THE EMBODIMENT OF NEOLIBERALISM: 
EXPLORING THE ROOTS AND LIMITS OF THE CALCULATION OF 
ARBITRAGE IN THE ENTREPRENEURIAL FUNCTION

Simon Lilley and Geoff Lightfoot
Centre for Philosophy and Political Economy
University of Leicester School of Management
University Road
Leicester LE1 7RH

Simon Lilley is Professor of Information and Organisation and Head of the University of Leicester School of Management. Simon studied for his first degree, in psychology, at University College London and was awarded his PhD by Edinburgh University. Simon has taught previously at the Universities of Keele, Edinburgh, Glasgow and Lancaster, at the International Business School, Budapest and at the Manchester School of Management, UMIST. Simon is an editor of the journal Culture and Organization. Research interests turn around the relationships between (human) agency, technology and performance, particularly the ways in which such relationships can be understood through post-structural approaches to organisation. These concerns are reflected in a continuing focus upon the use of information technologies and strategic models in organisations and he is currently pursuing these themes through investigation of the regulation and conduct of financial and commodity derivatives trading.

Geoff Lightfoot is Senior Lecturer in Accounting and Entrepreneurship at the University of Leicester School of Management. Geoff joined the School in September 2004 after previously teaching at the University of Humanistics, Utrecht and Keele University. Prior to his studies at Kingston University, London School of Economics and the Open University, Geoff worked for the Civil Service. Research interests are wide-ranging, but broadly group around the exploration of aspects of representation and markets. This takes in several lines of enquiry, including deconstructing narratives of entrepreneurship and of trading (particularly within financial markets).
Abstract

How has neoliberalism achieved its sway? We address this question by tracing an alternative history of the economic theorisation of ‘entrepreneurship’ that reveals the extent to which sociological transformation is attendant upon the construction, dissemination and change of the concepts of economy. Surveying the theoretical works of luminaries such as Kirzner, Mises and Simmel and reading them alongside ethnographies of the practices that instantiate a neo-liberal world we see the ways in which entrepreneurship is fashioned, realised and ramified and, in so doing, reveal new fault lines for exploitation by those who would rather seek to escape its pernicious embrace. For it is the notion of entrepreneurship that enables both the functioning of an apparently objective market to best deploy societal resources and the continuing capture of the benefits of such by a privileged elite who seemingly bear its mark in the most vivid of terms. By unpacking entrepreneurship we unpack the market, which is a vital first step in any attempt to trammel its seemingly inevitable and unstoppable march through an otherwise undefended social.

Key words: arbitrage; finance; entrepreneurship; Simmel; trading.
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Introduction

At the outset of the 20th century the worlds of sociology and economics were inextricably entwined but since that fin de siècle heyday they have increasingly diverged, bunkerised, to the point where it can often appear as if neither has anything to say to the other (see for example, Wallerstein et al, 1996). The broad sweep of masterworks such as Weber’s Economy and Society, Marx’s Capital and Simmel’s Philosophy of Money is more and more visible only by its absence. Categories of phenomena of potential interest which had previous been concerns across a wide disciplinary piste became ever more closely associated with one (sub)discipline or another to the extent that certain of these (sub)disciplines took on an almost proprietary relationship with ‘their’ key terms of interest. Whilst sociology’s conceptual land grab gave it near exclusive possession of ‘structure’, ‘institution’ and ‘class’, to name but a few; Economics seized ‘the market’ and its apparently atomised and asocial inhabitants, in the process making a bold bid to capture much of the value seemingly associated with a suitably etiolated ‘rationality’.

Of course, this is not to say that there have not been attempts, some of them very successful, to rebridge the gaps thus opened. In subdisciplinary terms we have the emergence and relative decline of such combines as economic sociology, industrial sociology and economic history. Notable individual strands of endeavour, some of which were associated with these waxing and waning schools, that have fared somewhat better in this regard include Karl Polanyi’s (1944/2001) Great Transformation, Herbert Simon’s
(1947) *satisficing*; and Mark Granovetter (1985) and his followers invocation of the 
(social) *embeddedness* of (economic) transactions. There has also been an ongoing strand 
of radical political economy that traverses both fields, developing from Gramsci to Hardt 
and Negri and from Deleuze and Guattari, and attempts from ‘outside’, most notably 
from anthropology, to completely recast both sides of the divide, such as the work of 
Douglas and Isherwood (1979). A more recent iteration of this move is visible in the 
*social studies of finance*, particularly associated with names such as Donald Mackenzie, 
Michel Callon, Michael Abolafia and Karin Knorr Cetina, that has deployed the 
methodologies of anthropology and science and technology studies to apprehend anew 
our processes and practices of exchange.

However, these various incursions remain exceptions that prove the rule. Given that we 
feel that the institutions and structure of markets and the economics of class are too 
important to be approached only partially, in what follows we seek to tread a rather 
different path. In essence we wish to proceed as if the divide we describe had not taken 
place. Instead, we suggest that as sociologists our insight into economic phenomena and 
the consequences thereof is necessary. Of course, the opposite line has been well 
travelled in recent decades as ‘insights’ derived from economic assumptions have been 
applied to a range of social institutions (see, for example, Friedman, 1962; Becker, 1957; 
1968; Goldthorpe, 1996; Rand, 1957; and of course, Hayek, 1944; and Mises, 1949). And 
it is the success of this imperial endeavour to valorise the individual and its purchasing 
power above all else as the motor of progress - ironically in the name of a curious sense 
of ‘democracy’ - and its ensuing wholeheartedly acceptance and intensification through
the world of finance that has so remade our world in its performative image (Harvey, 2005; Engelen et al, 2011) as to have many of us believing that it was ever thus. As if our world today were merely outcome of the playing out of a process whose inevitability is to be found in the fundament of our unchanging human nature.

We pursue our aims by going both forwards and backwards with some of the key names in the history of the instigation of our divide and its refusal. Thus we draw first upon a theorist who has coloured much of the attempt to make the world more enterprising, Israel Kirzner, before tracing his thought back through the work of Mises and beyond to one of the theorists who most clearly traversed any divide between sociology and economics, Georg Simmel. We then move back to more contemporary sources to try to illuminate what we’ve gained by the journey: the ethnographies of (high) finance enacted by writers such as Karin Knorr Cetina and Urs Bruegger, Caitlin Zaloom and Karen Ho.

