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New plots are badly needed in finance:
Accounting for the financial crisis of 2007-2010

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Organizing in Action Nets



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Abstract

This paper reviews emplotments of interpretations of the financial crisis of 2007-2010. Whereas popular culture, including the media, has a tendency to insist on strong plots, repeating the same type of explanation, the intellectuals, especially those from humanities, offer atypical plots. Such deviant, and sometimes even subversive, plots are rejected or ignored by the public, however, which favors those of popular culture.

The way significant and often startling events and facts relating to the world of accounting, finance and economy are cast or framed by stories and plots circulated in popular culture may well affect the attitudes and actions of members of the public and regulators toward such economy-related professions, and may negatively or positively affect the careers of practitioners in them. Therefore, perhaps it is opportune for management and organizational scholars, accounting researchers among them, to gain a greater understanding of the humanist concepts and approaches from cultural studies, some of which are presented in this paper. They may offer hope and clarity in navigating the gaps between matters of the accounting profession (economy) and popular culture.

Introduction: Popular culture and economy

For at least three decades (1950s-1980s) the attitude of social sciences toward popular culture was in tune with the tradition of the Frankfurt School. The founders of British cultural studies – Richard Hoggart, Raymond Williams and E.P. Thompson – upheld the opinion that popular culture is the medium of capitalist manipulation of the masses. Encounters with a different type of Marxism (as interpreted by Gramsci), then with French structuralism and with power analyses by Foucault, however, led Stuart Hall, summarizing the state of the field in 1980, to suggest that the "high/low culture distinction" (p. 57) needs to be reevaluated. But it was perhaps "the cultural turn in American sociology" (Friedland and Mohr, 2004), which began in the 1980s, that made the greatest contribution toward dissolving the distinction between high and low culture and paying serious attention to popular culture.

A systematic analysis of this turn is beyond the scope of this text; it has been thoroughly analyzed in the volume edited by Friedland and Mohr (2004), for instance. Here, I would like to highlight two of its consequences, relevant to my discussion. The first was abandonment of the image of a (usually working-class) consumer of popular culture as a "cultural dupe" (Fiske, 1987:17): a powerless, incompetent, and passive recipient. The second was the admittance that popular culture is both a reflection of, and a projection onto, contemporary social processes, including such apparently distant realms as the economy.

In the field of organization and management studies, the topic of a connection between popular culture and work, organizations, and professions has become increasingly pertinent (see, e.g. Hassard and Holiday, 1998; Smith et al., 2001; Rhodes and Westwood, 2008; such journals as *Culture & Organization* and *Accounting, Organizations and Society*, or the special issue of the *Accounting, Auditing & Accountability Journal*, forthcoming). From this developing field, I have selected a few concepts that will be of use for the topic of this paper: the employment of explanations concerning the causes of the financial crisis of 2007-2010.

One concept that I still borrow from traditional cultural studies is Johnson's (1986-7) idea of a *circuit of culture*. In tune with Fiske's (1987) protest against seeing the recipients of popular culture as passive consumers duped (or even doped) by the producers, he suggested that not only the division between high and low culture, but also between production and consumption of culture ought to be abandoned. Private lives are being turned into public representations, which in turn shape private lives. Lived cultures give birth to cultural artifacts; Johnson spoke of texts, but pictures, films, shows, and many other such artifacts qualify. These are read, watched, listened to, used – and interpreted – and the interpretations form part of the lived culture.

Thus, in spite of the traditional separation between "culture" and "economy", there is no doubt that economy is a central tenet of contemporary cultures, and that popular culture reflects economic phenomena. This development has long been observed and commonly accepted. Anthropologists Marcus and Fischer (1986) postulated that popular culture is a valid source of knowledge about society for the "repatriated" anthropologists, who now study modern societies (see also Rhodes and Westwood, 2008). But the assumptions of circuit of culture suggest more: popular culture teaches people how to interpret societal phenomena, but it also shapes actual practices. Wall Street traders all began wearing suspenders after Oliver Stone's 1986 *Wall Street* movie. The question is: Were suspenders the only things they imitated? "Representations of fictional bankers influence the behaviour and attitudes of 'real' bankers", noted Linda McDowell (1997: 39-40).

I find two notions relevant for the analysis of the processes taking place in such a circuit: interpretative templates and strong plots.

Interpretative templates and strong plots

The notion of *interpretative templates* (Czarniawska, 2010) is close to Schütz's (1973) "interpretational schemes", although the latter are more like referential schemes, which Goffman (1974) called later "frames". Interpretative templates can be categorized under specific frames or genres, but they are best understood via an analogy to templates on our computers: a model or a pattern from which similar interpretations can be made.

One could object that software templates are merely forms: a business letter (a *genre*) starts with "Dear Sir/Madam", continues with specification, and ends with "Yours sincerely". Interpretative templates offer much more: they suggest the frame, but also offer a key to understanding, and even prescriptions for further action. One of the most valuable aids in such a template is a way of structuring the meaning of the message such that it appears logical and convincing: the text's *emplotment* (White, 1973). Another is a set of *characters*, although the two are often connected; certain characters are typical of certain plots. It can be said that innovative literature offers plots that produce characters, whereas the connection between plots and characters in popular literature is often metonymic: as description of a character, or sometimes even a setting, already tells already the reader what the plot will be. This does not constitute a defect: Umberto Eco (1983) claimed that most popular fiction earns its appeal thanks to its predictability. Its iterative scheme provides a relaxing redundancy, appreciated not the least by cultivated readers, who find in it a well-earned repose from their daily demanding occupations.

Interpretative templates offered by popular culture use *strong plots* more often than not (Czarniawska and Rhodes, 2006). As these are the main focus of the present text, I will first take a closer look at the notion of plot.

