

Organization

<http://org.sagepub.com/>

Capitalism in crisis: organizational perspectives

Glenn Morgan, Julie Froud, Sigrid Quack and Marc Schneiberg

Organization 2011 18: 147

DOI: 10.1177/1350508410392397

The online version of this article can be found at:

<http://org.sagepub.com/content/18/2/147>

Published by:



<http://www.sagepublications.com>

Additional services and information for *Organization* can be found at:

Email Alerts: <http://org.sagepub.com/cgi/alerts>

Subscriptions: <http://org.sagepub.com/subscriptions>

Reprints: <http://www.sagepub.com/journalsReprints.nav>

Permissions: <http://www.sagepub.com/journalsPermissions.nav>

Citations: <http://org.sagepub.com/content/18/2/147.refs.html>

>> [Version of Record](#) - Apr 4, 2011

[What is This?](#)

Article by an MPIFG researcher

Glenn Morgan, Julie Froud, Sigrid Quack, Marc Schneiberg: Capitalism in Crisis: Organizational Perspectives. In: Organization 18(2), 147-152 (2011). Sage Publications

The original publication is available at the publisher's web site: <http://dx.doi.org/10.1177/1350508410392397>



Editorial

Capitalism in crisis: organizational perspectives

Organization
18(2) 147–152

© The Author(s) 2011

Reprints and permission: sagepub.co.uk/journalsPermissions.nav

DOI: 10.1177/1350508410392397

org.sagepub.com

org.sagepub.com



Glenn Morgan

Cardiff Business School, UK

Julie Froud

Manchester Business School, UK

Sigrid Quack

Max Planck Institute, Germany

Marc Schneiberg

Reed College, Portland, OR, USA

The financial crisis, which began in mid-2007 and reached a crescendo in September 2008 with the fall of Lehman Brothers and its immediate aftermath, ushered in a severe period of doubt for those who had expounded the benefits of free market capitalism. Gillian Tett, one of the *Financial Times*' most insightful reporters on the crisis wrote on March 10, 2009 that

not only is the financial system plagued with losses of a scale nobody foresaw, but the pillars of faith on which this new financial capitalism were built have all but collapsed. That has left everyone from finance minister or central banker to small investor or pension holder bereft of intellectual compass, dazed and confused.

She quotes the head of Merrill Lynch's Moscow operation as stating that 'Our world is broken—and I honestly don't know what is going to replace it'.

What a difference a few years make! The crisis of finance capitalism has turned into the fiscal crisis of the state. Having rescued the banks through the provision of millions of dollars worth of state funding, governments have found themselves facing a crisis in their budgets that comes directly from the crisis, the rescues and their impact on revenues and expenditures. The result,

Corresponding author:

Glenn Morgan, Cardiff Business School, Aberconway Building, Colum Drive, Cardiff CF10 3EU, UK.

Email: MorganGDI@cardiff.ac.uk

across the developed world, is a crackdown on state spending, particularly on welfare services and particularly impacting on the lower paid and those out of work. The blame game has shifted; in this discourse, the economic crisis is no longer the fault of the bankers but the consequence of an overly large and uncontrollable state, personified by welfare claimants and service users. It is these groups who must now pay the price of getting the economic system moving again by losing benefits, by working longer, by taking lower paid jobs, by accepting a decline in educational and health standards. Failure to do so will be 'punished' by the financial markets, once again raised to the status of omniscient and implacable forces of inevitable (and ultimately benign and productive) economic logics. The financial markets will either demand higher rates of return (to protect against perceived risk) or in the extreme cases cease to fund altogether the government borrowing of those states which do not engage in appropriate austerity measures. In these contexts, populations have to be persuaded to take their medicine—as the doctor ordered—no matter how painful. Parties in power whether of left or right are buckling down to this task even where their citizens protest and resist, as they have done in France and Greece. For right wing governments, this is a good opportunity to return to the agenda of Reagan and Thatcher, to shrink the state, to further weaken any vestigial trace of trade union power, to privatize further state services. Left wing parties in opposition generally go little beyond claiming the ability to make the cuts more humanely, over a longer time period. Most politicians seem to welcome getting off the terrain of the financial crisis where left and right were both complicit in constructing the speculative boom that has now burst. The temporary embarrassment of turning on their heads, from proud supporters and defenders of financialized capitalism to lambasting it for its failings—a Damascene conversion that fooled nobody and just cemented further a growing disillusionment with politics—can now be put behind them. The crisis of state spending wrapped in the rhetoric of getting rid of waste, cracking down on scroungers, the undeserving poor, immigrants etc. and ridding business of the constraints of high taxation, unnecessary regulation and bureaucracy provides a familiar discourse for political posturing in the current period.