The vehicle on which we embark on this rather tangled quest is that curious category of the contemporary world, *entrepreneurship*, which seems capable of rendering itself as essentially social and essentially economic at one and the same time. Ultimately we want to show how thinking sociologically about those things that are more often considered economically can render such phenomena more richly and thus enable both wider understanding and more penetrating critique and, of course, thus also the possibility of alternative instantiations of the processes of exchange. Doing so of course has the additional virtue in conditions of seemingly endless threat to its continuing vitality, of
making sociology appear that much more relevant. As Peter Jackson (correspondence, 2012) puts it:

Finance, along with economics, has somewhat lost its way in recent years. Both are over reliant upon the workhorse toy model of neo-classical economics, which it is acknowledged, is under socialised because it leaves out of the analysis rich and fine grained details of social and economic institutions.

Sociology as Finance and Economic’s knight in shining armour, with the added bonus of a possible reinvigoration of the relevance of the former? Now that would be an impact worth making, even in a world of performativity!
Entrepreneurship: ideals and idealisations

Entrepreneurship is notoriously difficult to define precisely (Casson, 1982; Dale, 1991) and its meaning frequently changes with the context in which it used (Burrows, 1991; du Gay, 1994). Some commentators parallel all business with entrepreneurship while others, following Stanworth & Curran (1976), separate out those business owners who continuously seek to maximise profit from those who merely seek to manage. Politicised, entrepreneurship is a powerful totem of self-reliance and autonomy that has increasingly spread beyond the confines of business enterprise to all aspects of social life (Gordon, 1991; du Gay & Salaman, 1992). As Gordon critically notes, and as we hinted above, this version of entrepreneurship serves more to extend economic rationality into hitherto sacrosanct areas and to render people as self-governing calculable objects, amenable to manipulation. Our theoretical concentration in the argument that follows therefore draws mainly on economic writers’ and theorists’ approaches to entrepreneurship since these would appear to be the source from which our social world is being remade. This is why interrogation of this material is important for sociology and the approaches to entrepreneurship within it also bear other advantages for they do at least engage in some explicit theorisation of its object of interest. This is in stark contradistinction to the approach of many protagonists of a more enterprising world who seem to find most virtue in an ‘entrepreneurship’ whose totemic meaning remains forever mystical and hence unassailable.

Despite their apparent benefits, economic interpretations of entrepreneurship still skate around the thorny question of what entrepreneurship might actually be, with the term
often apparently a handy catchall for everything that cannot be explained through mainstream neo-classical economics. There are two dimensions to this apparent lacuna. The first is associated with the ‘creativity’ and ‘innovation’ through which that which is to be exchanged via monetary economies comes into being and is most clearly associated with Schumpeterian (1942: 84) notions of ‘the perennial gale of creative destruction’ and their derivatives. The second is less concerned with the origins of that which is to be exchanged and more with delineating how and why it might be that certain bodies seem better at both recognising opportunities for arbitrage – the trading off of the difference in price of an instrument or commodity between two different locations or times – and exploiting them.

Given our interest in divides, an area of economic theorising that holds considerable potential for our project is that which has become known as the ‘Austrian School’, most associated with the works of Hayek, Mises and their proselytising progeny. This School has at various points traded on an identity of outsiderliness (not entirely unearned, see for example, Peck, 2008); not only with reference to the non-economic social sciences but also with regard to what otherwise passes by the name of ‘economics’ within the academy. Looking for a definition of entrepreneurship, within the broad church of the Austrian School, that may straddle the divide between the creativity/innovation and arbitrage aspects of entrepreneurship, we could perhaps do worse than turn to Israel Kirzner, a vigorous and influential polemicist. Kirzner is a central figure in the economic strand of its consideration, recently recognised by the award of the 2006 International Award for Entrepreneurship and Small Business Research. The judges commented that
‘Kirzner is the most prominent contemporary member of the school of Austrian economists’ (Douhan et al, 2007: 214) and ‘the leader of what has been called “the Austrian revival”’ (p215). At the centre of Kirzner’s writing on entrepreneurship is what he calls ‘alertness’. This...

…natural alertness… refers to an attitude of receptiveness to available opportunities… Without knowing what to look for, without deploying any deliberate search technique, the entrepreneur is at all times scanning the horizon, as it were, ready to make discoveries (Kirzner, 1997: 72, original emphasis).

Kirzner’s vision of entrepreneurship stands markedly different to other theorisations in that:

This entrepreneurial element… is responsible for our understanding of human action as active, creative, and human rather than as passive, automatic, and mechanical (Kirzner, 1973, p. 35).

Here, of course, Kirzner is implicitly referencing Ludwig von Mises’ Human Action, the theorist from whom he, with commendable honesty, claims, ‘Everything I have learned, taught, or written, in or on economics, derives…’ (2001: xi). And, given the extent of the influence, we try here to tease out some of the themes within Mises’ work that Kirzner is building upon.
In *Human Action* (1949/1998) Mises’ first concern is with ‘acting man’, who ‘is eager to substitute a more satisfactory state of affairs for a less satisfactory,’ (p13.) driven by uneasiness at his current situation (for contentment leads to inaction), an image of better conditions and a belief that his ‘purposeful behaviour’ will have an effect. This forms the basis of his economic concept of the entrepreneur as ‘…acting man exclusively seen from the aspect of the uncertainty inherent in every action.’ (p253.) The uncertainty here is specifically economic but for Mises the scope of his economics is particularly broad in that it encompasses: ‘all market phenomena with all their roots, ramifications, and consequences.’ (p231.)