Emplotment means introducing structure that allows making sense of the events reported in a narrative. Traditionally, it answers to a question: "why?" where, in positivist, scientific view, the answer should be formulated in terms of causal laws; in romantic view, in terms of motives. In post-positivist, post-romantic discourse (Brown, 1989), but also in popular culture, it assumes a form of showing "how come?" where laws of nature, human intentions and random events form a hybrid mixture.

Although the notion of plot (*mythos*) plays an important role in Aristotle's *Poetics*, it is a commonplace expression in literary theory, which means that it is often used but rarely defined. Suffice to say that there exists at least one whole book dedicated to plot (Dipple, 1970), but even there the author merely repeats, after Aristotle, that "[p]lot is the arrangement of action" (p. 43).

The most quoted adaptation of the Aristotelian notion is that of the Bulgarian-French literary theorist, Tzvetan Todorov¹. His definition of a basic plot, or rather his description of it, is:

The minimal complete plot consists in the passage from one equilibrium to another. An "ideal" narrative begins with a stable situation which is disturbed by some power or force. There results a state of disequilibrium; by the action or a force directed in the opposite direction, the equilibrium is re-established; the second equilibrium is similar to the first, but the two are never identical (Todorov, 1977: 11).

This "minimal" plot is also what the Russian Formalist Vladimir Propp (1928/1968) called a "move", and the Lithuanian-French semiotician Algirdas Greimas "a narrative program". Most tales contain more than one move, or great many often competing narrative programs, which must be connected to one another. Such a combination of plots is usually achieved by one of two strategies: *linking* (coordination, i.e. adding simple plots to one another so they fit; and *embedding* (subordination, i.e. setting one plot inside the other) (Todorov, 1977). One can add, after White (1973) that, like historians, both journalists and social scientists are confronted with "a veritable chaos of events *already constituted*, out of which [they] must choose the elements of the story [they] would tell" (p. 6, footnote 5). Thus a necessity of two additional tactics: *exclusion* and *emphasis*.

A poor storyteller hopes that chronology will stand for causality and thus there is no need for emplotment; a clever storyteller sells chronology for causality (what happens earlier causes what happens next, see Bruner, 1990). But even a clever storyteller could not make chronology pass for causality if the elements of the narrative are connected by succession only; for a story to become emplotted, they must also be related by transformation (Todorov,

¹ My loans from narratology come mostly via Todorov, as I find his approach devoid of the essentialism of structuralism and of the hype of poststructuralism; he borrows freely from such classics as Propp (1928/1968) and Greimas (1990), without following either of them slavishly.

1990). An emplotted story thus involves not only a syntagmatic dimension (and and and) but also a paradigmatic one (or or or, Czarniawska, 2004).

What attracted attention of many lay and professional analysts of literature was the fact that, at least at given times and places, there seem to exist well-established and therefore repeated patterns of emplotment, often recognizable as variations of myths, folk tales, and classic literature. A structuralist explanation, in the spirit of Lévi-Strauss (1958/1968) or Chomsky (1965) would suggest that they express the universal structure of the human mind. An alternative but similarly essentialist Jungian claim is that they represent archetypes, a collective unconsciousness (Booker, 2004; Gherardi, 2006).

Czarniawska and Rhodes (2006) called such repetitive patterns of emplotment strong plots, and suggested an institutional explanation of the phenomenon, pointing out that strong plots are not universally strong. Some plots may appear "stronger" than others because they have become institutionalized, repeated through centuries, well rehearsed. The orthodoxy of representation controls in such cases possible interpretations (Rhodes, 2001). One could perhaps speak of conventional rather than traditional plots, and of dominant rather than strong plots, as they are strong in a given time and place. There are many mythologies and each of them contains many myths; there are many Greek dramas, and great many folk tales, yet not all of them are always popular. As Yiannis Gabriel (2004) pointed out, the myths of Sisyphus and Oedipus were long forgotten in Greece until they were "retrieved" by Camus and Freud.

They were retrieved from what philosopher Avishai Margalit (2003) called a common collective memory (which contains, among other things, institutionalized patterns of interpretation), and moved to a shared collective memory during times when they seem relevant. They were chosen from among many on the grounds of present concerns – this is why popular culture enlists the help of strong plots to construct interpretative templates for its consumers.

Atypical plots, therefore, could be simply defined as those that do not circulate within popular culture; those that are not "popular" in the literal meaning of the word. There exist also plots that subvert strong plots, even in popular culture. Mendelsohn (2002) suggested that some of Euripides' tragedies were politically subversive (in his time); Rhodes and Westwood (2008) exemplified such subversive plots with Dilbert comics and the UK series "Absolutely fabulous".

In what follows, I first present some strong plots used earlier in popular culture to give meaning to startling events in the world of finance. I then move to explanations of the 2007-2010 crisis, ending with some atypical plots originating both within and outside the popular culture. It must be added that I do not conduct a narratological analysis of such stories, as doing it would require a severe reduction of examples, whereas their number and repetitive-

ness is among aspects I wish to emphasize. Thus it is a review of the received ("strong") and some atypical and subversive emplotments of the dramatic events in the world of finance.

The fate of women and men in finance

Women are still an oddity in finance, and it is their presence that feeds the plot (Czarniawska, 2004; 2010). The circuit of culture is also visible here, in the sense that different genres of popular culture feed each other, helping to establish interpretative templates. A female trader in Sweden has been accused of blanking deals; the event was so unusual that media commentaries were sparse (also because the legal proceedings required discretion). Two years later, a detective story was published, with a woman trader as victim-cum-villain. Reporting on the trial, which took place two years later, journalists borrowed freely from the fictive story, framing their interpretation of trader behavior in similar terms.

Linda Davies was a British FX trader who left the world of finance, horrified by its peculiarities. She wrote a spy story (Davies, 1995), the protagonist of which was a successful female FX trader, investigating suspected bank corruption undercover. Both media reports (Davies was often interviewed) and fictive stories were emplotted around the peculiarity of the presence of a woman in an alien world of finance. A close analogy with these plots could be found in several of Euripides' tragedies describing women leaving their natural environment – home – and entering the public place (the city; Mendelsohn, 2002). All these female characters meet with a tragic fate. They may even save the city by trespassing, but they must either die or be sent back home.

