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7 Formal organizing and transnational communities: evidence from global finance governance associations, 1879–2006

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Introduction

The global economic, political, and social landscape underwent a remarkable transformation in the latter half of the twentieth century (Giddens 1984, 1990; Hirst and Thompson 1996; Boli and Thomas 1999; Drori *et al.* 2003; see also Foucault 1970, 1979 on general epistemic shifts). These changes had an impact on many aspects of economic and social life. One of the most profound developments has been the proliferation of transnational organizing through formal structures. The extraordinary growth in global voluntary associations, in particular, and the timing of the emergence of these associations in the global sphere have not been adequately explained by existing theories in organizational analysis and other social sciences. Therefore, an alternative theoretical approach is required to understand how and why associational forms of organization of economic and social activity have moved into the transnational space.

In this chapter we shall address these concerns by looking at the historical emergence of global finance governance associations and note the existence of archipelagos of agencies that govern finance in different ways. These voluntary associations include legally incorporated associations that exist within local legal jurisdictions as well as loosely structured networks and movements that are disembodied entities that exist and coordinate using electronic media. Incorporated associations display local rootedness with implications such as legal liability of its members, the right to own property and enter contracts, and the right to open a bank account and officially lodge a complaint.

Much of the earlier work on understanding global organization focused on particular factors related to technology, knowledge, or expertise, and worked within the framework of existing nation-state jurisdiction. However, the heterogeneity within this global space reveals how, through the governance

mechanism of global associations, finance has evolved into a global concern embodying particular logics and following a specific historical trajectory.

Global finance refers to finance-based knowledge and tools and their application to global capital formation processes. Global finance governance associations are the governance mechanism of the global field of finance, which comprises organizations specifically devoted to finance-related activities. The empirical case of global finance associations includes organizations that are worldwide in their membership and not linked to a particular national context.

By examining this proliferation of formal organizations we build up an argument concerning how global finance associations begin to comprise communities of practice, action, and influence. The emergence of these organizations is not a unilateral process – rather, these actors shape and are shaped by their jurisdictions. Moreover, observable flows and dynamics are themselves shaped and permeated by culture, norms, and institutions (Djelic and Sahlin-Anderson 2006). Therefore meanings and logic embedded in institutions help us to develop a greater sense of how transnational communities may evolve.

The field of finance is an important case for the study of globalization because of its international scope. This should not prevent us from taking into account the field's heterogeneity in form and content, as displayed by a variety of finance associations and governance agencies. The association formation process demonstrates how governance associations define the scope of finance activity and how meaning is attributed to this activity. A major concern related to global civil society is how they mobilize resources and the impact they have on national policies. Global finance associations are an interesting case because of their political usage and influence on policy-making. The concept of finance as a form of corporate control noted by Fligstein (1990) and others has diffused into the global sphere where associations that embody finance-based ideas are beginning to use it as a form of control at a global level. The scope of governance of some international associations is moving beyond the field of finance due to their significant impact on national policies (see Sinclair 1994; Stiglitz 2002; Barnett and Finnemore 2004). This differentiates it from other fields of global activity because it is more directly affected by larger global political and historical developments.

Figure 7.1 depicts the founding patterns of global finance governance associations from 1879 to 2006. Global finance, like many other global sectors, is a recent phenomenon, with much of the activity taking place after World War II. Closer examination of the population reveals heterogeneity within the

