NORTH CAROLINA LAW REVIEW

Volume 70 | Number 3 Article 4

3-1-1992

The Culture of Capital: An Anthropological Investigation of Institutional Investment

John M. Conley

William M. O'Barr

ESSAY

THE CULTURE OF CAPITAL: AN ANTHROPOLOGICAL INVESTIGATION OF INSTITUTIONAL INVESTMENT*

JOHN M. CONLEY**
AND
WILLIAM M. O'BARR***

The past decade has witnessed extraordinary growth in the assets held by institutional investors. In 1990 institutions owned more than one-fifth of the financial assets in the United States, with a total value in excess of $6.5 trillion.[1] The fastest growing of these institutions have been pension funds. They controlled $2.5 trillion worth of assets in 1990, up from $17.6 million in 1950 and only $891 million as recently as 1981.[2] The twenty largest pension funds grew approximately 115% during the period 1984 to 1990, and their combined assets now total more than $600 billion.[3] Much of this new money has been invested in equity, with the result that the large pension funds have become major shareholders in some of the most important American corporations. For example, by the end of 1989 the twenty largest funds owned 9.1% of the outstanding stock of IBM, 8.5% of General Electric, and 10.6% of General Motors.[4]

This unprecedented concentration of wealth has given rise to questions and concerns about the economic influence of institutional investors generally and pension funds in particular. For example, recent sessions of Congress have seen hearings on whether institutional investment strat-

---

* This Essay is derived from the forthcoming book *Fortune and Folly: The Wealth and Power of Institutional Investing*, to be published by Business One Irwin.

** Reef C. Ivey II Research Professor of Law, University of North Carolina School of Law; Adjunct Professor of Cultural Anthropology, Duke University. B.A. 1971, Harvard University; J.D. 1977, Ph.D. 1980, Duke University.

*** Professor of Cultural Anthropology and Sociology, Duke University; Adjunct Professor of Law and Anthropology, University of North Carolina School of Law. B.A. 1964, Emory University; M.A. 1966, Ph.D. 1969, Northwestern University.

1. WILLIAM M. O'BARR & JOHN M. CONLEY, FORTUNE AND FOLLY: THE WEALTH AND POWER OF INSTITUTIONAL INVESTING tbl. 2.1 (forthcoming 1992) (presenting economic analysis by Carolyn K. Brancato).

2. *Id.*

3. *Id.* at tbl. 2.2.

4. *Id.* at tbl. 2.8.

egies—in particular the institutions' alleged participation in leveraged buyouts—were exerting short-term pressure on corporate managers, to the detriment of such long-term considerations as capital investment and research and development.[5] In 1989 and 1990 Senator Lloyd Bentsen captured financial headlines by proposing to tax the short-term stock trading profits of otherwise tax-exempt pension funds.[6] This legislative discourse has taken place against the background of a public and increasingly vehement debate between pension fund managers and corporate executives over the proper role of institutional shareholders in corporate governance.[7]

Although recent economic research has created a revealing financial profile of the size and power of pension funds,[8] very little is known about how these organizations actually work.[9] Researchers have yet to address a number of questions that are critical to understanding the management of pension funds, assessing their economic impact, and predicting their future behavior. First, how do funds actually make their investment decisions? Who are the decisionmakers, and what motivates them? Are they oriented toward the long term, the short term, or both? Are the funds aware of their enormous economic power, and how are they likely to exercise it? What are their ambitions in the area of corporate governance? Finally, if changes in fund behavior are desirable, what are the prospects?

Concerned about this lack of basic descriptive data, the Board of Advisors of the Institutional Investor Project at Columbia University in-

---

5. For example, in October 1989 Senator Christopher Dodd (D-Conn.) conducted hearings before the Subcommittee on Securities of the Senate Banking, Housing, and Urban Affairs Committee. *See infra* notes 25-27 and accompanying text. For an in-depth discussion of this problem, see Thomas L. Hazen, *The Short-Term/Long-Term Dichotomy and Investment Theory: Implications for Securities Market Regulation and for Corporate Law*, 70 N.C. L. REV. 137, 137-43, 178-207 (1991).

