Book Review

Taking the Floor: Models, Morals and Management in a Wall Street Trading Room by Daniel Beunza, Princeton, NJ, Princeton University Press, 2019

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Taking the Floor invites readers on an impressive tour through the findings of Daniel Beunza's extraordinary fieldwork spanning nearly two decades. The book offers a rare insight into the depths of professional practice on a Wall Street trading floor as well as the career trajectories of its manager, Bob, and two other traders at one time employed on the site. The author's interest in quantitative finance dates back to his doctoral studies at New York University's Stern School of Business, aiming to inquire into the use of statistical models in contemporary finance. Beunza's fortuitous field access to a Wall Street trading floor in 1999 develops into a long-term relationship with his primary research subjects, driven by the relentless unfolding of ever more questions from the material collected. Drawing on Burawoy's conceptualization of the punctuated revisit (Burawoy 2003, p. 670–672), the author follows their journey throughout the financial crisis of 2008 and 2009 and beyond, with revisits concluding in 2015. This sociologically grounded transdisciplinary work poses a welcome challenge to markets studies scholars by foraying into the moral ramifications of trading organized around the use of quantitative tools.

The book opens with the observation that in academic and industry discourses on post-crisis financial reform, debates about the role of culture and morality in finance have become all-pervasive. Engaging the work of Viviana Zelizer (1983, 2017), Swidler (1986) and the early comparative studies on trader communities carried out by Abolafia (1996), the author wonders

whether hypotheses developed in organizational writings on trading still hold true on a Wall Street shaped by quantitative finance. Findings in the social studies of finance and actor-network theory produced, among others, by Latour (1994), Callon (1998), MacKenzie and Millo (2003) document the complex effects of calculative devices on financial decision-making and markets themselves. Yet, by falling prey to an overdetermination of outcomes by devices, according to the author, infrastructure-oriented perspectives fail to adequately address the relationship between technological tools, social organization, and subjectivity. Thus, the need for a consolidation of organizational and material narratives on finance warrants the book's key question: 'what are the effects of economic models on morality in financial organizations' (p. 12)?

The presentation of findings is organized in three parts. Chapters 2 through 6 introduce in detail the backbone of Beunza's empirical work, describing the internal dynamics, use of technological devices and knowledge practices of pseudonymous bank International Securities' trading floor between 1999 and 2003. The author's perception of the site is mediated through conversations with Bob, the trading floor's manager. Each chapter begins with the analysis of field notes, includes one or more interviews with trading floor employees and ends with a consideration of the fieldwork's reflection on relevant literature. Beunza is introduced by his primary research subject to a carefully designed division of labor between traders proficient in different types of trades and uses of financial models. Facilitating their communication is the prohibition of stacked monitors, an open floorplan with desks arranged to foster collaboration and the appointment of two middlemen between traders and management, intended to find and realize opportunities for knowledge sharing among traders working on related markets. Along with specific managerial practices, spatial arrangement aimed at the optimization of information

flow creates a deliberate design of social cues, which support the evaluation of probability and risks provided by technical devices.

In contrast to Abolafia's noisy and hectic trading room, shouting is rendered obsolete by information technology, leaving Beunza's field site calm by comparison. Yet, the pointed and effective sharing of relevant information has remained a key problem on Bob's trading floor. Quantitative tools are reflexive in that their use introduces new forms of risk, making innovative practices of risk management and successful collaboration between traders necessary to counteract novel complexities introduced by the use of economic models. The zero-sum incentive structure of some financial products based on statistical tools, such as swaps and credit default obligations, alters the relationships between banks and their customers, who are now regarded counterparties as opposed to partners. It equally challenges relationships between traders and their management in cases when Value at Risk calculations rather than professional assessments become the basis of organizational impositions of restraint, thus displacing judgement, intuition, and interpersonal trust. As a result, strategy, risk management, and trader behavior might each become subject to what Beunza terms model-based moral disengagement: abandoning self-sanctioning behavior as a direct result of the greater weight of calculative devices in decision-making processes.

Chapters 7 through 9 detail the conceptual outcome of the book's fieldwork and reflect on its relation to existing research on performativity, morality, markets, and cultural norms. New calculative devices lead to new investment practices, the widespread adoption of which changes the properties of traded stocks themselves. Beunza calls these processes performative spirals, wherein a reflexive relationship of mutual influence develops between economic models and stocks. Shared reliance on data provided by them in the trader community changes the course of

events such that the underlying information upon which the model is formulated bends to the model's calculation, decreasing its reliability as a result. The existence of performative spirals explains, in turn, the sustained need for the social organization of trading on trading floors, where knowledge sharing and diversification of trading strategies can protect traders against hazards of their quantitative tools. For the successful navigation of performative spirals Bob's leadership strategy relied on the enforcement of norms encouraging carefully monitored collaborative communication and fostering a shared identity of professionalism and integrity through informal interaction and outside events. Bob's leadership strategy of personal responsibility and knowledge sharing protected his trading floor against the dangers of resonance, a term stemming from Beunza and Stark's previous research (2012) and denoting 'the dangers posed by excess synchronization in finance' (p. 183). Resulting from the use of similar or identical models relying on implied probabilities among traders working on a specific trade, resonance leads to greater accuracy in most cases but effects greater losses when market dynamics take an unexpected turn.