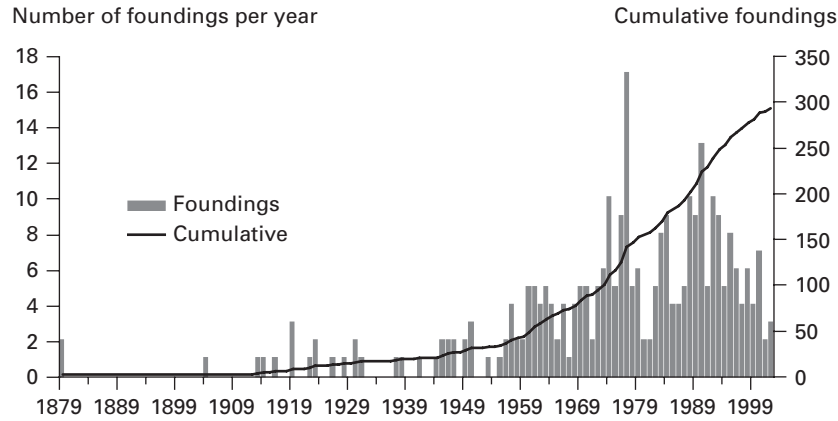


Figure 7.1 Global finance association foundings, 1879–2006

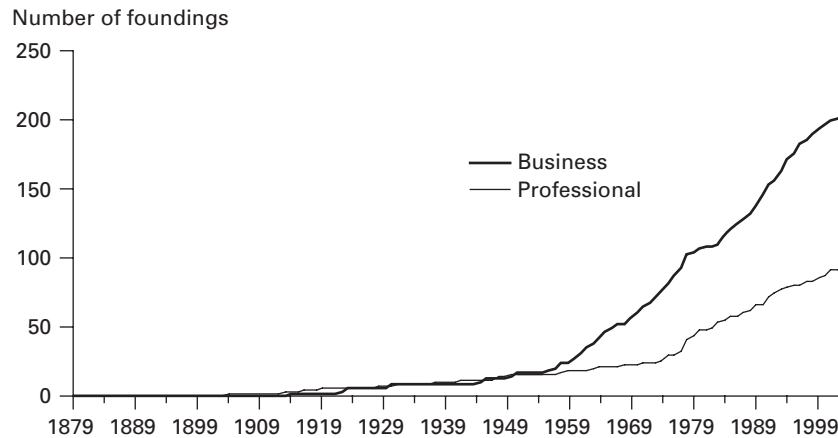


Figure 7.2 Cumulative foundings of professional and business-oriented global finance associations

field. At a high level we note that the population comprises two distinct types of finance governance associations: professional¹ and business² associations (see Figure 7.2).³ “Business finance associations” act as global financial intermediaries that cater to the more practical applications of finance ideas to businesses. Global intermediaries reduce domestic turbulence by seeking wider contexts for investment opportunities (Hirst and Thompson 1996). This subpopulation is a rich mix of a wide variety of different types of associations, with members ranging from nation-states, funds, banks, and credit organizations to stock exchanges and other financial intermediaries. As a result, this space is varied in terms of themes and agendas.


The other subpopulation to note is that of “professional finance associations” that cater to the promotion of finance as a discipline by enhancing cooperation between finance professionals globally and facilitating the development of specialized financial expertise (Lounsbury and Lee 2005). The existence of subpopulations within the field based around distinct ideas, as well as their different founding patterns and the overall timing of developments in the field, form the basis of this chapter.

Founding dynamics among these governance associations can help explain how ideas become organized through “formal organization.” Multiple interconnected and sometimes contending logics influence the historical shaping of global finance.

Theorizing formal organizing and transnational communities

Since the 1980s, much research on organizations has been preoccupied with the exponential growth of organizations in the twentieth century. Prominent among contributions to the study of globalization and its organizational consequences are studies at the intersection of organization theory and world polity institutionalism (Thomas *et al.* 1987; Ventresca *et al.* 2003). The abstract claim of the world polity approach developed by John Meyer and colleagues is that formal organizations and discourse are the twin indicators of world polity (Meyer *et al.* 1987, 1997). The observation is that more and more activity at the global level is moving out of the domain of nation-states into a transnational space, and that this is an indicator of a world culture that provides a framework for legitimate action.

Global associations can take many forms and represent different levels of local rootedness. However, they differ from associations in the national context in that they represent ideas and aims that extend beyond local jurisdictions. Global voluntary associations are groups of individuals who voluntarily enter into an agreement to form an association to accomplish a purpose. The neocorporatist tradition argues that the association has a different potential for generating social order as compared to state bureaucracy, market, or community. Streeck and Schmitter (1985) argue that associations represent organizational concertation ~~as~~ compared to communities which in their view are based on spontaneous solidarity. This analysis is based on national contexts, where associations are seen as intermediaries between state and civil society. In the global space, global associations are fast forming a new arena for global action that extends beyond the national context.

The work on world culture is, importantly, a bridge to considering work on “community” in the transnational space, rather than “society” in the (neo-) liberal conception – in short, ~~to~~ attending to frameworks of meaning and organization that support community formation. 

Traditional concepts of community reflect the tensions in Tönnies’s famous typology of *Gemeinschaft* and *Gesellschaft*. Community here represents an integrated notion based on functionalist ideas. Durkheim proposed an alternative approach where a community is not a physical structure but instead is described by human relations and connections. Literature on communities looks at a number of different types, including communities of interest (Hillery 1955: 27), epistemic communities (Haas 1992), policy communities, and communities of practice, including professional ones (Wenger 1998). While traditional concepts of community are based on social solidarity, more recent work has highlighted ideas of commonality and similarity to explain communities.