Thus the plot is built around the act of trespassing. The motives of the act are basically two: uncontrollability (disobedience) or an understanding of the need for sacrifice (and therefore ultimate obedience, even in trespassing). What makes women in finance similar to Euripides' heroines is that they enter a male world (Czarniawska, 2008).

In contrast, the plot of the stories portraying men guilty of transgressions in the world of finance is constructed around the origins of the protagonists (not appropriate for the world of finance) or their specific traits (which, in turn, may be due to nature or to nurture). One such character, which left many traces in popular culture, was Nick Leeson, or "the rogue trader" as he was called in the 1999 movie under the same title.² The plot there was two-fold. On the one hand, viewers learn that Leeson was a "lad" from a working class background with the wish to ascend in life. He lacked understanding of the rules of a "gentlemen's club", which the Baring Bank still was – at least

² Directed by James Dearden, with Ewan McGregor playing Nick Leeson. Real Leeson contributed to the script.

in the movie. This plot was immortalized by Evelyn Waugh in *Brideshead Revisited* (1945; a 1981 TV series and a 2008 film adaptation). The complementary plot was based on Leeson's personality trait: his tendency to gamble, described so well by Dostoyevsky in *The Gambler* (1866, autobiographical).

A more recent case, which in fact coincided with the crisis, was that of Bernard Madoff, who entered "gambling tendencies" in his plea. But even here, this was only one of the strong plots in use; though not explicitly, his Jewish origins have been noted in the media. *The Guardian*, critical as always, immediately noticed the appropriateness of these strong plots and the interpretative templates connected to them for explaining the crisis:

If only there were a Madoff to blame for the meltdown. It would be therapeutic to nail the bad guys of the global collapse. We can't, of course – because there are just too many of them.

Bethany McLean, *The Guardian*, Saturday 14 March 2009.

We should be grateful to Bernie Madoff. Seriously, I say that because he provides a target for our bloodthirst, our search for someone who can be held responsible for the overnight evaporation of what was supposed to be billions of dollars in wealth. There's something satisfying about the story of a villain and his victims when, in the end, the villain gets punished. Unfortunately, we may never get this same satisfaction out of the search to punish those who are responsible for the wreckage of the global financial system.

The Guardian's journalists poked fun at the media's and their public's preference for strong plots, suggesting, however, that it is a US phenomenon:

Madoff exposed other swindlers, revealed the incompetence of US regulators – and gave America the villain it needed

Chadwick Matlin, guardian.co.uk, 12 March 2009

Bernie – may I call you Bernie? – you arrived at just the right time. In December, when you admitted your fraud, we Americans were spewing anger, but it wasn't directed at anyone in particular. (...) But then you descended from the Lipstick Building: a middle-aged, extremely wealthy white guy from New York – exactly the demographic at which Main Street wanted to direct its scorn. (Your Judaism probably didn't hurt). Instead of conning via derivatives, you conned through deceit. And we can understand deceit. That you had nothing to do with the root cause of our economic crisis didn't matter. (...) You were evil. Case closed.

If a Shylock-inspired plot could not explain the crisis, what would? When I started my study in March 2009, I was convinced that I would be able to cover most of the texts dedicated to explaining the crisis. By 2010, there were thousands of explanations, and several Wikipedia entries. The table of contents of one of them reads:

Contents

- 1 Background
 - 1.1 Growth of the housing bubble
 - 1.2 Easy credit conditions
 - 1.3 Weak and fraudulent underwriting practice
 - 1.4 Sub-prime lending
 - 1.5 Predatory lending
 - 1.6 Deregulation
 - 1.7 Increased debt burden or over-leveraging
 - 1.8 Financial innovation and complexity
 - 1.9 Incorrect pricing of risk
 - 1.10 Boom and collapse of the shadow banking system
 - 1.11 Commodities boom
 - 1.12 Systemic crisis
 - 1.13 Role of economic forecasting
- 2 Financial markets impacts
 - 2.1 Impacts on financial institutions
 - 2.2 Credit markets and the shadow banking system
 - 2.3 Wealth effects
 - 2.4 European contagion
- 3 Effects on the global economy
 - 3.1 Global effects
 - 3.2 U.S. economic effects
 - 3.3 Official economic projections
 - 3.4 2010 European sovereign debt crisis
- 4 Responses to financial crisis
 - 4.1 Emergency and short-term responses
 - 4.2 Regulatory proposals and long-term responses
 - 4.3 United States Congress responses
- 5 Books, blogs, and films on the crisis
(http://en.wikipedia.org/wiki/Financial_crisis_of_2007-2010, accessed 2010-11-30)

As can be seen from this quote, there is a long list of contributing factors (the article has 211 references), but Wikipedia steers away from interpretations. These abound in popular culture, and Wikipedia actually lists some of them (position 5):

Books, blogs, and films on the crisis

The financial crises have generated many articles and books outside of the scholarly and financial press. Most notable have been articles and books by author William Greider, economist Michael Hudson, author and former bond salesman Michael Lewis, Congressman Ron Paul, author Kevin Phillips, and *Rolling Stone* national correspondent Matt Taibbi.

In May 2010 premiered *Overdose: A Film about the Next Financial Crisis*, a documentary about how the financial crisis came about and how the solutions that have been applied by many Governments are setting

the stage for the next crisis. The film is based on the book *Financial Fiasco* by Johan Norberg.

In October 2010, a new documentary film about the crisis, *Inside Job* directed by Charles Ferguson, was released by Sony Pictures Classics.

In addition, a number of blogs experienced phenomenal growth, including *The Baseline Scenario* by James Kwak and Simon Johnson, *Calculated Risk* by Bill McBride, and *Zero Hedge* by "Tyler Durden".