It is this foundation that leads Kirzner to suggest that all individual action, when unfettered by the state is, by nature, entrepreneurial (Kirzner, 1973). And those that continue to draw inspiration from him endlessly seek new ways either of making the state retreat or so remaking the state such that it no longer resembles anything that others, of different ideological bents, might be willing to grant the term to. Kirzner’s position initially appears to suggest an all-encompassing rationality, in that actions are taken to maximise personal gain at all times. However, Kirzner pointedly dismisses the traditional economic framework that would apply a dogmatic calculative rationality to all actions – that all decisions can be measured and thus reduced to a choice that can, ultimately, be quantitatively evaluated. Not only is such endless measurement practically - if not theoretically – impossible, it also appears less than completely desirable for it reduces too much the mystery of the entrepreneurial and thus the benefits that should seemingly
rightly accrue to it. As he points out, ‘the calculative aspect is far from being the most obvious and most important element in [entrepreneurial] decisions.’ Rather, ‘Making the “right” decision, therefore, calls for more than the correct mathematical calculation; it calls for a shrewd and wise assessment of the realities (both present and future) within the context of which the decision must be taken’ (Kirzner, 1980: 6 – 7).

Mises perhaps brings this difference out more clearly. He suggested that ‘Economic calculation can comprehend everything that is exchanged against money’ (Mises, 1998: 212) thereby seemingly implying any and all entrepreneurial decisions can be brought within a calculative framework. Indeed, he would contend that, ‘Every single step of entrepreneurial activities is subject to scrutiny by monetary calculation’ (p229). However, when speaking directly of the entrepreneur, Mises comments, ‘In using this term one must never forget that every action is embedded in the flux of time and therefore involves a speculation’ (p253) and it is clear that such speculations cannot and do not yield to simple reckoning. For ‘acting man the future is hidden. If man knew the future, he would not have to choose and would not act’ (p105). Uncertainty cannot be adequately calculated and thus demands choice/action.

Kirzner builds on this analysis with extended polemics that attempt to show that where the market is at its freest – and thus the opportunities for entrepreneurial gain are at their greatest – the ‘alert’ entrepreneur can most easily recognise those opportunities and the benefits of entrepreneurialism, for all of society, can most readily be realised (Kirzner, 1973, 1979). Here, too, he draws from Mises who is admirably direct when he argues
that, ‘Economics is mainly concerned with the analysis of the determination of money prices of goods and services exchanged on the market’ (1998:234). Kirzner picks this up, for him it is Mises’ ‘understanding of the market process… which provides the foundation for his entire system of economics’ (2001:93, emphasis in original) that is his abiding insight. A process of individual action in the ‘face of uncertainty’ (Mises, 1998:252) that stands in stark contrast to the static equilibrium promulgated in neo-classical economics.

Thus Kirzner gravitates towards the Austrian reliance on prices (the freest things in the free market) as the prime means of conveying information and thus can be seen to favour, in the final analysis, the latter, arbitrage oriented dimension of the entrepreneurial function. In the regulated market economy, Kirzner’s ire is most fiercely directed at those rules such as ‘imposed price floors, price ceilings, mandated quality specifications, and similar measures.’ He contends that: ‘There is a serious likelihood that regulatory constraints may bar the discovery of pure profit opportunities (and thus of possibilities for socially beneficial resource re-allocation).’ (Kirzner, 1980: 25) For Kirzner such artificial constraints on the arbitraging action of the entrepreneur are not only inefficient, they are also immoral. Indeed, for Kirzner (1999: 11) ‘The key…is, following Mises, to recognize the arbitrage element in all entrepreneurial activity’ (original emphases) and to give it the freest possible rein.

An initial summary then might render Mises and Kirzner as inseparable travellers through this terrain; terrain in which uncertainty about the future enables the possibility of
genuine ‘action’, with that action being guided by the alertness of which the entrepreneur is possessed. An alertness whose power is realised throughout the economy thus rendered as above and beyond all else an overarching arbitrage machine. However, things are not quite so simple and the subtle reader will distinguish a little more divergence in their paths. Key here is the distinction between speculation and arbitrage. For Mises entrepreneurial action is always speculation. The entrepreneur risks a loss in every action. ‘There is a simple rule of thumb to tell entrepreneurs from non-entrepreneurs. The entrepreneurs are those on whom the incidence of losses on the capital employed falls.’ (Mises, 1951/2008: 11). The primacy for Mises then is the uncertainty, the openness of the future, necessary for speculation – the opportunity and the necessity to render up the resources one currently has at one’s disposal to risk. Kirzner’s version of arbitrage, on the other hand, seemingly proffers at least the potential for risk-free entrepreneurship. There is, for Kirzner, apparently no essential place for speculation at the heart of the entrepreneurial function.

Making Money

The work of the Austrian School bears other advantages beyond the attempt to theorise entrepreneurship. Key amongst these is the outsiderliness of its contribution to both the entrepreneurship and the broader economics literatures. Indeed, our distance from but debt to such economic theorisation becomes most clear when we saddle up our preferred theorist for the entrepreneurial ride, the criminally neglected Georg Simmel; himself something of a darling of some of the Austrian School. Consider, for example, the
following from David Frisby’s preface to the second edition of the English translation of Simmel’s masterful *Philosophy of Money*:

[The economists Laidler and Rowe reviewing the first edition of the Philosophy of Money] assert that one reason for the neglect of Simmel’s ideas by economists after the ‘abundant references to Simmel in the German language economics literature of the first three decades of [the 20th] century’ is that they ‘were absorbed into a particular body of economic and social thought, which itself came to be ignored by the mainstream of the profession’. This is the Austrian School of Mises, Hayek and others (Frisby, 1990/2004: lxi).