How did we get from the politics of the financial crash, from the 'end of the world' rhetoric of late 2008 to this? The further we get from the moment of most danger for the system in late September–early October 2008, the more incredible it seems that some of us (and some of 'them') actually thought this was a moment of profound crisis—that this was one of those critical moments when a new social contract might be negotiated in which the power of finance could be curbed and new forms of production and consumption could emerge built on more negotiated forms of order and economic growth. Roosevelt's New Deal was frequently evoked as a similar turning point, an example of what could be achieved; whatever the mythical nature of the New Deal rhetoric and whatever problems did exist with the New Deal, with the help of Keynes and a world war, it did seem to mark a turning point that tempered and even seemed to at least partially harness finance to productive ends until the 1970s. But in this crisis, the rehabilitation and resurrection of finance from dead to alive in the space of a few short months has been almost instantaneous alongside a similarly almost instantaneous delegitimation of the state systems which actually rescued it during the crisis.

Of course, some things have changed that will constrain the powers of the financial markets to develop such gigantic asset bubbles as arose in the period up to 2008. In the US, there is legislation to tighten controls over the banking system and some of the more exotic financial products. The European Union and even the UK also promise more controls. The Basel Committee has proposed tighter capital adequacy rules to restrain banks from making such risky investments. But even these efforts are piecemeal, uncertain and far into the future in terms of actual implementation; they are also crucially subject to continued negotiation in which private sector actors and their paid assistants—economists, lawyers, accountants, consultants—will eat away at the more

draconian elements of regulation and encourage states to engage in games of regulatory arbitrage between each other in the hope of winning the competition to get high value finance located in their jurisdiction. We are a long way from realizing any vision of the 'new financial architecture' that politicians so heroically promised in 2008.

Of course, there will be no quick return for the mortgage backed securities that lay at the heart of the 2008 crisis; nor for the collateralized debt obligations (CDOs) that packaged together these securities in such complex ways that they hid the risks which were embedded in them. The action as far as the financial markets are concerned has moved to other areas—to currencies, to sovereign debt, to corporate bonds, to distressed debt, to life insurance settlements and to who knows what other new forms of risk and speculation. The financial sector—faced with reduced competition (due to the collapse and merger of some institutions in the immediate aftermath of the crisis), low interest rates, the continued global financial imbalances (which leave surplus nations such as China desperately searching for investment outlets) and the quantitative easing engaged in by many central banks—finds itself once again swimming in easy money. Not surprisingly bank profits rise as do the bonuses of bankers.

Politicians continue to posture, in some cases to introduce taxes on bank profits and bonuses, but particularly in places like the UK they are happy to see this growth return because it happens so much more quickly than any other proffered solution to the crisis, e.g. through the expansion of manufacturing output, through the development of new clean energy and transportation technologies, through the creation of new sectors of science based goods and services. These other options take time, they are uncertain in their effects and may never reach fruition. How much easier to reflate employment in the financial sector, recreating some sort of consumer based boom even if only for the minority benefitting from low interest rates! In the meantime, perhaps the continued growth of the BRIC economies can provide sufficient expansion in demand of the sort that the developed world can supply, e.g. especially in areas such as finance!