The financial crisis of 2008 and 2009 marks a turning point in Beunza's fieldwork, confronting him with grave inadequacies of the financial system he had thus far experienced as the skillfully balanced trading room under Bob's management. Chapters 10 through 12 describe protagonists' reflections on the events and their aftermath. Drawing on in-depth interviews with Bob and three other former employees at International Securities, the exceptionality of the trading room in organization and culture is established. Bob identifies the financial crisis as a management failure, crediting CEOs with serial misjudgment on what constitutes adequate oversight, a perspective verified by his former employees. His narration of his career prior to International Securities' trading floor casts his professional trajectory as committed to a

managerial remedy of harmful tendencies in the financial industry. Consolidation into large conglomerate banks introduces corporate structures hard to oversee. The remedy for such overcomplex settings is all too often sought in augmentations of statistical instruments producing data used as proxies for performance. However, such 'use of models […] creates an illusory simplification that is attractive but misleading' (p. 206). Beunza's research thus augments and reconciles with organizational accounts MacKenzie's argument on what caused the financial crisis: in addition to interdependent quantitative evaluation practices, organizational shortcomings create conditions inimical to the professional ethos of moral judgment, responsibility, and restraint. With his career path, starting at a financial institution involved in a series of derivatives scandals in the 1990s, Bob is presented to readers as following professional learning curve in avoiding the pitfalls of new quantitative technologies by hedging their risks with a carefully engineered social environment.

Chapter 13 concludes by proposing the novel management concept of proximate control, drawn from the lessons of previous chapters and based largely on Bob's critical management practice. Proximate control consists of 'mechanisms of vicinity in supervision' (p. 278) and aims, on the level of strategy, to eliminate or reduce the potential for abuse of knowledge inequalities between banks and their customers. It utilizes a rhetoric reinforcing the moral values of professional integrity, legal compliance and self-restraint. In terms of organizational structure, workplace stability and internal hiring create an antidote to the uncertainty and workplace precarity in the financial industry that might otherwise create an environment incentivizing greed and excessive, risk-taking behavior.

This practical prescription remains the most prominent claim of Taking the Floor, as the exceptionality of Bob's management practices and view of the industry pose serious problems

for the generalizability of findings, a circumstance hardly mentioned in the text. Although the book hints at broader organizational problems introduced by the use of quantitative instruments in management and oversight, such causal claims cannot be corroborated by the study's underlying ethnographic data. While the book's research question and the picture emerging from the contrast of initial fieldwork against the events of 2008 yearn for comparative complement, Beunza does not describe attempts to gain access to a trading floor exhibiting a more characteristic image of industry practices. Thus, the work's organizational critique of structures of oversight in large financial institutions substantively rests on the testimony of the ethnography's protagonist, Bob. The author frequently invokes Burawoy's theory of the punctuated revisit, wherein, despite possible changes to the nature of the inquiry or the site, 'the same ethnographer conducts separated stints of fieldwork at the same site' (Burawoy 2003, p. 670). Following the dissolution of Bob's trading floor at International Securities, three possible interpretations of the field site's locus to be revisited come to mind: the Wall Street trading floor as a typified place, International Securities after Bob's departure, or the unit managed by Bob at his new workplace. The author pursues neither of these methodically and instead narrows his focus on the career trajectories of Bob and three of his former employees. Through such commitment, Beunza produces unique longitudinal research on Wall Street careers amidst a transforming financial system, but does not serve his own claims optimally. Making comparative observations or systematic site revisits would each have presented an opportunity to remedy vulnerabilities of the data and findings' external validity. Future research tying in with the efforts of Taking the Floor might thus attempt to make comparative observations or, in a more narrowly interpreted Burawoyian punctuated revisit, return over the years to its original site instead of its subjects.

Perhaps the greatest merit of this book is the versatility of its findings which manage to speak to strands of ongoing research in various disciplines. Beunza artfully connects reflection on his ethnographic fieldnotes with reflection on the academic literature relevant to individual features of his observations, making this book a thoughtful, diachronic review of previous sociological writing on finance in the light of technological change. Its unorthodox question enables it to serve as a rare reconciliatory piece for writings on economic sociology of normally distinct traditions. Moreover, in providing insight into the values, knowledge devices, and imaginaries guiding a trading floor's employees, this book constitutes a valuable contribution to the sociology of professions beyond its primary audience of scholars of finance. Finally, as a critical evaluation of quantitative risk management practices in banks, Beunza's book can be read as reporting on organizational and incentive problems posed by the introduction and widespread use of economic models in this field. In this regard, the book is relevant to policy and legal research in the field of financial regulation and to management professionals seeking to establish a critical perspective on best practices in their industry. Theorizing economy as an environment of technological change is a crucial task of contemporary social science and will require the rapprochement of currently discrete frameworks of analysis in future innovative inquiries, of which Taking the Floor sets a strong example.

Notes on contributor

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