In what follows I report interpretations of the crisis, many of which come from outside the USA³, and concentrate on typical examples selected from the time of the "epicenter" of the crisis in 2009, adding other examples only insofar they offer interesting deviations from popular interpretations.

Popular culture as the source of popular plots: The media

In March 2009, *Il sole 24 ore* – the Italian equivalent of *Financial Times* – offered its readers a DVD of the *Wall Street* movie, with the following explanation:

Cinema and stock markets: Between fiction and reality

Wall Street, the red thread of greed. The raiders of 1987 and the financial engineers of 2008 beyond the most recent collapse of the markets.

(...) The young brokers between two models: the entrepreneurial father and the unscrupulous raider Gekko. Wall Street ruined Main Street (28 March 2009, author's translation)

There were events at home that could not be explained by the influence of *Wall Street*, the movie, however – the case Exor⁴, for example. On 25 April 2005, Exor Group (Agnelli's family holding company) made an equity swap with Merrill Lynch for 90 million Fiat shares. It then provided Commissione Nazionale per le Società e la Borsa (Consob: The National Commission for Society and Stock Market) with false information, denying the swap. Consob took them to court, and 26 March 2009 was the first hearing in the case against Gianluigi Gabetti, Franco Grande Stevens, and Virgilio Marrone. Charge: manipulation of information.

According to *La Stampa*, Gabetti, who was 85 at the time, said: "I have never lied in all my life". Asked to explain the equity swap, he answered: "We needed to do it quickly and well, like *In 80 Days Around the World...* [At Fiat] they called me Braveheart." Consob postulated that the new Exor and Giovanni Agnelli S.a.p.az have civil responsibility for the deed, but the motion was refuted.

³ Although Johan Norberg is Swedish, only Michael Lewis is widely known in Europe. His *Liar's Poker* (1990) was a bestseller, as is *The Big Short* (2010), which tells stories of people who made money on the crisis because they predicted its occurrence.

⁴ <http://www.lastampa.it/redazione/cmsSezioni/economia/200903articoli/42284girata.asp>, accessed 20101208. Author's translations.

It seems that it is not only US finance that follows models from popular culture. Although it takes more imagination to translate Julius Verne and the figure of medieval Scottish knight into financial practice, it can obviously be done.

By reading media reports, one can acquire an impression that whereas real analogies fail, the fictive ones are better sustained, probably because fiction permits wider interpretations. Jerome Kerviel, a French trader guilty of fraud, did not provide material for appropriate emplotment, for example, although it has been frantically sought:

Jerome Kerviel: "genius" or mediocre backroom boy?

Jan 26, 2008 Paris (Reuters)

A former teacher said Kerviel was a diligent student. [but] his education in back-office market operations could have been used to do wrong. "It is a little like someone who is a locksmith and becomes a burglar"... A family member... said Kerviel was a "decent boy" who was being made a scapegoat... So how could such an unassuming person get into so much trouble?... [He] suffered a recent double blow in his personal life... A SocGen board member [said that] ... Kerviel was not "one of our stars" yet Bank of France Governor described him as a "genius of fraud".

"Genius of fraud" would be a good fit, of course (one could almost see Peter Sellers playing such a role), but it did not hold. Another possibility was *The Rogue Trader*, although Kerviel opposed the analogy.

Kerviel denies he was a Leeson; consequences follow

SocGen CEO Resigns Over Rogue Trader, Apr 18 2008

Although investors and politicians – including French President Nicolas Sarkozy – had demanded Daniel Bouton's resignation immediately after the revelation of J.K.'s massive fraud, the bank insisted he stay on to keep SocGen from collapse, reports the FT.

Still, as noted by *The Guardian* in the case of Maddox, these "background + character" interpretations were not enough to emplot the events. The phenomenon was too big and too surprising, and the plot where single villains upset the initial equilibrium (the free market) leading to crisis could not hold long. In such plot, it is enough to put villains to prison in order to restore the equilibrium. Thus, more complex if still strong plots were needed.

When the templates do not fit

Popular culture, and contemporary media in particular, experience problems when new developments do not seem to fit existing interpretative templates. This observation is not meant as a critique; the requirement of speed in the media (Czarniawska, 2011) means that new events are interpreted at the outset according to old templates, as there is no time to produce a new template

when the news must be announced. Also, it is more common to see a shift from one existing template to another, from one strong plot to another, rather than a creation of a new template. It is a rare event, however, when such a shift can be detected and documented, as when *Financial Times* interviewed John Thain in December 2008, clearly within the template of "the heroes of finance", only to learn that he was fired in January 2009:

The shaming of John Thain: Was the rise and fall of Merrill Lynch's last chief executive an object lesson in Wall Street hubris?

John Thain is giving us a tour of what is soon to become America's most infamous office (...) This was early December, a little under two months before Thain would be fired in the same room by his new boss (...) Thain could rightfully claim to have saved his bank from ruin (...) Before Merrill, Thain had gone from one success to another (...). But (...) he appeared to be a man in a bubble, not good at listening to advice, and worse, at detecting changes of tone when it came to the public's tolerance for corporate excess (...). Flashes of arrogance and misjudgment (...) were becoming apparent to his new bosses at BofA who were keenly aware that the old Masters of Universe banking model was done for. [Thain was described in 1998 as] "a stone-cold killer". [BofA executives] had found the opportunity they had been looking for: Thain would take the fall for bonuses and for as much else as they could lump on him (...). In the wake of his firing [applauded by Merrill's employees] – when Thain apologised for the office redecoration and promised to reimburse the company – many of his charges unburdened themselves about his failings, real and perceived. (...) Was Thain the man in the bubble – brilliant at understanding turn-of-the-century banking but deaf to the world beyond Wall Street, and to dissenting voices in his own ranks? If so, was he really so different from his peers? (Farrell and Sander, 2009)

