



New Political Economy >

Volume 14, 2009 - [Issue 4](#)

907 | 20

Views | CrossRef citations to date | 0 | Altmetric

Articles

# Seeking Alpha or Creating Beta? Charting the Rise of Hedge Fund-Based Financial Ecosystems

Christopher Holmes

Pages 431-450 | Published online: 10 Nov 2009

Cite this article <https://doi.org/10.1080/13563460903287231>

Sample our  
Politics & International  
Relations Journals

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



Full Article

Figures & data

References

Citations

Metrics

Reprints & Permissions

Read this article

Share

WINNER OF THE 2008–09 NPE GRADUATE STUDENT  
PRIZE PAPER COMPETITION

## Seeking Alpha or Creating Beta? Charting the Rise of Hedge Fund-Based Financial Ecosystems

CHRISTOPHER HOLMES

Despite their notoriety, hedge funds have attracted relatively little critical attention to date. In place of such attention, a number of common understandings have emerged that tend to emphasise a) their capacity for singular, isolated agency and b) their arbitrage activities. For proponents of the industry, this is precisely their virtue: each fund manager individually seeks his or her niche arbitrage opportunity on their quest for *alpha* returns – that is to say, returns that systematically outperform the risk/return profile of the market as a whole. This type of profit making is understood in opposition to returns based on the tendency of the whole market to rise in value over time, which are classed as *beta*-based. Aggregated across many fund managers, alpha-seeking behaviour is said to make the process of price discovery quicker, directing liquidity more effectively and enhancing the efficiency of the market as a whole. For detractors, hedge funds are instead cast as a dangerous, aberrant financial force marked out by the use of short selling techniques, which enable a small caste of opportunistic financiers to profit at the expense of the rest of the market: the quest for alpha returns is a zero-sum game, so, if hedge funds are winning, everyone else must be losing. While there are grains of truth in both narratives, it is clear that more thought out, structurally located accounts of their significance are required.

With this in mind, the following article deploys the metaphor of financial ecosystem in order to make sense of hedge funds and their relationship with the wider economy. This conceptual move leaves behind misleading dualisms between alpha and beta returns, between investors and ‘the market’, and instead places more generic processes of growth, competition and innovation at the centre of

Christopher Holmes, Department of Politics and International Studies, University of Warwick, Coventry, CV4 7AL, UK.

---

ISSN 1356-3467 print; ISSN 1469-9923 online/09/040431-20 © 2009 Taylor & Francis  
DOI: 10.1080/13563460903287231

## Notes

I am very grateful to Matthew Watson, James Brassett and one anonymous reviewer for excellent comments and advice on earlier versions of this paper.

It should be noted that ecology is not the only source of useful metaphors for financial activity. See Erturk et al. (forthcoming [2010](#)) for an interesting analysis of hedge funds understood through the military analogy of war.

Although no detailed research exists on investable indices, see Schneeweis et al. [2005](#) for a very basic introduction.

---

## Additional information

### Notes on contributors

Christopher Holmes

WINNER OF THE 2008-09 NPE GRADUATE STUDENT PRIZE PAPER  
COMPETITION

---

### Log in via your institution

➤ [Access through your institution](#)

### Log in to Taylor & Francis Online

➤ [Log in](#)

### Restore content access

➤ [Restore content access for purchases made as guest](#)


Purchase options \*

[Save for later](#)

### PDF download + Online access

- 48 hours access to article PDF & online version
- Article PDF can be downloaded
- Article PDF can be printed


EUR 48.00

 Add to  
cart

### Issue Purchase

- 30 days online access to complete issue
- Article PDFs can be downloaded
- Article PDFs can be printed

EUR 301.00

 Add to  
cart

\* Local tax will be added as applicable

## Related Research

People also read

Recommended articles

Cited by  
20

[Influence and Predictive Value of Seeking Alpha Articles >](#)

Wolfgang Breuer et al.

Financial Analysts Journal

Published online: 3 Dec 2024



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 & Francis  
by informa