The quotation above also illustrates the position before the (deepening of the) divide when the ‘sociological’ imagination was still utilised within ‘economics’ to comprehend monetary matters. And so, just as we picked out the development from Mises to Kirzner, we shall now track further back to attempt to discern the entanglement of Simmel within the work of Mises. In so doing, we shall reveal some of what has been lost along the journey and discuss what might be the implications of restoring to Kirzner’s analysis some of the richness of Simmel’s earlier insights that may not have travelled through Mises. Initially this may appear to be a rather unusual move. For whilst the connections between Simmel and the broader Austrian School may be amenable to recognition once they have been suitably remembered, and whilst the connections between Mises and Kirzner are vividly clear, direct connection back from Kirzner to Mises to Simmel via the
notion of entrepreneurship alone, is far from obvious. This point is most vividly made by
the absence of any explicit mention of entrepreneurship in Simmel’s *Philosophy of
Money*. However, what we wish to explore here are the interrelationships between our
key theorists’ building blocks for their interventions rather than their direct interactions
around the terms of our more immediate interest. In this regard we could note in the work
of both Mises and Simmel the intersection of concerns around money, both as - and in its
capacity for - institutionalisation in the eyes of Selgin (1994) and their shared fascination
with the methodological issues in play in the theorisation and explication of the
individualism characteristic of the modern world (see, for example, Infantino, 1998,
particularly chapter 6; see also Udehn, 2002); themes of intersection that will be
prominent in what follows. Indeed, in the work of Liljenberg (2005a; but see also 2005b)
attempts are made not only to see the connections between Mises and Simmel concerning
the theorisation of competition, but also to extend these into their ramifications in the
work of Kirzner and, particularly, in the last’s mobilisation of the notion of
entrepreneurship, our starting point here.

**Simmel’s Money and Modernity**

Despite being a scholar of immeasurable nuance and subtlety, some of Simmel’s most
evocative writing positively invites a simplified reading. For example in the classic
summations that constitute *Metropolis and Mental Life* (and indeed also *The Stranger*),
we are treated to a series of clear positional points that appear to accrete to a convincing
argument, to, dare we say it, a conclusion. Such seeming impoverishment of the thought
that precedes it is, of course, not without its own virtue. To reiterate briefly, the money
economy not only makes the modern urbanity of cities possible but also has a specific effect upon the lives of those that live there through the continuous quantification, rationalisation and reckoning of the 'objective world'.

The calculating exactness of practical life which has resulted from a money economy… [transforms] the world into an arithmetical problem … fixing every one of its parts in a mathematical formula. (Simmel, 1903/2002: 13).

At first blanche, this appears to stand in clear and vibrant opposition to how Kirzner, following Mises, dismissed the calculability of entrepreneurial life. Indeed, even more bluntly, Kirzner appears to relegate money itself to a mere institution²: ‘Once a universally recognized legal or monetary or measurement system emerges, nobody is disappointed by false hopes about what system can best be used in dealing with others. By solving the first knowledge problem³, each of the institutions benefits society (by contrast to having no law, money, or measurement system)’ (White, 2003: 3). Such a simplification, while initially seemingly making the entrepreneurial process clearer, leads to questions as to how entrepreneurship might be possible without such discounting of the wider effects of monetarisation and avoiding such questions leads to some unusual steps. For Mises (1949: 119):

Acting man values things as means for the removal of his uneasiness. […]
In valuing very different states of satisfaction and the means for their
attainment, man arranges all things in one scale and sees in them only their relevance for an increase in his own satisfaction. The satisfaction derived from food and that derived from the enjoyment of a work of art are, in acting man's judgment, a more urgent or a less urgent need; valuation and action place them in one scale of what is more intensively desired and what is less. For acting man there exists primarily nothing but various degrees of relevance and urgency with regard to his own well-being.

So, for Mises and Kizrner, the future may not be calculable, but all things are amenable to being placed on one scale – thus levelled, standardised and ordered. This is a theme which Simmel develops beyond the narrowly economic. For he suggests that if we were not levelled by processes of quantification (to which money stands as ultimate exemplar) we would lack the impetus to bring forth the differentiation of the individual. Only in such circumstances can the other be sufficiently other to be of interest and sufficiently the same to be heard. An echo of Mises’ uneasiness?

As Simmel states right at the outset of The Metropolis and Mental Life, the essential ‘problems of modern life’ centre on the struggle to stand against that which both enables individual existence and threatens its perpetuation. But what has changed is both what one seeks to stand (upon and) against and that which one seeks to erect in this sympathetic defiance. In pre-modern times the foil for conflict is ‘nature’ and that which must be won from it ‘bodily existence’. But with the advent of the division of labour and its attendant increasing complexity and distance, indeed the ‘objectivity’ that is exemplified by money (itself the exemplar of value), that which must be wrested from
context is differentiation - ‘independence and individuality’ - and that context ‘the sovereign powers of society, … the weight of external culture and the technique of life’ (1903/2002: 11). Whilst for Mises then, an invocation of ‘one scale’ (with, definitionally, no delineation of its specific metric) enables the bringing together of all possibilities of concerned human action and their consequences, Simmel takes on the empirical question of how that scale forms and functions in the practice of economic life, to better explore its social, cultural and philosophical ramifications. This leads him to question the nature of the independence and individuality that we experience as participants in a modern monetary economy.

For Simmel the contextual conditions of modernity, its rendering of things as an ‘arithmetical problem’, brings forth a contrary desire to be (and indeed to make) that which is so other to the increasing imperial units of calculation that it cannot be conceived in terms of those units. For Simmel this ‘soul’ - of the person, of the work of art – is an ‘inner nature’ which strives for and finds expression despite and because of the stretch of the same that surrounds it. Moreover, given conditions of division of labour, enabled by the ‘objectivisation’ to which money stands as sine qua non, such individuality actually becomes necessary at a systemic level. For division requires synthesis and synthesis demands interdependence. Interdependence - that had previously, in renderings of the feudal redolent of Marx, needed to respect, in however circumscribed a form, the particularity of that which it relates - is no longer so tied. And in the face of this threat to the individual of interchangeability, person dialectically re-asserts itself in the face of role. Freedom, given to calculate and extend complexity and distance, is
therefore rendered here as also freedom from the constraints of the state of nature—
a freedom that in Mises and Kirzner becomes shortened to ‘freedom from the constraints of
the state’. Simmel’s freedom that enables, threatens, and thus also brings forth, an
individuality that goes beyond that of mere being to become *being someone*.