Fourcade’s (2006) insights summarize ideas related to the formal organization of a profession at a global level and how it grows and becomes dominant. This development is a process of “creative destruction” – the result of a “dialectical relationship between economics and the economy” (Fourcade 2006). We draw from the main argument in Fourcade (2006) to theorize how more diffuse patterns of occupations, expertise, logic, and policy engagement become globalized. Elias suggests the recontextualization of “community” into state-building (Elias 1974: xxxi–xxxii), as community evolution and social context are closely connected. Transnational identities and activity in finance, as per Fourcade, need to be recontextualized within wider global processes.

The symbolic dimension of communities implies that community formation is based on common meaning systems, symbols, and logics. Symbolic construction allows communities to evolve in the absence of interaction and physical proximity (see also Mayntz in this volume). Benedict Anderson (2006) argues that nations emerge as “imagined communities.” In the context of global finance, “imagined communities” are emerging (from a heterogeneous space) around similar ideas on the professionalization and rationalization of finance – that is, a transcendental view of “finance” encompassing ideas of systemic management of finance activity. Djelic and Quack (see Chapter 1 of this volume) draw attention to the “multi-level forms of affiliation and association, complementarities, as well as conflicts in social roles and identities” experienced by members of communities.

Building on our idea of archipelagos, global finance associations share little in the way of day to day interaction, but do share a common vision of purpose and practice.

The rise of global finance governance associations

The evolution of global finance can be traced back to the nineteenth century when modern global finance governance associations began to emerge.⁴ The late nineteenth century was also a period of increased global commercial activity and much formal organizing (Hirst and Thompson 1996; Boli and Thomas 1999). Association foundings peaked in numbers in the 1970s and then again around the 1990s (see Figure 7.1). Earlier foundings are recorded in the 1870s, compared to similar organizations in other fields, such as health, for example, that records the formation of its first international organization in 1650 (Inoue and Drori 2006), and science, where global activity was recorded in the mid-nineteenth century.

The globalization theme

Changes in the names of associations indicate changes in scope and membership. The American Petroleum Credit Association became the International Petroleum Credit Association and eventually the International Energy Credit Association (IECA). Similarly, the Information Systems Audit and Control Association and Foundation was originally called the EDP Auditors Association of the USA. Associations repackage their content by using names that reflect cultural shifts towards globalization.

Associations change memberships by expanding geographically. For example, the Organization of Latin American and Caribbean Supreme Audit Institutions was formerly the Latin American Institute of Auditing Sciences. The reverse has also been observed. Following Fourcade (2006), we note that there have been generic international organizations. Their names imply that they were either “American” or “international” associations. Post-World War II region-based global associations, based on notions of regional development, emerged; for example, the Arab Fund for Economic and Social Development states its aim as to “contribute to the financing of economic and social development in Arab states and countries through financial development projects” (UIA 2005/2006: 121).

Thematic stratification

The field of global finance associations is heterogeneous, with two main subpopulations, professional and business associations (see Figure 7.2). As

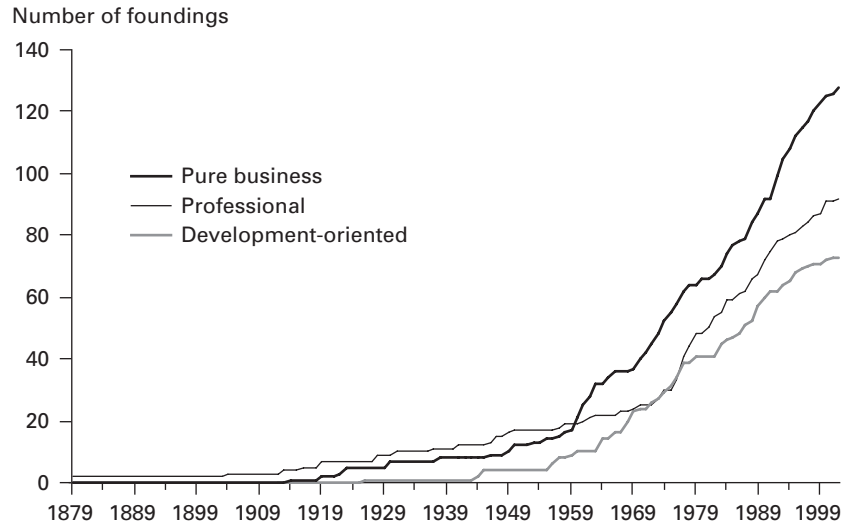


Figure 7.3 Cumulative foundings of “pure” business, development-oriented, and professional global finance associations

already noted, “business finance associations” work on the common theme of the systematic application of financial expertise as a formal technique of problem solving based on quantitative analysis. Close examination of the population reveals another two subtypes. These two types differ in the way in which a formal systematic activity such as finance is extended beyond its conventional applications. Figure 7.3 shows that business associations can be either “pure” or “development-oriented.” “Pure business associations” signify the application of formalized financial ideas to business, based on economic notions of profit maximization. A modification of this towards the application of finance-based ideas to economic and social development is captured in the emergence of “development-oriented” finance associations.

