Book Review: Daniel Beunza, *Taking the Floor: Models, Morals, and Management in a Wall Street Trading Room*

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"Pay attention to the surprises." I remember distinctly the advice Daniel Beunza gave me the first time we met in August 2009 during a serendipitous encounter amidst his visit to Penn State. His guidance was well-timed, as I was a second-year PhD student in the thick of my research on values work, while he was apparently in the early stages of tackling his own research surprises.

Of Models, Morals, and Management

Drawing on research initiated in September 1999, *Taking the Floor* reports on a mixed-methods study of a Wall Street trading room, research that ultimately concluded in 2015. The key pivot for the book is the 2008 global financial crisis. Beunza's jumping off point is "the recognition that the moral standards on Wall Street, and not simply the standards set by law, are critical to a healthy financial system" (p. 1). On this diagnosis, morals are essential to both the practice and study of finance. But such a conclusion only raises further questions: first, how is morality related to the crises experienced by banks and other financial organizations; and second, how can moral standards be improved on Wall Street?

For Beunza, these are urgent questions. Whereas prior research has examined aspects of the financial crisis, this work has not examined how morals and models come together, nor has it addressed the problems that led to the crisis in the first place. These topics constitute the puzzle that *Taking the Floor* seeks to unravel. "To the extent that the cause of the global financial crisis of 2008 was located somewhere on Wall Street, I may have seemed ideally equipped to unearth it" (p. 10). But instead, the financial crisis left Beunza "in a state of perplexity," "suffering from an academic version of cognitive dissonance" (p. 10, 11). Having spent nearly 10 years studying International Securities (a pseudonym), he saw no way to reconcile the hard-working, honest, and prudent executives he had studied with the toxic derivatives and misdeeds exposed by the financial crisis. “Either my traders had managed to dupe me for three years … or their trading room that I had observed operated on a different planet than that of Lehman Brothers” (pp. 10-11).

Confronted by this surprise, Beunza went both backward and forward, revisiting his prior fieldwork and collecting fresh material aimed at understanding how economic models impacted morality on Wall Street. In so doing, Beunza concluded that International Securities “was not *representative* of the average investment bank on Wall Street, but *illustrative* of what a possible solution to the challenges that plagued the financial industry might be” (p. 12). Whereas his original fieldwork provided a poor *description* of other banks on Wall Street, its lessons might provide a *prescription* for addressing the problem of bank culture.

Homologous with Beunza’s fieldwork, *Taking the Floor* unfolds in two parts. The first half (Chapters 2 to 7) covers from 1999 to 2003 and draws on the ethnography Beunza conducted as a doctoral student. Although this research formed the basis for five prior publications, *Taking the Floor* provides an original and holistic treatment of this work, examining it anew in the context of the financial crisis. Bob, “the undoubted protagonist” of the book (p. x), appears early and often. Throughout, the attention is on understanding how financial models shaped the organization of the trading floor of International Securities, “focusing on models, traders, and the connection between them” (p. 17).

The second half of the book (Chapters 8 to 12) picks up the story in November 2007 and follows the action until March 2015. Bob is central once again, this time inadvertently raising doubts for Beunza about his own prior conclusions. Seeking resolution, Beunza shifted to a combination of ethnographic revisits and oral history interviews. Initially, this fieldwork was "not part of an established plan" (p. 296), but instead driven "by a combination of curiosity and necessity… Returning to the bank satisfied my genuine interest, supported my teaching, and helped me complete the academic articles that I was writing" (p. 12). However, starting in 2008, Beunza explicitly shifted his focus to articulating the lessons International Securities held for the financial reform debate. With the exception of some ideas presented in Chapter 9, the material in the second half of the book has not been published previously.

Moral Disengagement, Proximate Control, and the Performative Spiral

In Chapter 13, Beunza lays out his central argument concerning "the relationship between economic models and morality in financial organizations" (p. 275). His explanation begins with the introduction of financial models for the purposes of organization control. For instance, in most banks risk management models supplanted managers. In place of self-restraint and normative sanctions, traders were free to game the models and chastened to the extent they did not. Models replace mores. The result is what Beunza calls *model-based moral disengagement*, a process that unfolds at multiple levels in a bank and in which executives, managers, traders, and customers are all implicated. Strikingly, however, Bob circumvented the problems of model-based moral disengagement, even though International Securities implemented many of the same risk management models as other banks. But how?

This leads Beunza to his second major idea, *proximate control*, which denotes "a set of choices in the areas of strategy, discourse, structure, and supervision, that can limit model-based moral disengagement" (p. 278). Although the specifics vary, across each of these domains the emphasis is on promoting contextualized knowledge, informal relations, and local control, while avoiding calculation, rationality, and formality. Such an understanding stands in direct contrast to approaches that advocate for "governing at a distance" (p. 278). Instead, Beunza sees proximate control as a form of organizing in which models and tools are used as complements to management, but never substitutes for it. Here, Beunza explicitly rejects a vague notion of culture—such as a nostalgia for the Wall Street 'partnership culture' of the 1980s—as the solution to the problem. Instead, he emphasizes specific mechanisms of restraint.

