Review essay

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Ira Oscar Glick: At the crossroads of the sociologies of financial markets

Tom Duterme
FNRS/UCLouvain, Belgium

Abstract

This review essay looks at the plurality of research conducted today in the sociology of financial markets by examining a pioneering and little-known study – the PhD thesis of Ira Oscar Glick. It is indeed possible to find in this 1957 thesis some insights that are later solidified by several contemporary lines of research in the sociology of financial markets (new economic sociology, science and technology studies, gender studies, Bourdieusian sociology, ethnomethodology, the economics of conventions). This rediscovery of a key author in the history of the field may lead us to reconsider his legacy and delve into a landmark work that potentially still harbors unexplored insights capable of opening up new avenues for research.

Keywords

Sociology of finance, science and technology studies, gender studies, ethnomethodology

Ira Oscar Glick, *A Social Psychological Study of Futures Trading*, Doctoral Thesis (PhD), University of Chicago, 1957.

Introduction

It seems a long time ago when Wayne Baker expressed surprised that "only recently have a number of sociologists begun to scrutinize closely the structure and operations of [financial] markets" (Baker, 1984: 776). Since then, the sociology of financial markets has become a established field of research as demonstrated by the appearance of various state-of-the-art reviews (Knorr-Cetina and Preda, 2005; 2012), the organization of thematic conferences (such as the American Sociological Association's 2020 workshop "New Debates in the Sociology of Finance") or the birth of journals close to the field, such as *Finance and Society*. This is also reflected in the diversity of lines of research that now structure the sociology of financial markets. This essay proposes to shed some light on this diversity drawing on a pioneering and

Corresponding author:
Tom Duterme, FNRS, Institute for the Analysis of Change in Contemporary and Historical Societies, UCLouvain, Louvain-la-Neuve, Belgium. Email: tom.duterme@uclouvain.be. https://doi.org/10.2218/finsoc.7128

little-known study – Ira Oscar Glick's doctoral thesis, published in 1957. We will argue that the founding ideas of seven contemporary lines of research find a precursory echo in Glick's research. This will lead us to reconsider his legacy and, above all, delve back into this thesis, which potentially harbors more unexplored insights.

One thesis, seven lines of research

The five chapters making up the body of Glick's thesis set the stage for seven lines of research now active in the sociology of financial markets. One of the reasons for this productivity was his working environment. During his PhD, Glick took part in the Field Training Project initiated by one of his supervisors, Everett C. Hughes, in 1951. This experience, seen as "the first attempt by sociologists to reflect explicitly on the epistemological specificities and methodological problems of fieldwork and to apply these reflections to a scientific pedagogy of inquiry" (Cefaï, 2002: 122), enabled him to be the first to explore sociologically, in detail and depth, a financial market (the Chicago Mercantile Exchange where his father worked).[1] It is this pioneering status that makes the first chapter, dedicated to the review of the literature, so vivid. In it, Glick sets out the framework of his research, challenging economists and sociologists alike for being too focused on the formal rationality of market actors: "the economist assumes the existence of these social and interpersonal processes for purposes of controlling and analyzing the market situation, while the sociologist sees these characteristic modes of behavior in specifically economic … situations" (Glick, 1957: 17).[2]

To demonstrate the shortcomings of these two points of view, Glick develops a kind of proof by contradiction. In the second chapter, he discusses the formal structure of the market (explicit rules of the Chicago Mercantile Exchange) and shows how the traders are forced to rely on more than just formal rationality to manage their surrounding uncertainty. But through this description of the functioning of the egg futures market (the main commodity traded at the time), the reader can discern two fundamental contributions. The first resonates with studies that have raised the role of economic theories in the shaping of financial markets, that is, the impact of economics on the economy (Callon, 1998): "the formal structure [of the futures market] is patterned after the economic model for pure competition" (Glick, 1957: 37). In fact, just as MacKenzie (2006) tried to evaluate the extent to which the infrastructure of the American stock exchanges was influenced by the models of financial theorists, Glick links the hypotheses of perfect competition (large number of buyers and sellers, homogeneous commodity, perfect information…) and the formal rules of the Chicago Mercantile Exchange (opening of the trading floor via brokers, standardization of contracts, publicly shouted buy and sell orders…). It is true that he is less precise in tracing the channels through which theory informed practice but the core insight is there.