But *Financial Times* quickly recovered from admitting a lack of understanding. Its US managing editor, trained social anthropologist Gillian Tett, offered what was praised as an excellent ethnography of finance (see e.g. MacKenzie, 2009), but what was nevertheless emplotted according to a typical novel about "unrestrained greed". The subtitle of the book summarizes it well: "How unrestrained greed corrupted a dream, shattered global markets and unleashed a catastrophe." And here is how the suspense is built at the beginning of *Fool's Gold* already in the description of the initial setting:

On half a mile of immaculate private beach, along Florida's fabled Gold Coast, sits the sugar-pink Boca Raton Hotel, designed in gracious Mediterranean style by the Palm Beach architect Addison Mizner. Since the hotel opened in 1926, it has styled itself a temple to exclusivity, boasting Italianate statues and manicured palm trees, a dazzling marina with slips for thirty-two yachts, a professional tennis club, a state-of-the-art spa, a designer golf course, and a beautiful strip of pri-

vate beach. A glitzy roll call of celebrities and the wealthy have flocked to the resort, billed as a "private enclave of luxury," where they can relax well away from prying eyes.

On one summer's weekend back in June 1994, a quite different clientele descended: several dozen young bankers from the offices of J.P. Morgan in New York, London and Tokyo. They were there for an off-site meeting, called to discuss how the bank could grow its derivatives business in the next year. In the humid summer heat, amid the palm trees and gracious arches, the group embraced the idea of a new type of derivative that would transform the wider world of twenty-first century finance and play a decisive role in the worst economic crisis since the Great Depression. "It was in Boca where we started talking seriously about credit derivatives," recalls Peter Hancock, the British-born leader of the group. (Tett, 2009: 3)

The table of contents of Tett's book runs along the storyline:

Part One: Innovation

1. The derivatives dream
2. Dancing around the regulators
3. The dream team.
4. The cuffs come off.
5. Merger mania.

Part Two: Perversion

6. Innovation unleashed
7. Mr. Dion takes charge
8. Risky business
9. Leveraging lunacy
10. Trends

Part Three: Disaster

11. First failures
12. Panic takes hold
13. Bank run.
14. Bear blows up
15. Free fall.

The recommended solution is a "truly holistic thought" (p. 298). The book is perhaps ethnographical, but it steers away from that genre by offering no insight into the way information was gathered, or any other data that might have provided the reader with information for evaluating the credibility of the all-knowing voice of the narrator.

But, as the metaphor of circuit of culture suggests, it is not that the media and other producers of popular culture are forcing their strong plots on audiences. Audiences demand them. On 23 April 2009, there was a seminar at my School, dedicated to the ongoing financial crisis. It started with a presentation of two economic historians, who reviewed several earlier crises and their explanations for them.

Journalist (mediator): You have presented us with interesting models. But, if this question is not too primitive for you, whom should we hang?

Historians: Financial crises occur cyclically. Everyone involved had a moral responsibility, but it does not make sense to look for scapegoats.

Voice from the public 1: But you didn't give us the cause. Isn't it greed? These people should be treated by therapists.

Historians: One would have to define the difference between greed and self-interest, the capitalism's fundament.

Voice from the public 2: Your models are correct, but not very relevant for the present crisis. Isn't "legal corruption" the reason? Students at business schools should be taught about the self-destructiveness of the markets.

Historians: Legal corruption was visible in all crises.

Voice from the public 3: Isn't there a technical solution that would tame the swings? Something like a firewall in computers? Business schools should invent it.

Historians: Yes, in the short run – as Keynes himself admitted – but long-run tensions between stability and change will continue. (Field notes)

The circular character of the interpretation is clearly visible in this exchange. The journalist wants somebody "to hang"; the audience agrees, and asks for villains and solutions. The demand for speed forces the media to use existing plots, and to evoke well-known interpretative templates (attribute the blame!). Deviations from strong plots – like those offered by the historians – provoke corrections: "Your models are ... not relevant to the present crisis". The audience is well trained in the golden rules of journalism: proximity, identification, and negativity (Galtung and Ruge, 1965).

But perhaps the strong plot of "unrestrained greed" has long historical roots itself. As Niall Ferguson has pointed out,

[t]hroughout the history of Western civilization, there has been a recurrent hostility to finance and financiers, rooted in the idea that those who make their living from lending money are somehow parasitical on the "real" economic activities of agriculture and manufacturing. This hostility has three causes. It is partly because debtors have tended to outnumber creditors and the former have seldom felt very well disposed towards the latter. It is partly because financial crises and scandals occur frequently enough to make finance appear to be a cause of poverty rather than prosperity, volatility rather than stability. And it is partly because, for centuries, financial services in countries all over the world were disproportionately provided by members of ethnic or religious minorities, who had been excluded from land ownership or public office (...) (Ferguson, 2009a: 3⁵)

⁵ Ferguson himself opted for yet another strong plot – the economists' version of evolutionary theory.

It can be expected that intellectuals are free from strong plot rules, or at least have more time than journalists do to construct new interpretative templates and to offer atypical, if not subversive, plots. To some extent, they do, but the circuit of culture includes them as well. In the next section I provide examples of intellectuals importing strong plots, or at least testing emplotments similar to those in popular culture.

Academics and emplotment

US lawyer Charles R. Morris offered early on what has become perhaps the most agreed-upon interpretation of the events. Pointing out that: "Very big, very complex, very opaque structures built on extremely rickety foundations are a recipe for collapse" (Morris, 2008: 79), he listed the three main ingredients of the crisis:

- Chicago School in power
- "Greenspan's put" (cheap money)
- "tsunami of dollars" (US trade deficit)

Observe that even here the metaphors such "tsunami of dollars" are evoking popular imagery, and play a significant role in creating an interpretative template. Paul Krugman (perhaps *the* medial US economist at present) diagnosed systemic and ideological causes of the crisis in a similar way: "I believe that the only important structural obstacles to world prosperity are the obsolete doctrines that clutter the minds of men" (2008: 10, referring to the men from Chicago School⁶). But, an experienced media person as he is, he later formulated it in quite different terms: "Reagan did it!" (in 1982, by the deregulatory Garn-St.Germain Depository Institutions Act). And further: "Call me naïve, but I actually hoped that the failure of Reaganism in practice would kill it. It turns out, however, to be a zombie doctrine: even though it should be dead, it keeps on coming" (Krugman, 2009: A21) Thus villains – Reagan and zombie doctrines – make the picture clearer.