Taking a step back to view the entire population, the discovery of the subpopulation of professional finance associations is an interesting one. Whereas one would expect the globalization of finance to be based on traditional ideas of the proliferation of economics-based ideas, we are confronted with a set of associations representing a different logic.

The development of professional identity and jurisdiction is usually a historical process comprising active boundary work and legitimacy projects (Abbott 1988). Professional finance associations are directly linked to the profession and practice of finance as a high status activity that is coming to be of primary importance in the modern world, supplanting law and earlier

forms of business expertise, such as accounting (see Ramirez in this volume). Finance, when professionalized, is linked to a “universalized” culture, based on Western-style economic analysis and tools and management practices, wherein the specialized knowledge and tools are systematically applied to solve traditional problems of management and economics (Smiddy and Naum 1954).

Figure 7.4 shows the proportion of the global finance association population that is either governmental or non-governmental. Even though the proportion of non-governmental organizing in finance has predominated, the proportion of governmental organizations increased during the post-World War II period. Figure 7.5 shows the change in transnational organizing in the context of business finance associations. The figure highlights first that global finance associations were mainly non-governmental initiatives. In the 1920s, development-oriented associations emerged that were still non-governmental in nature. In the 1920s and 1930s governmental associations appeared that aimed at finance-based business collaborations. After World War II development-oriented governmental associations emerged. After the 1970s, we can observe that the development-based concerns moved out of the governmental sphere and the proportion of non-governmental development-oriented finance associations continued to increase. The development theme

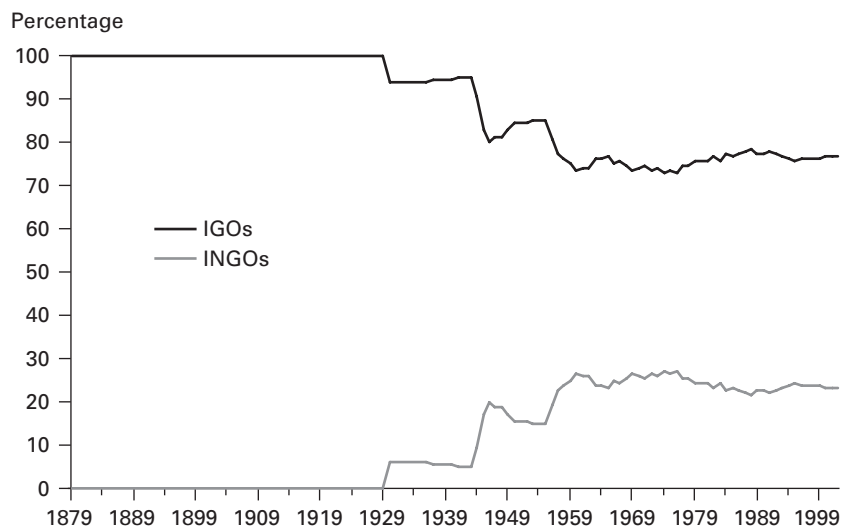


Figure 7.4 Proportion of governmental and non-governmental global finance associations, 1879–2006
Note: IGO = international governmental organization; INGO = international non-governmental organization

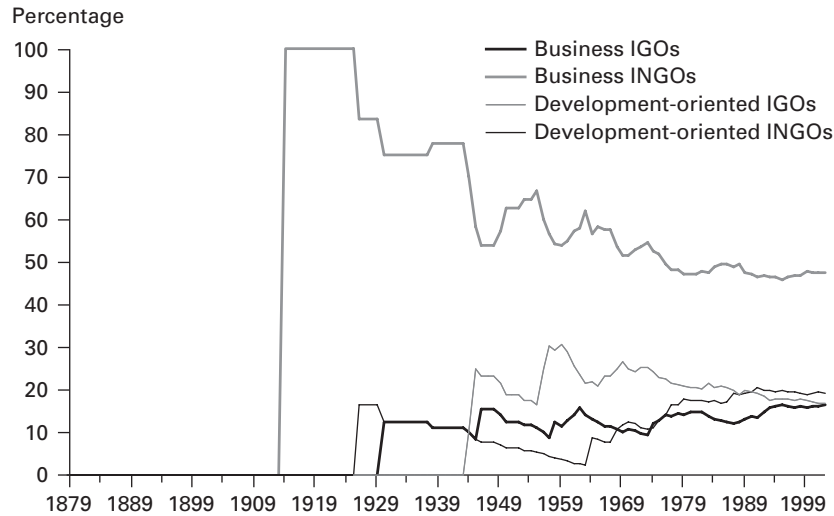


Figure 7.5 Proportions of governmental and non-governmental, pure business, and development-oriented global finance associations

in the transnational organizing of finance started off as being a non-governmental concern, and then became prominent in governmental organizations; since the 1970s it has been moving into the non-governmental sphere.