The other fundamental contribution of this second chapter comes when Glick traces the journey of the egg from the farm to the standardized contract. The materiality of the object in question, he tells us, matters: "Its physical properties [in particular, its perishable quality] delimit the ways it can be processed, transported, and stored … These factors, too, influence the pattern of its distribution, heighten the uncertainty which pervades this system, and provide the conditions which create a future market" (Glick, 1957: 44). These sentences remind us of the works inspired by the actor-network theory, which no longer considers objects as simple supports of social influences ("intermediaries") or as trinkets that dupe agents ("fetishes"), but as full-fledged actors that leave their mark on the course of action. The sociology of financial markets has included investigations of the role of order-matching technologies (Muniesa, 2007), documents filled out in the back office (Lépinay, 2011; Riles,

2010), and cables connecting data centers in Chicago to those in New Jersey (MacKenzie, 2018). All of these physical elements, like the perishability of Glick's eggs, influence the infrastructure of financial markets.

Glick makes his point more precisely this time, namely, by mentioning one of the channels through which these "physical properties" shape the futures market: "eggs are graded in terms of quality, size (extra large, medium, etc.), color (whites and browns), cleanliness, and packaging" (Glick, 1957: 40). The contracts exchanged by traders will then specify the range of eggs concerned: "standardization is necessarily based on the specification of deliverable grades so that buyers know what they will be getting" (Glick, 1957: 55). Of course, Pinzur's historical study linking the volatility of two futures markets with the mode of construction of the grades of the products traded (wheat and cotton) is more subtle and thorough but it shares certain insights with the 1957 thesis, in particular, the attention paid to the material anchoring of the grades: "this [market-wide classification scheme] was predicated on certain physical qualities of wheat – its ability to flow along conveyor belts and mix with other shipments. (These qualities are not found in cotton)" (Pinzur, 2016: 438).

Towards the end of his description of the formal structure of the market, Glick tells us, using excerpts from interviews, that these rules are frequently circumvented. He goes on to conclude his demonstration: "this is so because the competitive system which the rules depict heighten the conditions of uncertainty confronted by the trader in the market, and that rules come to be broken in an effort to reduce this uncertainty so that traders are more sure of their occupational environment and have better chance of making money" (Glick, 1957: 71). This result will lead him to describe, for the rest of his thesis, the informal structure of the market that allows a reduction of uncertainty. This structure is made up of values that stabilize traders' perception of their activity (chapter 3), schemes that allow the valuation of securities (chapter 4) and interpersonal relations that ensure that these schemes are shared (chapter 5). These developments will also offer three new seminal contributions.

His first contribution, which is also the most impactful, is to have raised the need to integrate elements external to economic models in order to explain the economy itself. In other words, by asserting that we cannot understand trader behavior and price movements without considering motivations that go beyond formal rationality, Glick puts an end to the "Pax Parsonia" (Orléan, 2005) that neatly divided research themes between economics and sociology. Thus, when Glick writes that "the performance of this work is not entirely based on monetary objectives" and that "traders participate in this occupation for the attainment and realization of other personal and social – in short, human – goals, and that these too are of importance in understanding their market behavior" (Glick, 1957: 143), he is laying the epistemological foundations of the "new economic sociology" to be carried out, with respects to the financial field, by Smith (1981), Baker (1984) and Abolafia's work (1996).