Sociologist of finance Donald MacKenzie suggested an emplotment in line with Actor Network Theory, that is, Greimasian, tradition, identifying as villains such actants as "evaluation cultures" (shared beliefs, practices, ways of calculating, and technical systems used in evaluation of financial instruments) and "metadevices" (durable assemblages of social relations and technical systems). As fascinating as it promises to be for sociology of knowledge, the thus-emplotted story of asset backed-securities (ABSs) and collateralized debt obligations, (CDOs; MacKenzie, 2010) is unlikely to grasp popular attention. Therefore MacKenzie, writing about same issues for *London Review of Books* (2008a,b), chose an emplotment similar in style to that of Gillian

⁶ Ferguson (2009b) turned it around, accusing Krugman of being in the thrall of Keynes.

Tett's, whose book he also reviewed (2009). An essay "End-of-the-world trade" (2008a) begins as follows:

Last November, I spent several days in the skyscrapers of Canary Wharf, in banks' headquarters in the City in the pale wood and glass of a hedge fund's St James's office trying to understand the credit crisis that had erupted over the previous for months. I became intrigued by the oddity that I came to think of as the end-of-the-world trade. The trade is purchase of insurance against what would in effect be the failure of the modern capitalist system. It would take a cataclysm – around a third of the leading investment-grade corporations in Europe or half those in North America going bankrupt and defaulting on their debt – for the insurance to be paid out. (...)

Of course, the credit crisis has increased the risk of systemic economic failure. But the existence and rising price of the end-of-the-world trade indicate something beyond that. (...) What is revealed by the end-of-the-world trade is that the current crisis concerns the collapse of public fact. (MacKenzie, 2008a)

Thus MacKenzie offered a summary of the plot in a nutshell (the collapse of the public fact), supported by a powerful metaphor ("the-end-of-the-world trade").⁷ No need for explaining what Actor Network Theory is and what actants are. A skillful emplotment, and a somewhat atypical plot. But does it have a chance to win against strong plots, where greedy villains are punished in the end?

What becomes obvious at that point is that there are actually two issues at stake, or rather two thresholds for academics to pass: *skillful emplotment* and *a plot that can compete* with strong plots. To take an example closer to home, Brendan McSweeney (2009) described three failures of the financial asset market that contributed to the crisis: failure by signal (close to MacKenzie's collapse of the public fact), failure by "unrestrained purpose" (somewhat close to greed, but in an institutional sense), and failure of "intertemporal consumption" (imbalance between short- and long-term needs and gains). Against this background, he analyzed the actual and potential role of accounting (which, unlike in the case of Enron, did not play a central role in the crisis drama). But such analysis, albeit interesting and relevant for the accounting profession, has no opportunity to make it into popular culture. John Roberts (2009), whose analysis is close to MacKenzie's and who shares McSweeney's concern about the role of accounting, emplotted his tale more dramatically. Playing on the similarity of words "interest" and "*inter esse*" (being among others), he chose the storyline of "losing faith in numbers" (p. 338), alluding to well known works on the topic. Still, an article in the online journal *Ephemera* can hardly count on popular success.

⁷ As McCloskey, 1990, noted, in accounts of economic events metaphors support stories, and stories explain and extend metaphors.

But is emplotting skill, clearly a problem in academic writing, enough to combat against strong plots? In the next section, I present attempts made by professional emplotters.

Atypical and subversive plots

Two popular writers (both with an academic and journalist background) suggested interpretations of crisis that went beyond the standard ones, and beyond the system of finance itself. Their plots, though not strong (yet), attracted some popular attention, and are therefore presented first.

Barbara Ehrenreich (2009) suggested that the famous American "positive thinking" brought the world of finance to a crash, and not for the first time. On the one side of the market, consumers believed that God wants Americans to be rich; on the other side, corporate managers were introduced to "the new business spirituality". Thus the US corporate culture abandoned the boring rationality of scientific management and entered the fantasy world of mysticism, charisma, and intuitive thinking. "Pumped up by paid motivators and divinely inspired CEOs, American business entered the midyears of the decade [2000-2010] at a manic peak of delusional expectations, extending to the highest levels of leadership" (p. 284).

Finance companies were no exceptions. Joe Gregory, then president of what was then Lehman Brothers was called "Mr. Instinct", and "motivational speakers" (specialists in pep talk) were welcome in many of these companies. Ehrenreich also observed that in the case of corporate leaders, this state of happy separation from reality was aided by their riches:

Corporate leaders, in the finance sector and elsewhere, had ascended into a shimmering bubble of wealth floating miles above the anxieties and cares of everybody else. Between 1965 and 2000, the ratio of CEO pay to that of a typical worker soared from 24:1 to 300:1. (Ehrenreich, 2009: 189)

Although "positive thinking" may be a US phenomenon, non-US companies tend to imitate its consequences. Each organization now has a "mission & vision", although only thirty years ago or so, "missions" were the purview of missionaries, and people with "visions" were advised to seek help.

Finally, Ehrenreich asked an obvious question: "Where were the regulators, the watchdogs, the rating agencies, like Moody's, that were supposed to make careful assessments of investment risks?" (p. 191) Her answer was that the agencies were themselves paid by the companies they were supposed to rate, whereas the regulators were in religious thrall of "market fundamentalism", with Alan Greenspan among the leading worshippers. Thus, not a particular act or acts, but a long influence of "positive thinking" corroded the US economy, getting it out of balance. This is a truly subversive story.