Globalization of finance: arguments and hypothesis

As finance globalized, patterns of capital and economic exchange changed in the global arena (Obstfeld and Taylor 2004) and consequently there was a change in the flow, density, and complexity of capital drivers that led to the development of more differentiated finance organizations. In the Durkheimian view of the social world, changes and shifts in logic come about through shocks that upset the established equilibrium. In the case of modern world history these shocks, in the form of wars and the Great Depression, have upset the equilibrium of the economic system and capital mobility (Obstfeld and Taylor 2004), thereby affecting transnational finance activity. Our initial observation is:

Hypothesis 1: Global capital drivers create a functional need for specialized finance activity and positively affect the foundings of professional and business finance associations.

Global finance is also dependent on institutional infrastructure. The formation of central banks indicates infrastructural development because “more day

to day activities came into the orbit of finance via the growth and development of banking systems in many countries” (Lavelle 2004). This infrastructural development owed much to the proliferation of American-style economic models across the globe. To support these institutions there was a need for financial expertise and knowledge. Moreover, the “popularity of comprehensive, governmental economic planning prompted by Keynes and like-minded economists before, during and after World War II convinced many that governments, guided by well-trained economists, were in a unique position to plan and promote development on a national scale” (Chabott 2003: 224). This leads us to believe that:

Hypothesis 2: Infrastructural changes will positively impact the formation of business and professional associations.

There are increasing indications of a global finance culture that is being promoted by a community of financial experts from core nations and major international institutions such as the IMF and the World Bank (Stiglitz 2002). International organizations such as the World Bank, the IMF, and the IFC (International Finance Corporation) have become a medium for much social activity by emphasizing a “universal culture base of shared norms and core values (such as human rights, antislavery, equality, and satisfaction of basic needs)” (Drori *et al.* 2006). Ideas embodied by these organizations are easily diffused and accepted because they are not specific to particular settings (Strang and Soule 1998). These global ideologies form the basis of “soft laws” (Drori *et al.* 2006) and a global culture that exists beyond national jurisdictions (Boli and Thomas 1999).

These ideas are steeped in the neoliberal discourse in which the basic premise is that markets should be left to function on their own without intervention by the state. The collapse of the Bretton Woods regime marks the historical shift towards economic liberalization with the failure of the fixed exchange rate regime. As the dominant idea in the neoliberal discourse is the reduction of the role of the state, a transnational, non-governmental approach to finance may be expected, which we observe in the form of finance governance associations.

Therefore we note that:

Hypothesis 3: The cultural trend of liberalization will positively affect business association foundations but will not significantly increase the founding rates of professional associations.

The emergence of finance as a global activity has also been affected by the wider cultural processes of globalization that have had similar effects on all aspects

of social activity. Meyer *et al.* (2006) identify our society as emerging as an arena of rationalization, where rationalization is systemization accelerated by the “scientization” of society, the consequences of which can be seen as follows:

If the world surrounding an issue is scientized (categorized, ordered, codified, and universally lawful), and if the uncertainties it contains can and must be analyzed and responded to rationally (analyzed and modeled into patterns), then organization of that issue – any issue – is a very natural consequence. (Meyer *et al.* 2006: 37)

The professionalization of a field involves the development of a body of sacred knowledge that defines a shared meaning system (Abbott 1988) that provides an identity for the members of the field. This identity and meaning creation process is central to the notion of community formation around specific ideas and aims. Professional associations shape and define appropriate practices of interaction through rights of membership (Galvin 2002). Lounsbury and Lee (2005) note that financial associations play an important part in promoting global finance practice by bringing experts together to promote it. Therefore, the implication of globalization for finance is its formalization as a professional discipline (see Morgan and Kubo in this volume, though, for the difficulties and limits of such a process).

Hypothesis 4A: Global cultural and rationalization trends will positively affect the foundings of global professional associations.

Hypothesis 4B: Global cultural and rationalization trends will not affect the foundings of business associations.

Finally, it is important to explore why there are differences in the patterns of emergence of business and professional associations. The emergence of stock exchanges is not influenced by the conventional arguments of liberalization; instead, it indicates an increase in the number of platforms where financial knowledge is being meaningfully applied to practical problems. They are indicators of the degree of financialization of national economies and the broader commercial involvement of finance ideas. Therefore, we contend that business associations are more directly related to national political agendas, but that professionalization agendas are less connected to regional political ideas and represent dominant ideologies spreading from the West.