There has, of course, been no shortage of responses to the financial crisis from academics and policy commentators in general. Looking specifically at the field of organization studies, however, the responses are more muted if we simply look at significant publications in the area. Apart from a few comments in editorials, the top ranking US journals in the field—*AMR*, *AMJ*, *Organization Science*—have kept studiously clear of the financial crisis, as at this stage have European journals such as *Organization Studies*, *Journal of Management Studies* and *Human Relations*. In the period since late 2008, there have been no special issues or calls for special issues related to this topic in these journals. Indeed it is hard to find any papers published in these journals which make reference to the crisis. Perhaps the most specifically 'organizational' response has been the recent edited collection by Lounsbury and Hirsch (2010) entitled 'Markets on Trial' published in the series *Research in the Sociology of Organizations*. This collection is a major resource for the analysis of the crisis produced by top level US scholars of economic sociology and organization studies. Its focus on the US and the role of the subprime mortgage crisis leaves less attention than warranted paid to firstly the global nature of the crisis and secondly the specifics of the financial industry which enabled a relatively limited problem—the sub-prime crisis—to 'infect' the whole financial system. Nevertheless this remains by far the most sophisticated and developed response to the financial crisis produced by scholars connected with the field of organization studies.

This is not to discount other contributions which are connected in a broader intellectual space of business and management, e.g. the special issues on the Global Financial Crisis which appeared in *Accounting, Organizations and Society* (2009, 34: 797–863), *Critical Perspectives on International Business* (2009, 5, 1/2) and *Competition and Change* (2009, 13, 2). Going beyond that to international political economy, there are also substantial contributions relevant to debates in organization studies, for

example the book by Andrew Gamble (2009) *Spectre at the Feast* which is considered here in detail in the extended book reviews by Reed and Willmott, as well as the edited collection by Helleiner et al. (2010), and the Special Issues of the *British Journal of Politics and International Relations* (2009, vol. 11) and *New Political Economy* (2009, 14, 4). Further special issues are planned in journals such as *Economy and Society*. However, overall the response from organization studies as a community of scholars appears very limited.

When the call for this particular special issue it was made in part in acknowledgement of the lack of attention being paid to the financial crisis in organization studies. However, it was also done acknowledging the specific tradition of *Organization* as firstly a journal where the organizational dimensions of the crisis could be analysed and secondly where the analysis would be framed by reference to critical approaches to the study of theory, organizations and society. In this respect, the crisis undoubtedly gave us the chance to put our critical forms of analysis to work. Many of the potential tools and theoretical resources for such critical approaches to finance had been developing for some years—e.g. in theories of financialization (Erturk et al., 2008; Froud et al., 2006), social studies of finance (Callon, 1998; Mackenzie 2006), cultural economy (Langley, 2008), the new economic sociology (Smelser and Swedberg, 2005). In our call, however, we stressed that our aim was to focus particularly on theoretically informed empirical studies of organizations involved in the crisis. In other words, rather than looking for general discussions of economic or organizational sociology, or critiques of capitalism in general or financial capitalism in particular, we were looking for what is traditionally called middle-range theorizing, papers that could help deepen our understanding of the specific processes that led to the crisis and its aftermath drawing eclectically but critically on a range of theoretical resources.

In this respect, however, we encountered something similar to the situation described by Prichard and Mir in their editorial to the special issue on Value published by *Organization* in 2010 (Vol. 17). They noted the relative paucity within critical organizational studies of analyses of the crisis. They state that in the period 2008–2009, ‘the major economic events of the day and the changing character of organized economic relations were *mostly absent* from the key gatherings of the critically-inclined management and organization studies community’ (2010: 509). They go on to ask; ‘how is this possible?’. Similar thoughts are prompted by the response to our call for papers. Rather than being overwhelmed by papers from critical scholars eager to test their powers of analysis on the greatest crisis of capitalism most of us have seen in our lifetime, far fewer authors were willing to engage with the Call than we might have expected from a community of ‘critical’ scholars. Prichard and Mir suggest two explanations for the absence which they noted. The first is the disjuncture between our research processes and the ‘real world’ out there. Thus the relative newness of the crisis (at its deepest moment of crisis September/October 2008) meant that there was not time for newcomers to the field to get their empirical papers together in time for the deadline of the special issue. Perhaps this has some truth but the fact is that for most of the 2000s, as has already been noted, there was an increasing interest across the social sciences in finance and this was reflected in substantial contributions in most disciplines from political economy through to the social studies of finance area through to the anthropology of finance as well as in more cognate areas to organization studies such as critical accounting. If critical organization studies was caught on the wrong foot, the explanation needs to go beyond the simple issue of timing.