John Lanchester (2009: 4) began to study the crisis first as background to a novel, when he realized that he "had stumbled across the most interesting story [he had] ever found". In his book he reviewed the standard explanations of the crisis, but also provided interpretations and looked for connections, rather than supplying inventories of factors. For example, he pointed out that Alan Greenspan was a believer not only in market fundamentalism à la Chicago School, but also in the rather queer philosophy of Ayn Rand⁸. Although he is overly optimistic about the influence of Tversky and Kahneman on economics, the most intriguing connection he created is the one between the financial crisis 2007-2010 and the end of the Cold War in 1989:

(...) the good guys won, the beauty contest came to an end, and the decades of Western progress in relation to equality and individual rights came to an end (p. 17).

(...) the financial sector was allowed to run out of control (...) in a climate of unchallenged victory for the capitalist system, a clear ideological hegemony of a type which never had existed before (pp. 18-19). Capitalism no longer has a global antagonist, just at the moment when it has never needed one more. (p. 230)

Howard Davies (2010a), Director of London School of Economics, found Lanchester's thesis "unpersuasive" (no further arguments provided)⁹. Tyler Cowan, Professor of Economics at George Mason University, was of a different opinion: Lanchester's book "lists multiple causes, explains them with literary panache, does not track the narratives of individual participants (...); it does not demonize, but rather hints at an underlying moral dimension to the entire affair (2010: 13). Thus a truly atypical and subversive plot that switches the roles of the protagonists of the conventional story.

Be that as it may, atypical plots are by definition less popular than typical ones, or at least those that allude to typical ones; as of 30 November 2010, Ehrenreich's book showed 141,000 hits on Google, Lanchester's 271,000, but Gillian Tett's 830,000.

Perhaps most atypical plots, and critiques of strong plots, come from humanities. Richard Seaford, Professor of Greek Literature at the University of Exeter, delivered a Presidential Address to the Classical Association, in Glasgow, in March 2009. The title was "World without limits. The Greek discovery that man could never be too rich." He began by claiming that the 6th century Greek city-states were the first to be pervaded by money. The phenomenon of money led to the inventions of both philosophy (universal power resides in an impersonal, all-underlying, semi abstract substance) and tragedy (the possession of money renders old forms of social relationships unnecessary and promotes predatory isolation. Thus in the tragedies of post-

⁸ John Cassidy (2009) made it into his main plot, calling it "an utopian economics".

⁹ Davies himself authored a book on the crisis, titled *The Financial Crisis – Who Is To Blame?* (2010b).

Homer times, a prominent figure is that of a tyrant who kills his kin, violates the sacred, because he cares for money as the means of power).

In *Wealth* (which Seaford called "the earliest surviving text on economics", p. 14), Aristophanes stated that money homogenizes everything, and is omnipotent. Thus the myth of Midas. And, according to Seaford, after 2.5 millennia, money remains an isolating, unlimited, and homogenizing force.

Money had an element of tragedy for the ancient Greeks, because they postulated a culture of limit, claiming that the realm of freedom is created by a stable self-sufficiency. Contemporary culture is characterized by hostility to closure, as the realm of freedom is seen as defined by constant exchange. It can be said that contemporary cultures suffer under the curse of Oedipus: "our hyper-monetized, atomized, and self-destructive culture of the unlimited" Seaford, 2009: 15).

Zygmunt Bauman, a humanist if ever there was one, produced a similar interpretation in a commentary given to the press on 13 February 2009. Societies live torn between two desires, he said: that of safety and that of freedom. No golden mean exists. Postwar politics was oriented toward safety – thus the blooming of the welfare state. The 1980s initiated the opposite movement: toward freedom, with loss of safety as a result. One of the consequences was a changed attitude toward debt: "Take the waiting out of wanting", said the UK banks. The culture of saving is in conflict with the culture of credit: cognitive dissonance and identity crisis are the results. The only possible solution would be the revaluation of durability. Is that likely?

"Hardly", would be the answer of Margaret Atwood, whose 2008¹⁰ book, *Payback: Debt and the shadow side of wealth*, turned out to be prophetic, as it was written before the crisis, and referred to it just before it went to print. Market economies, she pointed out, are not underpinned chiefly by economic theories. They rely for their legitimacy and continued functioning on ideas about right and wrong, fairness in society, and orderliness in the world. Thus the concept of "debt" is a human construct that mirrors and magnifies both voracious human desire and ferocious human fear.

Before the crisis, there was a belief that sophisticated techniques of financial management can transform debt into a means of wealth creation from which even the poor could benefit. After the crisis, debt went back to being constructed as sin (where both the debtor and the contractor are sinners). Why, then, the perseverance of sin? Why do the sinners not don penitence robes and throw ashes on their heads, thus restoring the equilibrium they upset?

Because, Atwood suggested, obsessed as people are in present times by identities, as documented by life stories, debt serves as an excellent life-story plot:

¹⁰ Only 34,000 hits on Google, 30 November 2010.

... the obtaining of goods on credit, the avoidance of payment, the thrill of the chase, the anger at the creditor, and the acting out of victimhood (...) perform the function of providing a key element in a story-of-my-life (...) (Atwood, 2008: 85)

Perhaps Ferguson (2009a) was right in pointing out the historical hostility toward creditors, but debt currently provides a plot not only for the debtors' lives, but also for the creditors'. They can even choose between two variations: revenge or forgiving. This new emplotment of life stories also has historical roots; it was in the 19th century that debt became a strong plot in fiction¹¹. In the 20th century, it crept from fiction to life, or to lived cultures, where it stays.

As could be expected of a brilliant novelist, Atwood's emplotment, atypical and subversive, is also complex. The plot of the story of the crisis is embedded (subordinated to) the plot of moral economy; and the latter is linked to the plot of identity work.