Now Simmel is clearly articulating in these strands of thought a tension, to say the least,
so to say more we could perhaps better note a *series* of tensions that themselves
interrelate. Primary amongst these is that between the objective and the subjective. For
the freedom of the ‘objective’ is also the freedom of ‘the intellect’. But the supra-
personal intellect, like its monetary cousin, is so dependent upon the objective that *its*
freedom threatens to consume that of its other, that which might stand outside of
intellectualisation and calculation, the *personal* character of the subjective. And it is
precisely this potential domination by the objective that itself brings forth the impetus of
the *distinctive*, which seeks to distinguish itself, in all its myriad contradiction.

*[T]he lack of character of both intellect and money transcends …
purely negative meaning. We demand—perhaps not always rightly
so—that all things have a definite character and we resent purely
theoretical people who, because they understand everything, are
inclined to condone everything: an objectivity that would certainly
befit a god but never a man, since man places himself in obvious
contradiction both with his nature and with his role in society.
(Simmel, 1900/2004: 432).*
In Simmel’s writing this tendency seems most apparent in those romantic arenas of love and art. But even here we should note the subtlety of his thought, for aspects of both, we are endlessly reminded (1900/2004: see particularly 370 – 389 and 452 - 470) interminably intermingle – there is no pure form, no true romance to be found in here. Nevertheless, a tendency is delineated and concomitantly, it is in within Mammon’s realm of chrematistics that Simmel situates his least qualified assertions of purely intellectualised being. It is the inhabitants of banks and the commissioners and consumers of credit who best exemplify the impoverished personal, perhaps better the *impersonal*, and are thus most consonant with their most supra-personal of supra-personal conditions. These positions are, according to Simmel, initially filled by ‘strangers’, those most disembedded from societal webs of kith and kin. But once money makes its grip more firmly felt, this is no longer necessary. For all are now estranged, indifferent (Simmel, 1900/2004: 227).

The move into abstraction, the multiplication and variation of purposes, is only further enhanced when money moves further into the idealisations of credit and ‘transactions thereby gain the qualities of far-sightedness and enhanced symbolism’ (Simmel, 1900/2004: 479). Indeed, perhaps most clearly for our purposes here, whilst for Simmel pre-modern credit necessitated the direct perception of trustworthiness in its recipient by its provider, within modernity ‘credit has become a technical form of transaction’ (480) - an allocative decision now based upon the holding of place rather than any personal assay of the value of the face. In the process a difference in kind begins to emerge. The trust on
which the assay of creditworthiness depends comes now not as a simple intervening variable between two individuals. Rather each of those individuals relates to each other not directly but through the intervening body of an orderly, trustworthy ‘society’; a process mirrored and exemplified in the move from individualised credit notes, tying two specific bodies together, to the bill of exchange in which a *nameless drawee*⁴ holds the place of a normal, but unspecified, member of society. And this process of abstraction, with its attendant changes in kind, becomes important when we reconsider Mises and Kirzner, for it is precisely this abstraction, realised through the ramifications of derived financial products, that makes their entrepreneurs most visible in the purest of forms.

**Pure entrepreneurship**

Instead of using classifications of entrepreneurs through ‘ideal types’. Mises demands a focus on the ‘entrepreneurial function’ that is ‘rigidly valid for all members of the class without any regard to temporal and geographical conditions and to the various branches of business’ (1998: 61). Thus, entrepreneurial action is freed from narrow boundaries and any speculation may be seen as entrepreneurial. With the importance of speculation reaffirmed, Mises leads us to where ‘pure entrepreneurs’ might be visible:

As far as an entrepreneur has hedged himself through suitable forward transactions against losses he may possibly suffer, he ceases to be an entrepreneur and the entrepreneurial function devolves on the other party to the contract. … [In an imagined economy where there are futures markets for all goods and services] the entrepreneurial function is fully separated
from all other functions. There emerges a class of pure entrepreneurs. The prices determined on the futures markets direct the whole apparatus of production. The dealers in futures alone make profits and suffer losses. All other people are insured, as it were, against the possible adverse effects of the uncertainty of the future. (pp. 255-6, our emphases).

Although Mises’ imagined economy of futures markets for all goods and services has not yet come to pass, there are markets for derivatives of goods, money and all manner of things in-between. These markets attract and enable the activities of three types of traders, according to text books on the matter: hedgers, speculators and arbitrageurs. It is speculators and arbitrageurs who, in Mises’ terms, can be considered as embodying the entrepreneurial function and it on these that we concentrate.

But there is more (or less) to what derivatives illustrate about entrepreneurship than the mere holding of risk. Derivatives, as a function of the process of their derivation, tend to be less sticky, less materially bound, and more ‘liquid’ (Ho, 2009; see also Bauman, 2000) than the goods from which they derive. And this relatively free-floating and flowing nature is precisely what makes them attractive to those who wish to trade them. For they possess something approaching a purity, an essence of tradability. Simmel has been here before, of course. In the monetarised economy, money, as pure means, not only stands for commodities, indeed commodification in general, it also in its limitless exchangeability extrapolates the process of commodification such that all objects that it touches become mere commodities: ‘concerned only with what is common to all, i.e. with
the exchange value which reduces all quality and individuality to a purely quantitative level.’ (Simmel, 1903/2002: 12). Of course, Simmel’s primary concern here is with money as the embodiment of an increasingly objective value. His concern is not with risk per se and he tends only to use the term risk in his writing when exploring gambling, play and adventure. Mises primary concern is with the risk to the value so recognised and instantiated. But the common process of abstraction at work is clear in both accounts and it is this that we see as the lynchpin between them. It is upon such abstraction and its ramifications that trading profits are to be made in derivatives markets on the basis of the asymmetries of information and belief that such processes endlessly engender.

**Deriving Entrepreneurship in Practice**

Ensuring that traders can maintain their ‘superior knowledge’ (relative to their ‘customers’ and competing trading colleagues) over that which they trade requires the continual invention of new products to the extent that, as Ingersoll puts it, ‘80% of the business in financial products today – beyond plain vanilla derivatives – is based on products that didn’t exist 5 years ago’ (Finnegan, 2004). And where new products are not called into being, other opportunities are realised through their virtual construction. Caitlin Zaloom describes the traders whom she studied in the following terms:

Traders are informational entrepreneurs across technologies. They find and exploit ambiguity where there seem to be only non-interpretive facts. Where numbers seem transparent, informational entrepreneurs find uncertainties in the patterns of changing numbers.
and use them to their advantage. Traders act according to the narratives they build and prosper from understanding the layers of meaning created that lie between market numbers and their material presentation. (Zaloom, 2003/2004:38).

