons Award', Journal of Economic Issues, 30 (2), pp. 357–68. doi: 10.1080/00213624.1996.11505800

Web of Science ® | Google Scholar

00. Mirowski, P. and Nik-Khah, E. (2007), 'Markets Made Flesh: Performativity, and a
Proble ctions', in D.
MacKe the
Perfor . 190–224.
Goog

01. Mit a and L. Siu
(ed (Princeton,
NJ: Pri
Goog

02. Mitche ondon: Verso

In this article

Google Scholar

03. Morningstar (2014), A Guided Tour of the European ETF Marketplace. Available from: http://media.morningstar.com/eu/Events/ETFEU/ETFEU14/ETF_Industry_Report_4Nov.pdf [accessed 22 January 2015].
Google Scholar

04. Muniesa, F. (2007), 'Market Technologies and the Pragmatics of Prices', Economy and Society, 36 (3), pp. 377–95. doi: 10.1080/03085140701428340
Web of Science ® | Google Scholar

05. Muniesa, F. (2014), The Provoked Economy: Economic Reality and the Performative Turn (Abingdon: Routledge).
Google Scholar

06. Murphy, C.N. and Tooze, R. (1991), 'Getting Beyond the "Common Sense" of the IPE Orthodoxy', in C.N. Murphy and R. Tooze (eds), The New International Political Economy (Boulder, CO: Lynne Rienner), pp. 11–31.
Google Scholar

07. Naczyk, M. (2013), 'Agents of Privatization? Business Groups and the Rise of Pension Funds in Continental Europe', Socio-Economic Review, 11 (3), pp. 441–69. doi: 10.1093/ser/mws012

08. Nesve … king and the Po … (3), pp. 431–53. do

09. Nobel … und on the Sverig
Goog

In this article

0. Nölke, A. and Vliegenthart, A. (2009), 'Enlarging the Varieties of Capitalism: The Emergence of Dependent Market Economies in East Central Europe', World Politics, 61 (4), pp. 670–702. doi: 10.1017/S0043887109990098

Web of Science ® | Google Scholar

.1. Noys, B. (2014), 'The Discreet Charm of Bruno Latour', in J. Habjan and J. Whyte (eds), (Mis)readings of Marx in Continental Philosophy (Basingstoke: Palgrave Macmillan), pp. 195–210.

Google Scholar

.2. OECD (2014), Pension Markets in Focus. Available from: http://www.oecd.org/daf/fin/private-pensions/Pension-Markets-in-Focus-2014.pdf [accessed 13 January 2015].

Google Scholar

.3. Peck, J. (2012), 'Economic Geography: Island Life', Dialogues in Human Geography, 2 (2), pp. 113–33. doi: 10.1177/2043820612443779

Google Scholar

.4. Polanyi, K. (1957), 'Aristotle Discovers the Economy', in K. Polanyi, C.M. Arensberg and H.W. Pearson (eds), Trade and Market in the Early Empires (New York: The Free Press), pp. 64–96.

Google Scholar

.5. Rama e-traded
funds'
Goog

.6. Rit
Bl
http:// ney-bill-
gross-
Goog

In this article

7. Roberts, J.M. (2012), 'Poststructuralism Against Poststructuralism: Actor-Network Theory, Organizations and Economic Markets', European Journal of Social Theory, 15 (1), pp. 35–53. doi: 10.1177/1368431011423573

Web of Science ® | Google Scholar

8. Samman, A. and Stanley, L. (2014), 'Constructivism and IPE: What's the Matter with the Idea that 'Ideas Matter'?', Mimeo.

Google Scholar

9. Samuelson, P.A. (1974), 'Challenge to Judgment', The Journal of Portfolio Management, 1 (1), pp. 17–19. doi: 10.3905/jpm.1974.408496

Google Scholar

20. Seabrooke, L. (2006), The Social Sources of Financial Power. Domestic Legitimacy and International Financial Orders (Ithaca, NY: Cornell University Press).

Google Scholar

21. Seabrooke, L. and Wigan, D. (2014), ' The Governance of Global Wealth Chains', Norwegian Institute of International Affairs Working Paper No. 839.

Google Scholar

22. Smelser, N.J. and Swedberg, R. (eds.) (1994), The Handbook of Economic Sociology, 1st ed. (Princeton, NJ: Princeton University Press).

Goog

23. Smith
http:// paid-so-
much
Go

24. Stark, c Life
(Princ

In this article

ABSTRACT
Introduction: let's study the economy!
What it means to say that economics is performative
Performativity and the interdisciplinary project of a critical and microfounded political economy
Passive revolution: the cost of investing and the political economy of asset manager capitalism
Conclusion
Acknowledgements
Disclosure statement
Footnotes
References

25. Streeck, W. (2011), ‘Taking Capitalism Seriously: Towards an Institutionalist Approach to Contemporary Political Economy’, Socio-Economic Review, 9 (1), pp. 137–67. doi: 10.1093/ser/mwq028

| Web of Science ® | Google Scholar

26. Svetlova, E. (2012), ‘On the Performative Power of Financial Models’, Economy and Society, 41 (3), pp. 418–34. doi: 10.1080/03085147.2011.616145

| Web of Science ® | Google Scholar

27. Thiemann, M. (2014), ‘In the Shadow of Basel: How Competitive Politics Bred the Crisis’, Review of International Political Economy, 21 (6), pp. 1203–39. doi: 10.1080/09692290.2013.860612

| Web of Science ® | Google Scholar

28. Toporowski, J. (2000), The End of Finance: Capital Market Inflation, Financial Derivatives and Pension Fund Capitalism (London: Routledge).

Google Scholar

29. Towers Watson (2014), The World's 500 Largest Asset Managers – Year End 2013. Available from: www.towerswatson.com/en/Insights/IC-Types/Survey-Research-Results/2014/11/The-worlds-500-largest-asset-managers-year-end-2013 [accessed 13 January 2015].

Google Scholar

30. Watso dations of
Financ
10.10

×

Downl

Relat

In this article

ABSTRACT

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