What can be done? Because debt is a mental construct, "how we think about it changes how it works. Maybe it's time for us to think about it differently" (2008: 2003). It is a suggestion similar to that of Seaford and Bauman, and unlikely to attract many followers, especially as she finally suggested that the present US attempts to revive the economy are self-destructive.

Atwood reminded her readers that in 1972 the *Los Angeles Times* published an article entitled: "By 2042, MIT Team Says: Collapse of World Economy Foreseen If Growth Goes On" (p. 196). It was a report from a study commissioned by the Club of Rome. Although there is still some time to go, Atwood concluded that it could be that payback time has come already.

What next?

By the end of 2010, the interpretations of the crisis seem to have been exhausted, and attention turned to "lessons from the crisis", and advice for the future. Stephen Fay (2010), in *Time Literary Supplement*, and Paul Krugman and Robin Wells (2010), in *The New York Review of Books*, reviewed the most recent books on the matter. Critical management scholars suggested that business schools (which were also on the bench of the accused, albeit primarily in Europe) should become more critical (Currie et al., 2010). Sociologists reflect over the future of futures, indicating that, although the crisis may become an opportunity for reflection by locating the issue of money in the center of public attention, the task of governing economies that govern politics is not an easy one (Esposito, 2010). Current research indicates that

¹¹ Lisa Evans (2009: 193) analyzed 19th century novels dealing with financial crisis and came to a conclusion that fiction may be better suited than theory for explaining ethics and values. Probably, but fictive villains may be as attractive as heroes in terms of emplotting life stories, as the example of Wall Street showed.

whatever legitimacy has been lost by financial institutions, it is being reconstructed in a way that is quite familiar (Morgan, 2010). The best indicators of what is going to happen next should perhaps be looked for once again in popular culture.

The British play, *Enron*, extremely popular in UK, flopped in New York, at the same time as *Merchant of Venice*, with Al Pacino as Shylock, reached peaks of popularity.¹² And then the long-awaited *Wall Street 2: Money Never Sleeps* came to the movie theaters. Oliver Stone's intentions are of no interest here, partly because contemporary criticism long ago decided that the product is much more important than the intentions of its producer, and partly because, according to the media, his intentions in the case of the previous movie were opposite to the common reception ("Greed is good!"). The message I read in the movie was clear: "Perhaps we in finance made a mistake or two, but we will be able to straighten it out without your help. Like any other family, we will resolve our problems, so stay away!" (family being a blueprint for all social phenomena in USA).

Skillful emplotment is clearly not enough; atypical plots still lose to strong plots. As Jane Broadbent noticed, in speaking of the UK,

Audiences are flocking to see *The Power of Yes*¹³ and *Enron* but does it make a difference, and whilst visibility is achieved, can this make a difference?

The messages that interdisciplinary and critical researchers have been seeking to promote over many years are also writ large in these plays. They have not yet been heeded. (Broadbent, 2010)

Perhaps there is strength behind strong plots that has not been accounted for. Michael Lewis could be right when he said: "A book or a movie can't do anything to change the attitude of young people toward Wall Street if Wall Street is still paying them huge sums of money. The myth of Wall Street will only collapse when the pay on Wall Street collapses" (interviewed by Marcus Joons, 2010). Popular culture does not invent this myth, it only stabilizes it.

One of the strong plots of the previous century could be dubbed "universities as ivory towers"; it is a story of academics who, when given money and a place to stay, will engage themselves in hermetic activities, separating themselves from the world, the fate of which means nothing to them. An atypical plot, but perhaps more fitting our times, would be that of "power towers",

¹² <http://www.independent.co.uk/arts-entertainment/theatre-dance/news/enron-play-flops-in-us-as-art-imitates-life-1964509.html>, <http://www.newyorkcitytheatre.com/theaters/broadhursttheater/theater.php> (both accessed 30 November 2010). In my reading (I saw *Enron* in Edinburgh on 13 November 2010), one of the reasons could be that the play offers no solutions. Its main diagnosis is that the finance scandals are the result of excessive testosterone... But the play can certainly be perceived as anti-American, as suggested by the two reviews quoted here.

¹³ A play by David Hare.

where certain speakers meet (some politicians, some economists, some businessmen – gender not accidental – and some journalists), and from which they trumpet their version of the story of the economic world, emplotted according to a few chosen plots, as characterized above. What unites them is a common faith, which Todorov (2002) called "scientism":

Scientism derives from the existence of scientific practice, but it is not itself scientific. Its basic postulate – the complete transparency of the real – cannot be proved; the same is true of its implementation in the construction of ultimate ends through the process of knowledge. From start to finish, the cult of science requires an act of faith (...) which is why it belongs not to the family of sciences but to the family of religions. (Todorov, 2002: 21)

And this is why popular culture so gladly dips into religion in search for plots.

I am not suggesting here, as Gaye Tuchman (1978) have to much applause that those power towers populated by believers in scientism construct our world or at least the frames through which we see it. "We", the others, sometimes listen, and sometimes busy ourselves concocting subversive plots, as also illustrated above. In times when the societal role of humanities and social sciences is put under a rather hostile scrutiny, wouldn't it be advisable to listen to such marginal stories with their atypical plots? Accounting research has one foot in each of the camps, and perhaps because of that it could offer an intermediate forum, where two-way translations could take place. Popular culture is usually very skillful at appropriating inventions of "high" or "elite" culture, but when it comes to the issues related to economy, a barrier has been erased. Yet the humanists may have more to say about economy than it is conventionally assumed, and the social scientists can become translators between the two worlds.

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The financial crisis of 2007–2008, also known as the global financial crisis and the 2008 financial crisis, was a severe worldwide economic crisis considered by many economists to have been the most serious financial crisis since the Great Depression of the 1930s, to which it is often compared. It began in 2007 with a crisis in the subprime mortgage market in the United States, and developed into a full-blown international banking crisis with the collapse of the investment bank Lehman Brothers on