Individual lack of attachment is combined here with an individual reading of the complex, ambiguous market. For if the market was able to provide sufficient rationalisation and intellectualisation there would be not only no need for the individual trader, there would also be endless additional opportunities for contrarians, acting other to the simple rules adopted by the herd. And here, Kirzner’s insights might be seen to be most valuable – such work is easily rendered in his terms of entrepreneurial discovery. So we follow Zaloom’s account in a little detail to see if this most vivid instantiation of Mises class of pure entrepreneurs, trading in distilled risk, can reveal for us a little more of how Kirzner’s entrepreneurial alertness might operate more generally.

In Zaloom’s account of her time trading in the pits of Chicago and a dealing room in London much is made of the ‘discipline’ of the trader. For Zaloom, this discipline has four key elements:

First, traders separate their actions on the trading floor from their lives outside; second, they control the impact of loss; third, they learn to break down the continuities between past, present, and future trades by
dismantling narratives of success or failure; and fourth, they maintain acute alertness in the present moment (2006: 128).

In what follows we focus upon the first and the last of these elements, a privileging that however necessarily entails consideration of all four. The separation of the actions on the trading floor from life outside echoes the problem that Mises raises with ‘ideal types’ – we might see this as an attempt to loose the entrepreneurial function from other aspects of life. There is also, superficially, a curious tension with Simmel’s insights. For if the trading floor finds itself within a money economy, much of the abstraction seemingly productive of intellectual indifference would already seem to be in place and indeed hyperbolised by the symbolic nature of that which is being traded. Yet as Zaloom attests, the money of the trade can be too similar to that of life outside for separation to be sufficiently effected. Along with a lack of discussion of, and attention to, family and other social commitments from outside when one is in the trading place, that which is traded, despite being traded on its value, seemingly must be valued in ways at a level of remove from mere money. Most obviously, this takes the form of ‘the tick’, ‘the abstract market measurement’ (2006: 130). For Zaloom (2006: 130 – 1) ‘distinguishing money from ticks allows traders to separate the consequences of good and bad trades from the necessities of everyday life outside the market.’ Indeed, in explaining the benefits of the separation enabled by the tick Zaloom critiques Simmel (and Weber) for their apparent suggestion that money is ‘the ultimate tool of exchangeability’ (2006: 131), drawing on the work of Zelizer (1997) who has suggested that money is so influential in a modern economy in facilitating vast tracts of social contact that it takes on specific significance
and loses its purity of abstraction. The tick acts to counteract this process by taking the value of the market away from the value of money, allowing ‘traders to purify market calculations’ (Zaloom, 2006: 131). Indeed traders need to ‘decommensurate the money in the market in order to enter the market’ fully (131). Yet such a rendering does something of a disservice to Simmel. In his reflections on the significance of particular values, such as, say ‘a million pounds’ and his accounts of the fetishisation of money that afflicts the miser, Simmel (1900/2004) is already more than half way to Zelizer’s position and utterly in sympathy with Zaloom’s development thereof.

Regardless of its reading of Simmel however, Zaloom’s account is of the utmost virtue in terms of the way in which it captures the work that goes into realising the discipline of the market. Learning to set a limit of loss on a particular trade at which one will exit – avoiding the risks attendant upon ‘wishing, hoping and praying’ that the market will turn to behave in sympathy with the expectation that produced incentive for the taking of a particular position – is an extremely hard won lesson, the importance of which senior traders continuously reinforce in their novices. Such controlling of loss helps break any arrogance associated with narratives of success, by acting as a device which maintains consideration of a trade in terms of that position itself and only that position. It also prevents valorisation of one’s judgement, and dangerous persistence therein, in the face of negative arbitration upon it by the all knowing market. Indeed, judgement is but one of the elaborations of self that apparently needs ‘paring down’ in order to leave…
…only the part that can become absorbed in the market with no outside commitments. The technique allows a feral sense for market action to develop that bears little resemblance to strict market calculation (2006: 136).

This feral sense for market action is precisely the ‘acute alertness in the present moment’ that is Zaloom’s fourth element of discipline and it is, as the astute reader will have realised, redolent with the lack of calculation of the entrepreneurial alertness of Kirzner with which we set out. More, we have seen that Kirzner has rendered entrepreneurial insight as different to other resources in that the possessor cannot choose to deploy it. Trading, too, is different.

Traders often say that successful trading is an art. ‘If you have to know how to trade you will never be any good. That’s sort of a certainty here. It’s not a science, it’s an art. People who have to know never make money. You can’t learn it. We don’t teach it. We just sort of expose people.’ (Abolafia, 1996: 26).

This invocation of an ‘art’ of trading resonates with the innate talent of entrepreneurial alertness and is apparently the product of becoming both apart from and also a part of the market. As one of Knorr Cetina and Bruegger’s (2000: 158) informants puts it: ‘If you’re taking a position, you are part of the market’.
**Rethinking Alertness**

Our goal was to explore what has been lost in the progression from Simmel, via Mises, to Kirzner and to consider whether reintroducing Simmel’s insights might revitalise Kirzner’s vision of entrepreneurial alertness. Although some of Simmel’s insights are clearly visible within Mises’ work, they are necessarily diminished by the intensely individualistic positioning that Mises’ adopts, with the consequent negation of consequences at a societal level. In this, perhaps, we see how the forerunners of contemporary neo-liberal discourse were able to selectively abstract ‘sociological’ thinking about ‘economic’ phenomena in such a way as to make the latter amenable both etiolation and wide ramification. This selective capture and deployment of a particular mode of interaction and its consequences is reinforced by Kirzner’s virulent promulgation of the benefits of laissez-faire capitalism (see also Peck, 2010). To insist on attention to more of the context in which entrepreneurship might be framed is, of course, a cheap trick here, as Mises argumentation is based upon a framework – arguing from first principles – in which such context is irrelevant. So too, for him, is evidence gathered from the field.