For Beunza, the distinction between models used for valuation and models used for governance is key. Whereas economic models are 'harmless' when used to evaluate external objects, such as a stock or bond, these same models become ethically dangerous when used to evaluate and control the organization itself (pp. 280-281). Building on Callon's work (2008), Beunza posits this as a difference between *prosthetics*, which attempts to compensate for maladjusted agentic capacities, and *habilitation*, which involves reconfiguring the environment so that actors are equipped to define their own projects. Seen in this way, bank governance is not just a matter of tools (the prosthetic view), but of tools, plus social relations, plus institutional arrangements (the habilitation view). "Put differently, my proposed concept of proximate control can be considered as a way of habilitating the exercise of ethical choices through the creation of an environment that is conducive to them" (p. 282).

In addition to these individual and organization level insights, Beunza posits what I see as a field level mechanism: the *performative spiral* (p. 282). His argument goes as follows: modern arbitrage depends on models to isolate, quantify, and bet on specific financial properties. In most cases these properties “have no existence outside the models used to quantify them” (p. 282), making them performative. As a model diffuses across banks, its returns are competed away, setting in motion a search for new models. But even as new models are introduced, the old ones remain, creating overlaps and dependencies across models, which need to be managed and accounted for. Thus, model innovation creates new risks.

Whereas prior work on performativity has analyzed a “single turn” of this performative spiral, Beunza’s work highlights the cumulative effects of a series of models, proliferating across organizations and over time. The resulting process is one of “lamination” in which models, practices, and properties are composited together, but gaps and silos remain. Beunza calls this *resonance*, “to denote the amplification of error that arises from the use of economic models in a context of cognitive similiarity” (p. 286). Specifically, there is a feedback loop whereby one trader’s actions affect another trader’s estimates, transmitted via the use of models. Greater accuracy comes at the cost of “the occasional disastrous mistake” (p. 287).

For organizations (and organization scholars) the performative spiral begs the question of how to organize modeling. Here, Beunza introduces the *performative trace*. Quite simply, descriptive and performative models require different modes of organization. And this means that we need studies of performativity, not at the level of markets (the dominant focus thus far), but at the level of organizations. As one specific insight, Beunza suggests a need for periodic internal reorganization. In place of the division of labor, Beunza points to a division of modeling, whereby modeling tasks are parceled out to different subunits on the trading floor, thereby uncovering the unintended overlaps in proliferating models.

A Few Cross-Cutting Insights

In my view, *Taking the Floor* offers three broader contributions to organization studies scholars. First, as is evident, the book's primary audience is social studies of finance scholars, who have developed two competing explanations for the 2008 global financial crisis. One emphasizes *fragmentation* in the modeling processes used by banks and ratings agencies. The other stresses problems of *opportunism* in the form of self-serving derivatives investments. Beunza proposes a third perspective. Between 1981 and 2007, Wall Street was reconstituted. Partnerships were abandoned and the industry was deregulated, thereby impairing self-regulation through model-based moral disengagement and performative spirals—the "epistemic and moral preconditions" for the crisis (p. 288). Additionally, Beunza highlights the role of traders and their managers; the crisis was not a vague and abstract "market" problem, but a specific and local one related to 'badly run banks'. Given the paucity of research on the organizational dimensions of Wall Street, there is clearly more work to be done directly on this topic.

But these ideas are not just relevant to Wall Street. Valuation models are now ubiquitous. Wine, automobiles, restaurants, even romantic partners are qualified by tests, scores, and standards that rely on technology to establish worth. In short, models are everywhere. Accordingly, Beunza's book has much to offer scholars grappling with certifications, ratings, valuation, and algorithms, to name just a few, and suggests fruitful connections with conversations as diverse as categorization and institutional logics (e.g., see Glaser, Krikorian Atkinson, & Fiss, 2019).

Second, looking beyond the social studies of finance literature, *Taking the Floor* is replete with references to morals, norms, and values, as these terms and their variants appear more than 600 times. In the opening chapter, Beunza defines moral norms as "underlying assumptions, prevailing customs, and the institutionalized definitions of right and wrong" (p. 2). Later, he remarks that "proximate control points to the need to draw boundaries between the acceptable and the unacceptable" (p. 290), an exercise I understand as clearly entailing normativity. He further locates the nexus and agency of this normativity in the organization and its managers. Beunza contrasts this approach with regulatory reforms aimed at "bank culture," which he believes are doomed to fail. Namely, compliance programs, symbolic initiatives (e.g., speeches, PowerPoint presentations), and reforms aimed at instilling specific values in bank employees are simply too generic to make a difference. Instead, Beunza proposes 'better management', entailing formal control systems, hierarchical structures, strong authority, and close supervision. In short, the bank becomes an iron cage. In my view these are provocative suggestions, implicating research at the nexus of norms and values, organizational practice, and even bureaucracy (e.g., see Barker, 1993; Daskalaki, Fotaki, & Sotiropoulou, 2019).

Finally, in terms of its mechanics, *Taking the Floor* is beautifully written. Under the hood, it is clearly an academic tome, yet it is extremely accessible. His easily comprehensible summaries of theoretical conversations ranging from Weber, Parsons and Swidler to Callon, MacKenzie, and Abolafia are admirable. Throughout, his storytelling keeps the reader riveted. Moreover, I was struck by his lexicon: terms like surprise, perplexity, puzzle and their variants appear more than 100 times in the book. These are the book's motors, driving the action, pushing the plot forward, making Beunza's presence palpable. In this sense, the book has elements of an autoethnography or perhaps more aptly a kind of meta-dialogue in which Beunza invites readers to follow him as he tackles one puzzle after another. This, perhaps, is the greatest takeaway from Beunza's book: "Pay attention to the surprises."

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