Hypothesis 5A: Professional global finance associations are more affected by the rise of global finance activity and the evolution of a global finance culture emanating from “core nations.”

Hypothesis 5B: Business global finance associations are more affected by global financialization of business activities.

Methods and data

We follow the neoinstitutionalist tradition of quantitative methods in our analysis of cross-national time series data and event count data on world polity processes (Schofer and McEneaney 2003). The focus on a longitudinal observation plan is crucial in studying the various arguments put forward to explain the foundation of global associations. Our approach reveals (i) that the “associational transnational” organization of finance shows evidence of historical time dependence and (ii) that by comparing different time periods we see the limits of technical functionalist accounts of transnational organization, that is, efforts to explain by means of the argument that there was a need to organize in a particular way at a particular point in time.

The event of interest in this analysis is the founding of a transnational finance association (both business and professional associations). We created an original dataset on founding dates and other features of all active global finance associations from 1879 to 2006. The data on global finance association foundings are coded from the Yearbook of International Associations 2005/2006,⁵ published by the Union of International Associations.⁶

Dependent variables

We use two dependent variables, one for each of the global finance subpopulations observed: *professional association foundings cumulative* and *business association foundings cumulative*, which are the cumulative counts of professional and business associations, respectively.

Independent variables to test hypotheses

Hypothesis 1: We use the variable *global capital mobility* to explore global functional forces. These time series data are a measure of the ratio of foreign-owned capital to output.⁷

Hypothesis 2: Infrastructural development in global finance, the need for specialized organizations informed by the proliferation of Western-style economics, is captured using the variable *Central Bank foundings cumulative*, as in Pollilo and Guillén (2005). This is an annual cumulative count obtained from a comprehensive roster of central bank foundings maintained by the Bank for International Settlements.⁸

Hypothesis 3: Three dummy variables to measure the impact of the Bretton Woods regime using the categorical variables: *Gold Standard*

Regime (1880–1914), Interwar Regime (1914–45), and Post-Bretton Woods Regime (1971–date).

Hypothesis 4: Core nations global professional finance association foundings measures the rationalization and professionalization of finance in core nations. It measures cumulative professional finance association foundings in the USA and the UK.

Hypothesis 5: Global science association foundings cumulative measures global trends in rationalization and universalism with a cumulative annual count of all science organizations founded during the period of the study (Schofer 1999, 2004). *Stock exchange foundings cumulative* measures the global trends for specialized business expertise by an annual cumulative count of the number of stock exchanges founded up until and including each year.

Models and analysis

The founding of a new global finance association is a Poisson process in which the rate of arrival λt is determined by a function of the covariates. The model assumes that the rate is constant, the events are independent, and there is no observed heterogeneity. The founding process of global finance associations experiences contagion effects that are common to organizational foundings (Hannan and Freeman 1987). To cater for the time dependence in rate, contagion, and unobserved heterogeneity within periods of observations, we used the negative binomial regression models, as recommended by Barron (1992).

Results

Table 7.1 presents a summary of the results of the negative binomial models of the association founding counts⁹ of the two subpopulations of global finance associations and a summary of the hypothesis, and the support for them provided by the models. The result of the negative binomial analysis is given in Appendix 7.1.

Business association foundings are positively affected by changes in global capital flows and capital mobility, infrastructural development, and sector-specific cultural trends. Global rationalization trends are insignificant in the model, thus supporting Hypothesis 4B. The emergence of a global finance culture that is based on the notions of rationalization and professionalization is not enough to explain why business-based finance associations came into

Table 7.1 Summary of results

Hypothesis	Description	Business Associations		Professional Associations	
		Direction of influence on foundings	Hypothesis	Direction of influence on foundings	Hypothesis
1	Global capital flows	Positive	Supported	Positive	Supported
2	Sector-specific infrastructure	Positive	Supported	Positive	Supported
3	Sector-specific cultural trends	Positive	Supported	No effect	Supported
4A	Global rationalization			Positive	Supported
4B	trends	No effect	Supported		
5A	Western culture			Positive	Supported
5B	Financialization of business	Positive	Supported		

Appendix 7.1 Modeling finance association foundings: results of negative binomial analysis predicting founding rates of professional global finance associations, 1879–2006^a