But has our detour via the theorisations of Simmel and the laudable delineation of the details of practice provided by Zaloom, cast a stain upon the idealisations of Israel Kirzner’s position? To address this question, we consider the supplement of discipline for Zaloom in the realisation of successful trading; those ‘autonomous individual…economic men’ who ‘in their performances… enact an asocial subject, conducting themselves in accordance with the competitive, atomistic ideals of self-interest’ (2006: 114 and 113).
Kirzner, unsurprisingly for his thesis, emphasises all the positive benefits that must accrue from competitive self interest and its deployment in the alertness of the entrepreneur; benefits that demand just reward (see, for example, Kirzner, 1999) for the entrepreneurial, if the rest of us too are to experience the trickle down of its benefits.

Well, perhaps. Certainly there is a resonance with what we have seen up to now of Zaloom’s account of her traders. But this account is a partial one. Zaloom also delineates with admirable candour both the somewhat less positive aspects of the trading position and its attendant character and the seeming essentialness of such for successful execution of trade. For her protagonists, this essence of self?, is both necessary to trade effectively and fully revealed only in the action of trading and it thus bears comparison with the ‘naturalness’ of alertness that Kirzner seeks to invoke. As one of her informants puts it: ‘A pit distils things;… the pit boils you down to your essential elements’ (Zaloom, 2006: 117). And what, one might ask, would these essential elements look like? Zaloom describes those she witnesses in the following terms:

On the trading floor, the traders’ exaggeration, hyperbole and excessiveness, marked by laughter, spontaneity, sexual humour, and mocking of official propriety, blends with their sensual nature and strong element of play. In the grotesquery of the trading floor, the traders’ bodies and base desires are essential to the composition of the market. By participating in the debasement of the abstract market, the traders become
the materials of another sort of market, one that is explicitly embodied, located, and undeniably human. (2006: 114)

But this seems to be a different sort of human to that which Kirzner would invoke. It undoubtedly extends beyond the realm of rational, bloodless calculation. However it does so within a particular cultural context which produces and sustains it as such. It revels in violent sexualised imagery; and tends, at the limit, to the machine. Let us take each in turn.

The culture of the market is the culture of a crowd, a formation long associated with the recess (or perhaps the exceeding) of reason. Simmel (1971: 112) renders such locations as places in which: ‘There develops a great nervous excitement at the expense of clear and consistent intellectual activity; it arouses the darkest and most primitive instincts of the individual which are ordinarily under control’. Such outcomes seem to be positively encouraged on the trading floor since they enable the construction and maintenance of ‘stylized performances… which mark traders as hypercompetitive, masculine actors’ (Zaloom, 2006: 113). That which is unleashed here is far from ‘natural’, despite traders self descriptions of the outcome of the emplacement in the pit.

[T]raders work according to a maverick aesthetic, displaying radical individuality amid the social density of the trading floor… Traders retain that sense of the unmarked animal that is free to wander…
The maverick trader does not arise naturally. He is dressed, marked, and moulded in his actions and sentiments. The raw emotions that seem to be impulsive expressions of personal feeling are both performances and techniques for engaging the market (Zaloom, 2006: 113).

It is also far from pleasant. As Zaloom (2006: 123) goes on to note:

The cursing that colors flare ups and everyday conversation contributes to the aesthetic of asociality. The market is a place of uninhibited action. Bodies dominate the metaphors of economic competition. Fucking and being fucked are the conventional expressions of financial dominance and ruin… The swearing focuses on bodily words, especially organs that penetrate or can be penetrated. These curses substitute a sexual part for the whole, disarticulating the human body. The violent images of sexual domination destroy the sovereignty of the individual, subjugating his body to the will of a competitor.

These performances and techniques then render the trading body as a very particular sort of human and not the sort to which one would normally be attracted. One particular trader at Zaloom’s London dealing room, who had previously traded on the floor at the London International Financial Futures Exchange (LIFFE) spent a great deal of his time flashing; had a propensity to smear the contents of his nose over objects he knew others would have to touch; and is rendered, in response to the fall-out from a particularly appalling
night out, as ‘a different class of human’ (2006: 116). Indeed, one of the most successful of the traders described to Zaloom fell right slap bang into the middle of the categorisation that Kirzner employs as foil to the human. As her boss rendered him:

The guy was a trading machine. He would make one, maybe two trades a day. He would just stand there waiting to pick off a perfect trade. Put the entire stake on one moment where he was sure. He never left the pit. He didn’t eat. He didn’t go to the bathroom. I don’t think he even blinked. He was an awful human being but he was a great trader (2006: 137).

In the remaking of the human that takes place in the pits and in dealing rooms, the pursuit of the alertness that Kirzner so valorises is realised in an obsessive compulsiveness, a passionate single mindedness that the market demands: ‘on the trading floor, economic man lusts only for money’ (Zaloom, 2006: 120). This lust and its successful servicing requires the trader ‘to abandon self-consciousness to gain full access to the market’s interior and use discipline to block outside contexts from their conscious thoughts and to enhance their abilities to read, interpret and ultimately merge with the market’ (2006:125). It is to the wider consequences of this instantiation and valorisation of a feral form of ‘alertness’ in the trade that we turn in our final section.

**The Ubiquity of Altertness**

In _Liquidated_, Karen Ho’s (2009) expansive ‘ethnography of Wall Street’, we begin to see the ways in which the construction of alertness in derivative financial markets has
consequences for all of us, no matter the extent to which we consciously ally our subjectivities to those of entrepreneurs and traders. Or rather, we see the ways in which we are driven to ally ourselves to these subject positions via the ramifying actions of a financial elite (see also, Engelen et al, 2011).