In this long chapter, Glick examines four different trader attitudes towards their work: the quest for profit, the prestige of status, the addiction to gambling and the fear of losses. Firstly, his discussion of the symbolic stakes of the profession ("the prestige of status") has a surprising resemblance with Bourdieusian sociology of financial markets. Mainly represented by Godechot's major work (2001), this approach connects the social positions occupied by agents active in the financial field with their dispositions. Thus, part of Godechot's work consists of linking the different explanations for the prices found during his fieldwork (e.g., fundamentalist, chartist…) to trading agents' social background (e.g., son of a financier or a blue-collar, trained in a business school or "on the job"…). Based on statistical analysis, Glick also categorizes traders according to their personal trajectory, identifying three distinct profiles characterized by a particular relationship to their work: the cash producer, the wire house and

the independent. For example, many cash producers experienced an upward social mobility. Dragged by their fathers into the egg business, they managed to move up the distribution ladder to reach the trading floor, "moving away from the cash egg business to the realm of the futures market, becoming divorced from the physical presence of eggs and instead identified with their representations, physically and psychologically cleans up the business and enhances the social status of the egg man" (Glick, 1957: 107).

Secondly, when he looks at the addictive dimension of trading, Glick proposes an interpretation that echoes contemporary investigations of gender in the sociology of financial markets. When his informants talked about gambling, they frequently emphasized the masculine dimension of the activity: "my own opinion about squeezes and corners [two aggressive trading techniques] is that I don't think woman and children belong on markets" (quoted in Glick, 1957: 127). At the same time, when they talk about "the market" they usually use a feminine pronoun. "The 'market' is endowed with feminine qualities so that it is the woman; and the trader, dealing with and in the market and manipulating it by buying and selling, is the male. The 'market' is a very active woman, unpredictable, potentially treacherous, distributing and bestowing her favours capriciously" (Glick, 1957: 128). This gendered representation – manifested also in the sexual slurs traders would use – will be confirmed by many subsequent empirical studies (e.g., Gagne, 1996) and analysed further by feminist studies of financial markets (De Goede, 2000; Fisher, 2012; McDowell, 2011; Robb, 2017; Roth, 2006).

The last two chapters are shorter and less scattered. Each can be linked to one, and only one, contemporary subfield of the sociology of financial markets. The fourth chapter is devoted to the description, analysis and interpretation of *the use* of the law of supply and demand. After noting that traders invoke this law more than they enforce it (if only because of the limited availability of data), Glick tries to make sense of this paradox: why do traders claim to rely on a law that they violate daily? To do this, he departs from what will be the Bourdieusian theory of *illusio* to put forward an alternative explanation, which brings to mind contemporary ethnomethodological reasoning: "the law of supply and demand serves as an organizing principle by which traders come to designate, define, and evaluate the many objects, events, and sentiments found in the market environment" (Glick, 1957: 186). Rather than an essential regularity, this law would thus constitute a framework for instating a reassuring causality to enable traders to make rational decisions. It offers a clear separation of the significant from the insignificant: the number of eggs laid in the last month (the "supply") is a significant variable, whereas the colour of the walls of the Chicago Mercantile Exchange is not. This striking approach is similar to the phenomenological analyses of the devices used by market actors to reduce the surrounding uncertainty, such as the screens of trading computers (Arnoldi, 2006; Zaloom, 2003).

Instituted by a market community, this law also strengthens the cohesion of the trading community thus gathered around this framework: "by sharing this conceptual scheme with other market participants, the individual trader acquires some notion of what is taking place *from the perspective of other traders*" (Glick, 1957: 190, emphasis in original). In the last chapter, the concrete functioning of this community is depicted through two questions omnipresent on the trading floor: "what do you think?" and "who are you?". It is not difficult for us to find Orléan's (1999) concept of self-referential rationality in certain passages: "knowing what others consider to be important and unimportant [the trader] can anticipate their actions and thereby more effectively fashion his own behaviour in terms of colleagues and in terms of the market process" (Glick, 1957: 190). In the futures market of the 1950s, collective attention used to be crystallized into 'focal points' publication of which moved prices (like the

number of eggs laid). But Glick reminds us of the conventional, and non-essential, nature of these focal points: "in an attempt to anticipate other traders' actions, market news of all types and degrees of probability became the basis for decisions and the content of communication among professionals" (Glick, 1957: 208). In conclusion, he underlines the performative nature of collective interpretations as well as the key role played by opinion leaders.