Covariate	Business finance associations	Professional finance associations
Constant	-1.56 (2.96)	2.06* (3.85)
Global capital mobility index _{t-1}	-1.92 (1.86)	-5.02* (2.71)
Central Bank foundings cumulative _{t-1}	-0.01 (0.03)	-0.07 (0.05)
Gold Standard Regime (1880–1914)	-3.23** (1.30)	-2.72* (1.43)
Interwar Regime (1914–45)	-1.02** (0.50)	-0.72 (0.75)
Post-Bretton Woods Regime (1971–date)	0.05 (0.38)	1.15* (0.87)
Global science association foundings cumulative _{t-1}	0.02** (0.01)	0.02* (0.01)
Stock exchange foundings cumulative _{t-1}	0.06* (0.01)	-0.01 (0.13)
Core nations global professional finance association foundings _{t-1}	-0.10** (0.04)	0.10* (0.07)
Log-likelihood	-120.24	-90.75
$\Delta\chi^2$ ^b	8.64	7.92
Δdf ^b	2	2
N = 127 years		

Notes: ^a Standard errors are in parentheses.

^b Relative to the previous model.

* p < .10

** p < .05

*** p < .01

being. Business association formation is positively affected by the rise in formal global science activity and a formalized rational global culture. Hypothesis 5B is supported as business associations were positively affected by the formation of stock exchanges.

The global flow of capital and infrastructural development increased professionalization activity but cease to be significant as field-specific forces come into play to explain the logic of professionalization. Hypothesis 3 is supported by the analysis as there was an increase in professional finance activity after the collapse of Bretton Woods, whereas the periods before Bretton Woods were not conducive to the formation of professional finance associations. Rationalization of the world as shown by “scientization” or the institutional penetration of science through formalized global proliferation of science as a rationalized activity (Schofer 1999) is shown to have promoted the emergence of new global professional finance associations, thereby supporting Hypothesis 4A.

Hypothesis 5A sums up the arguments about the rise of professional global finance associations by looking at how global stock market growth and professional activity in core nations affect the foundings of professional associations. The proliferation of professionalization projects in global finance is directly connected to political cultural regimes, rationalization, and scientization trends and a universal culture based on Western-style models and is not influenced by infrastructural developments such as the emergence of state banks or the proliferation of stock exchange activity across the world.

A community of global finance governance associations in the making

This chapter tracks the formalization and rationalization of finance in the modern world because the governance of finance has transformed itself in a number of ways. This transformation into the governance of global finance has several dimensions. Traditionally the field was governed by nation-states that remain relevant but now share the governance space with other actors. A second observation is that economists – as a profession – increasingly took on a transnational scope (from more nationally bound groups). Thirdly, other groups began to develop their professional identity and became relevant to the governance of the field. The two last evolutions are also connected with the increased role and presence of transnational organizations and associations. Therefore the cumulative result is a linear process of a decrease in the influence of economists and nation-states and an increase in the influence

of finance professionals. This complicated transformation resonates with what has happened in other fields (Djelic and Sahlin-Andersson 2006).

The results of our empirical analysis confirm the ideas we set out initially and also open up areas for new ideas and discussion. We note that the global finance field is heterogeneous, with different types of organizations. The subpopulation of business associations is heterogeneous, comprising banking and trade associations, associations of stock exchanges, and development-oriented business associations. We also note that business-oriented finance associations track the standard path of the development of global finance post World War II, much influenced by functionalist need-based factors.

Professional associations differ from business-oriented finance associations, however, in their timing and pattern of emergence, their core purpose, and the factors that have influenced their historical emergence. They represent “communities of practice” much in line with Wenger (1998). These are governance associations of professionals that share little in the way of day to day interaction, but share a common vision of purpose and practice – a rationally administered world, still organized by expertise-specific “communities of practice” (see Ramirez on accounting associations in this volume). This is a departure from the concept of “finance” initially based on American concepts of economics and trade. Fourcade (2006) looks at the “genesis and structuration of new modes of governance – rules and regulations and the organizing, discursive and monitoring activities that sustain, frame and reproduce them.” These insights summarize much of the manner in which one profession (economics) grew and became dominant globally. We are not talking about one profession, but rather a body of knowledge (theories, practices, accountabilities, expertise, and policy engagement) that comes under the banner of “finance” (see also Morgan and Kubo in this volume). These associations embody the notions of profession-building and governance of professional arenas (Abbott 1988).

Finance is embodied in rational organizations with loose linkages. In the evolution of these archipelagos of finance associations and in their development and transformation, we find the mechanism by which global finance came to be. Thus these clusters of associations or archipelagos can be thought of as evolving “imagined communities” that begin to appear in a global space, departing from the concept of a monolithic global community and creating the imagery of an archipelago of agencies. We depart from traditional ideas of community-building and propose here that territory and physical proximity, as well as direct interaction, are neither necessary

nor defining components of the concept of community (see also Djelic and Quack in Chapter 1 of this volume). We note that through the creation of common meaning systems and logics, transnational communities begin to emerge across associations. In this chapter we have observed how this phenomenon had an impact on the structuration and governance of financial activity as global finance associations clustered together around a particular logic, and how these clusters followed different trajectories of evolution.