Ho’s ethnography draws upon her presence in the Ivy League’s elite and the ways in which elite finance houses derive both their key cultural and economic asset, the ‘smartness’ of their inhabitants, and much of their institutional legitimacy from association with this ‘smartness’. She delineates the ways in which the enmeshment of the cultural repertoires of investment banks with their employment and remuneration policies instantiate a situation in which the relationship between risk and reward – a shibboleth of both finance theory and a key plank of the individualisation attendant upon a ramified neoliberalism – is vividly realised. By continually recruiting a stream of talent from both elite educational institutions and competitors, Wall Street investment banks are able to bask in the institutional glow of a ‘smartness’ that resides not particularly in individual employees, but rather in their provenance. For regardless of the likely survival chances of a particular individual in a particular part of an investment bank’s endeavours, the continual association of the stream of individuals with historically consistent educational sources enables retention of an elite position in relation to the capacity to rapidly deploy and redeploy the essence of ‘smartness’ that in its operation appears to be more than a passing resemblance to the ‘alertness’ beloved of Kirzner.
Via individualised remuneration arrangements that are judged solely in comparison to those of other inhabitants of the street, the clear class privilege attendant upon employment practices such as those in play here can be better represented to the wider world at large as a meritocracy of such purity that it can come to bear comparison with the idealisations of *homo economicus*.

What matters for hiring is not always history or a stable knowledge base, as [Wall Street Investment Banks’] businesses are constantly shifting, but the perceived talent and quality of the people, the educational and class identities that are associated with their employees (Ho, 2009: 256).

The fragility of any particular organisational position for those who can successfully carry the marks of their elite passage to the street results in extraordinarily fragmented, if excessively well remunerated, ‘career’ paths for individual participants who enable their continued presence in the wider street scene precisely via re-exploiting their class and educational privileges in an endless merry-go-round of re-placement. The golden precarity of employment thus experienced functions to enable claims of meritocratic marrying of smartness and nimbleness such that street participants come to think of themselves as both embodying the temporalities and logics of ‘the market’ which they simultaneously instantiate through the patterning of their individual interactions. Such immediate articulation with the market and its movements leaves no logical space for planning and thus inculcates what Ho (2009: 249) terms a ‘strategy of no strategy’
removing any organisational hampering of direct identity with ‘market’, replicating Kirzner’s claim that there is no room for strategy or choice in the deployment of entrepreneurial alertness.

Investment bankers’ appeal to naturalized market cycles must… be understood as particular cultural self-representations borne out of everyday Wall Street work life… [T]he quickness of investment banks’ reactions signifies their absolute identity with the market, that their sense of who they are, their cultural distinction, is the ability to channel the market, to have the market act through and with them immediately (Ho, 2009: 242)

Consequently, Wall Street tells a tale to the world in which via embodying the risk-reward imbroglio and endlessly reproducing ‘smartness’, it has disciplined itself and its inhabitants to such an extent that it has won the right to do the same to the rest of the economy.

Their institutional values and cultural practices incentivise both the spread of risk (onto corporate America, the larger economy, and even themselves) and its intensification (using leverage for complex transactions, selling hedging instruments that turn out to be bets themselves) (Ho, 2009, 250). 8

Ho finds that the streets’ infliction of endless downsizing and restructuring upon its own inhabitants does not result in them holding sympathy for others in the wider economy
who experience similar. Rather the bankers’ willingness to subject themselves to such (ridiculously over remunerated) employment practices, embodies within them ‘the market’ itself (or at least a particular representation of it!) and thus provides them with the right to redirect its cool embrace to those who work in the wider economy who are despised for their outdated attachments to stable lives and skill sets. Such illiquid practices and persistences function as metaphorical foil to the liquidity of Wall Street lives that themselves carry with them the legitimating power of their sympathy with that which they move – the market and its money.

By tracing back the theorisations of the market and its money to earlier, more sociologically informed, integrative analyses, before returning to contemporary neo-liberal theory and practice, we trust that we have been able to show the ways in which high finance, as the apotheosis of entrepreneurship, has remade our world. Crucial to this story is the extent to which a concept is able to carry through economic thought to deliver a transformation that is both expansive and sociological. Grasping the ways in which such transformation are wrought via the conceptual apparatus of other disciplines is essential if we want to contribute to the critique and challenge of such transformation. Reassuring ourselves that economics is not our domain does nothing to stop the flow of the economic through our transformed social lives.

References


1 Mises uses the specific term catallactic rather than economic here, where catallactics is economic theory built ‘upon the solid foundation of a general theory of human action’ (1998:7).

2 This is a slight simplification. Kirzner (2001) is pleased to pay homage to Mises (1912) work in dismissing the idea that money can ever be economically neutral: an idea clearly elucidated in Simmel’s writing.

3 The first problem (which Kirzner calls “Knowledge Problem A”) is an individual’s failure to recognize the limits to the plans he can successfully implement that are implied by the plans of others. When Knowledge Problem A prevails, expectations are disappointed. The problem is solved in the context of a market by the entrepreneurial process of equilibration that produces a market-clearing price. (White 2003:2).

4 “Simmel describes money as a ‘claim upon society’[...] ‘Money appears, so to speak, as a bill of exchange from which the name of the drawee is lacking, or alternatively, which is guaranteed rather than accepted’ (2004: 177, italics added).” (Dodd, 2011: 180).

5 That most lionised of trading positions. The contrarian, on divining narratives within the movement of signs, seeks to act other to that narrative, to exploit its understanding of the movement of the herd to move otherwise and take advantage.

6 A ‘tick’ represents a price interval in a market for a particular financial instrument. It can, of course, be translated back into a monetary value but is not itself in its immediacy of such a nature.

7 Or, perhaps better, absence of self.

8 And it is precisely the success of the claim to embodying ‘market’ logic that enables Wall Street to pass on the costs of its actions to wider society when these play out negatively and expansively. Not to do so would run the risk of removing from the global economy the way in which ‘the market’ in practice speaks to discipline wider activity for the apparent benefit of all.

9 Crucial here for Ho’s argument, but somewhat tangential for our own, is the ways in which the latter part of the twentieth witnessed the relative retreat of a wider stakeholder based narrative of managerial capitalism, with a reinvigorated ‘shareholder’ value narrative that brooks no concession to other organisational demands.