The second point which they make is the ‘increasing detachment of critical organizational theorists from analysis of economic relations’ and instead a focus on the ‘political and symbolic dynamics of organizing’. This is reflected in the papers which we publish here. The paper by De Cock et al. and the paper by Riaz et al. are concerned primarily with discourse, how the parameters of

understanding of the crisis are set by certain ways of speaking about and thinking about finance. This is a crucial way into the crisis. It certainly helps us in understanding how quickly finance recovered its confidence; it had become so much part of the taken for granted view of how the world works and moreover how it 'should' work. No powerful alternative discourse has yet emerged in the way for example that Keynesianism evolving through the 1930s and 1940s gradually put intellectual flesh on the bone of New Deal reforms. Stein's paper from a more psychoanalytic perspective also traces the deep roots of the culture of mania, the culture of speculation that grew unchecked and drove the economic system into crisis.

However, following Prichard and Mir, we received few submissions that took more structuralist, institutional and political economy approaches. Vargha's paper which we publish here has elements of such an approach, but one cast not so much in those perspectives as in the field of the elaborated actor network theory that has come to be associated with the work of Mackenzie and Callon in the 'social studies of finance' stream of research. Vargha's paper shows the materiality of categorizing that occurred in credit provision in the Hungarian context and how this led towards speculation and crisis. (on mania and speculation, see also the contribution by Harney)

As much of critical organization studies disengaged itself from its Marxist origins for perfectly understandable reasons to do with the limitations of this, and related modes of analysis in terms of highly deterministic and structuralist underpinnings, it seems that the result was gradually to lose interest in 'the economy' *tout court*. As Prichard and Mir point out, founding texts in critical organization studies (such as Burrell and Morgan, 1979; Clegg and Dunkerley, 1980) still managed to hold on to the economic analysis along with a concern for culture, identity and symbolism. The two were held in creative tension. Where, why and how did 'critical' lose this and become associated with discourse, subjectivity, and language alone? This is not the place to debate the definition of 'critical' or the changing topography of organization studies as a discipline and the location of the 'critical' project within that but see Parker and Thomas forthcoming in *Organization* 2011 for a relevant discussion. It is perhaps a moment to pose some difficult questions to the community which identifies with the 'critical' management project in general and with the journal *Organization* in particular. How have we responded to this particular critical moment? What new insights have we generated? What light does this shed on the critical management project, its limitations and prospects for the future? A sceptical observer of the scene might well be tempted to suggest that most of the time we have been more concerned to be critical of theory than to put critique into action as a tool for understanding the world, for disrupting the commonsense taken for granted assumptions that lead to quiescence and acceptance and for creating alternatives.

No doubt, these are old debates and divisions; they keep coming back to haunt us and divide us; and frequently at conferences and in journals we engage in further self-reflection and self-flagellation exposing our faults and our weaknesses. They sap our confidence in critical analysis and with all the other pressures on academics in terms of publications, ranking systems, and career progression serve to push us back towards more mainstream approaches. Yet, a world in crisis—and surely that is our world now—demands a response from us if we want to retain any credibility as critical social scientists. And to make that response requires deep empirical engagement with that world and the sources of that crisis—at least as part of our overall endeavour; not as separate from theory but imbued with theory as a means of prising open and interrogating the world. We present the papers in this Special Issue as one step in that direction, an effort to bring theory, critique and empirical engagement together with a focus on the power of discourse (or the symbolic) to construct, close or open possibilities (or alternatives) in the economy. The encouraging thing for *Organization* is that at least this is on the agenda for us.