Conclusion

This chapter seeks to contribute to the recent upsurge in organizational studies of global organizing in broad policy sectors (Djelic and Quack 2003; Ventresca *et al.* 2003). By building on frameworks and arguments at the intersection of work on transnational communities, structuration, and world culture and global organization, we have examined issues surrounding the founding dynamics of global finance governance associations in the nineteenth and twentieth centuries.

We have looked at the associative form of organizations that are a voluntary “coming together” of actors around specific ideas and a common purpose. These associations are interesting cases since this type of formal organization is a distinctive venue for action as well as a “marker” or “indicator” of action.

In tracking the foundings of these associations, the aim was not to investigate how finance became important in modern capitalism; instead, we looked at this sector as one specific case in which activities came to be organized transnationally through formal organizational clusters around specific themes, ideas, and logics.

First, this chapter presents a framework for understanding transnational organization and community formation through a historical view. The framework allows us to approach the structuration of global finance over a period of time. Though this approach is common in neoinstitutional literature, we extend it to include broad political and historical factors.

Beyond the structure of the field of finance the content of the dominant discourses in finance was demonstrated by the two subpopulations that link to broader global dynamics. Professional finance associations are directly linked to the professionalization of finance. Finance in this sense is linked to a universalized culture, enshrined in Western-style economic analysis and tools, which is based on the growth of key international agencies and their

ideologies. Business finance organizations, on the other hand, represent all the ancillary expertise connected with business and accounting. These are also shaped by the same globalizing rationalities and cultural processes but the drivers of these are less tied to developments in global finance and more to the financialization of various domains.

Extending this analysis further, we have attempted to explore how different logics are shaped in different ways and how these processes interact over time to form a collective phenomenon. The different historical evolutions of business and professional finance suggest the importance of disaggregating and paying attention to how different logics are affected by different forces.

Functionalist explanations of the above-mentioned observations are based on material resources, demand, social diffusion processes, and the formalization of finance as driven by the globalization of economics-based ideas. However, the empirical study does not fit this pattern. By examining how functional as well as cultural factors have affected the rise of finance associations this work builds on neoinstitutional work but extends it by examining how these two sets of arguments interact with each other and which one provides better explanations.

The two subpopulations represent different logics and emerge differently, and their growth helps explain the community formation process across associations. In our view interaction does not imply community but common ideas and logics are key to community emergence. In the case of finance we note that there is no single population but instead archipelagos in which finance associations incorporate ideas such as accounting, professionalization, and development. Where there is debate, energy, and opportunity, associations form and “imagined communities” or archipelagos subsequently emerge. Here the image is not that of an integrated community but of emerging clusters. Therefore it is useful to extend traditional theories of community formation to incorporate ideas of emerging archipelagos, in analogy with Simmel’s notion of multiple and intersecting circles of social interaction and community formation (Djelic and Quack in Chapter 1 of this volume). In conclusion, this chapter builds on earlier work on the study of globalization that is pervasive in the neoinstitutional literature and the literature on transnational communities, and presents a more comprehensive theoretical and methodological framework. The approach adopted here is macro-phenomenological, but it also pays attention to micro-processes and variations. The comparative approach reveals that unitary explanations of globalization and transnational communities can benefit from adopting a more detailed comparative approach.

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NOTES

1. Examples include the Chartered Institute of Management Accountants – England (CIMA), Financial Executives International (FEI), and the Association of Corporate Treasurers (ACT).
2. Examples include the International Co-operative Banking Association, the European Banking Federation, and the European Association of Cooperative Banks (EACB).
3. Different internal forms and logics are also noted in other fields. In the field of global science there are professional and socially oriented associations (Schofer 1999), and health has professional, development-oriented, human rights-oriented, and charity-based associations (Inoue and Drori 2006).
4. Earlier “transnational organizing” was also notable. The West Indies Committee, founded in 1750 and later a Trading Company, was a key political and economic development agency in the formation of early UK finance institutions; see also Carruthers (1996) on the origins of the London Stock Exchange.
5. Edition 42.
6. Inactive or disbanded associations are not included. The proportion of these associations is small and therefore will not affect the results (Boli and Thomas 1999).
7. These data come from Obstfeld and Taylor (2004), Figure 2.1, with the permission of Alan Taylor.
8. www.bis.org.
9. The association foundings were modeled using time-series data of cross-national counts of such foundings.

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