An unfortunate legacy

Glick's work is virtually unknown in the field of sociology. The founders of economic sociology, Baker and Abolafia, mention Glick's thesis but without discussing the content of his analysis in depth or mentioning his contributions to other lines of research. Among other sociologists of financial markets, only Zaloom cites him for his exploration of the links between economic theory and market construction (Zaloom, 2003: 13) and as a testament to a time when "speculators had often been in the business of producing the commodities before they entered the speculative melee" (Zaloom, 2004: 370, reprinted in Zaloom, 2006: 97). But he is only being mentioned as an endnote.

On the other hand, the vast majority of references (37 of the 50 citations on Google Scholar) are close to misappropriation: they connect Glick's work with the discovery of a "behavioural bias" exhibited by traders. The origin of this strange association is an article by Shefrin and Statman (1985) aiming to establish, theoretically and empirically, the "disposition effect" (traders' bias of prematurely selling securities whose value has risen and holding on for too long those whose value has fallen). One of the components of this bias would be linked to traders' (lack of) self-control, which the authors introduce in this way: "in a study of professional futures traders, Glick commented that the reluctance to realize losses constitutes a self-control problem" (Shefrin and Statman, 1985: 782). This is followed by an extract where Glick exposes the extent to which self-control (and the ability to "cut" losses quickly) is considered by traders to be a professional challenge and the mark of a good trader. Shefrin and Statman could have relied on Glick's interviews to establish the existence of a psychological bias. But instead they made Glick the first theorist of the disposition effect. In the wake of this influential article (more than 4,500 citations), many other researchers will make – most likely without having read Glick's thesis – a similar association: "much research has focused on the irrationalities of futures traders (Glick [1957])..." (Cheng, 2007: 52).[3]

The purpose of this essay is not to cast aspersions on Glick's successors but to qualify the main reappropriations and to stimulate new ones in the field of the sociology of financial markets. However, since most of the seven research programs identified are now well established and have little to learn from Glick's early insights, why delve back into this thesis? Only to offer a more faithful tribute to him? I argue that this thesis deserves our attention because it probably harbors other fruitful insights. Lines of research often open with conceptual innovations: the sociology of financial markets was driven by Callon's *performativity* and the subfield of economic sociology by Granovetter's *embeddedness* concept. We have shown that several of these conceptual innovations have links with precursory insights found in Glick's thesis. More could emerge from the rediscovery of his work.

Let us venture to give an example. As the title of his thesis shows, Glick adopts a psycho-sociological perspective to analyze the decision-making process of traders. He does so by addressing both cognitive (the inability to process all signals) and situational constraints (the need to coordinate in time and space). The finesse of certain passages could help pave the way for a Goffmanian sociology of financial markets that some have called for (Preda, 2012):

"by acceptance of this common framework as to the nature of the market and the price determining process [the law of supply and demand], the possibility for rapid, facile, and meaningful interaction is enhanced" (Glick, 1957: 208). This type of analysis is tailored to face-to-face financial markets but computerization has not eliminated the situational stakes. It has only proposed a reconfiguration that undoubtedly merits enlightenment. The rediscovery of Glick's work could stimulate more research in this direction and perhaps in other directions too.

Notes

1. Certainly, one can find well-informed fragments on the functioning of the stock market in Marx, Weber or Proudhon but nothing approaching a systematic investigation. The innovative article by Rose (1951) is a better rival but is much less empirically supported.
2. Glick refers to the evolutionary reading, shared in different forms by Tönnies, Simmel and Durkheim, of a modern rational, commercial, organic society that follows on from primitive, mechanical societies based on barter and gift.
3. This formulation is particularly inadequate. Glick considers that traders' reasoning is rational but in a context of highly imperfect information, as illustrated by this judicious remark: "there is some inclination, by both traders and students of futures markets, to refer to this communication as rumor. But to categorize the exchange of information among members of this social system by using a term implying unreliability of content and instability of communication patterns is misleading. For it suggests that a more certain type of information is available to these men, and such is not the case. Reports, tips, hearsay, and conjecture are the only type of information they have access to in this uncertain situation" (Glick, 1957: 207).

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