References

- Burrell, G. and Morgan, G. (1979) *Sociological Paradigms and Organizational Analysis*. London: Heinemann.
- Callon, M., Ed. (1998) *The Laws of the Markets*. Oxford: Blackwell.
- Clegg, S. and Dunkerley, D. (1980) *Organization, Class and Control*. London: Routledge Kegan Paul.
- Erturk, I., Froud, J., Johal, S., Leaver, A. and Williams, K. (2008) *Financialization at Work: Key Texts and Commentary*. London: Routledge.
- Froud, J., Johal, S., Leaver, A. and Williams, K. (2006) *Financialization and Strategy: Narrative and Numbers*. London: Routledge.
- Gamble, A. (2009) *Spectre at the Feast*. London: Palgrave.
- Helleiner, E., Pagliari, S. and Zimmermann, H. (2010) *Global Finance in Crisis: The Politics of International Regulatory Change*. London: Routledge.
- Langley, P. (2008) *The Everyday Life of Global Finance: Saving and Borrowing in Anglo-America*. Oxford: Oxford University Press.
- Lounsbury, M. and Hirsch, P. (2010) *Markets on Trial The Economic Sociology of the US Financial Crisis: Parts A and B (Research in the Sociology of Organizations Vol. 30)*. London: Emerald Group Publishing.
- MacKenzie, D. A. (2006) *An Engine, Not a Camera: How Financial Models Shape Markets*. Cambridge, MA: MIT Press.
- Prichard, C. and Mir, R. (2010) 'Organizing Value', *Organization* 17(5):707–15.
- Smelser, N. and Swedberg, R., eds. (2005) *The Handbook of Economic Sociology, 2nd edn*. Princeton, NJ: Princeton University Press/Russell Sage Foundation.

Biographies

Glenn Morgan is Professor of International Management at Cardiff Business School. He was one of the Editors-in-Chief of *Organization* from 2005–2008. Recent edited publications include *The Oxford Handbook of Comparative Institutional Analysis* (with Campbell, Crouch, Pedersen and Whitley: Oxford University Press, 2010) and *Images of the Multinational Firm* (with Collinson: Wiley, 2009). Research interests include the sociology of financial markets, regulation and governance, multinationals and globalization. Address: Cardiff Business School, Aberconway Building, Colum Drive, Cardiff CF10 3EU, UK. Email MorganGD1@cardiff.ac.uk

Julie Froud is Professor of Financial Innovation at Manchester Business School and a member of the Centre for Research in Socio-Cultural Change (CRESC) at the University of Manchester. Recent books include *Financialization at Work* (with Erturk et al.: Routledge, 2008) and *Financialization and Strategy: Narrative and Numbers* (with Leaver et al.: Routledge, 2006). Address: Manchester Business School, The University of Manchester, Booth Street West, Manchester, M15 6PB, UK

Sigrid Quack is Head of the research group 'Institution Building across borders' at the Max Planck Institute for the Study of Societies and Professor in the Faculty of Management, Economics and Social Sciences at the University of Cologne. Recent edited publications include *Transnational Communities: Shaping Global Economic Governance* (with Djelic, Cambridge University Press, 2010) and *Globalization and Institutions* (with Djelic: Elgar, 2003). Address: Max Planck Institute for the Study of Societies, Paulstr. 3, 50676 Köln, Germany.

Marc Schneiberg is John C. Polk Professor of Sociology at Reed College, Portland, Oregon. He is one of the editors of the journal *Socio-Economic Review*. His research interests include social movements and their impact on regulation and organizational forms. Recent publications have appeared in *Research in the Sociology of Organizations*, *American Sociological Review* and *Socio-Economic Review*. Address: Sociology Department, Reed College, 3203 SE Woodstock Boulevard, Portland, OR 97202, USA.