6. *See, e.g.*, James A. White, *Pension Managers Chilled by Notion of Tax on Trading*, WALL ST. J., Sept. 21, 1989, at C9. Bentsen subsequently proposed a broader tax on short-term capital gains that, he said, was aimed primarily at pension and other investment funds. *See* Susan Rasky, *Short-Term Gains Tax Draws Bentsen's Interest*, N.Y. TIMES, Jan. 25, 1990, at D2. Bentsen's trial balloons have not resulted in any legislation.

7. *See* Jayne W. Barnard, *Institutional Investors and the New Corporate Governance*, 69 N.C. L. REV. 1135, 1135-37 (1991).

8. *See generally* Carolyn K. Brancato, The Pivotal Role of Institutional Investors in Capital Markets: A Summary of Economic Research at the Columbia Institutional Investor Project (1990) (compiling most recent data on the economics of pension funds) (on file with the authors).

9. The state of knowledge has progressed very little since Peter Drucker published *The Unseen Revolution* more than fifteen years ago. *See generally* PETER F. DRUCKER, THE UNSEEN REVOLUTION: HOW PENSION FUND SOCIALISM CAME TO AMERICA (1976) (predicting with remarkable accuracy the growth of pension funds and the ensuing policy issues).

vited us to apply the qualitative methods of anthropology in an effort to generate some new insights. We came to this project not as financial experts, but as anthropologists with years of field experience studying subjects ranging from Tanzanian coffee farmers to litigants, lawyers, and judges in the American legal system.[10] In a variety of social settings, we, like other anthropologists, had asked fundamental questions about how people understand and deal with their varied cultural environments. There was no reason to believe that these questions would be any less relevant, or the answers any less revealing, on Wall Street than they had been in more typical anthropological settings.

Anthropology's bread-and-butter concept is *culture*—the set of shared beliefs and practices that define a society's way of life. Culture provides the mental map that guides individual members of the society through their daily lives. We set out to apply the concept of culture to the study of pension funds. Our objective was to focus on the details of how the funds are organized, who the people are who run them, how these people conceive of what they do every day, and what factors influence and shape their decisions. In other words, we wanted to investigate within pension funds the same issues we would study if we were researching the culture of an Amazon village or an island in the South Seas.

Anthropologists have found that the concept of culture is as applicable to contemporary institutions and organizations as it is to traditional societies. For example, anthropologists have investigated the American legal system from a cultural perspective. By studying how the law works day to day, they have learned a great deal about the goals and motives of people going to court, lay people's conceptions of the law, and the discrepancies between what the law claims to deliver and what it actually delivers. Most important, because of their novel perspective, anthropologists have discovered things that legal professionals never have been able to see.[11]

The anthropological method depends primarily on intensive observation and open-ended interviewing. In crude terms, the anthropologist lives with the natives, learns their language, observes their customs and way of life, and talks with them at length. The anthropological interview is relatively unstructured, designed more to encourage informants to identify and elaborate on issues that are important to them than to survey their views on issues that are important to the interviewer. Anthro-

10. *See generally* JOHN M. CONLEY & WILLIAM M. O'BARR, RULES VERSUS RELATIONSHIPS: THE ETHNOGRAHY OF LEGAL DISCOURSE (1990) (an anthropological study on the various discourses of law).

11. *See id.* at 3-9, 166-68.

pologists have found that language is far more than a transparent medium for conveying "facts" and other substantive information. Rather, language is itself a form of data, in that the details of the way people speak about an issue provide important clues to the way they think about it.

This is precisely how we proceeded in our investigation of pension funds. Like any anthropologist setting off for an exotic world, we began by reading what others had written about the people and their practices and by studying the indigenous language. Concerned that our tastefully seedy academic tweeds would be inappropriate on Wall Street, we even bought field clothes, but at Brooks Brothers rather than an army surplus store.

With expert advice, we chose nine large pension funds that seemed to typify the growing power of institutional capital. They included three large state pension funds and six private funds whose sponsors are some of America's most influential corporations.[12] We chose these nine because we were led to believe that they differed on such potentially significant structural variables as the balance between equity and fixed-income investments; active versus passive investment strategies; use of outside money managers versus in-house money management; adherence to a long-term, value-investing philosophy versus emphasis on shorter-term technical strategies; and approaches to proxy voting and other corporate governance issues.[13] To satisfy the legitimate concerns of our informants and thereby promote candor, we promised to protect the anonymity of both individuals and funds. This turned out to be an appropriate strategy, as we were the beneficiaries of extraordinary access and striking openness at all nine funds.

After preparatory conferences with a variety of experts, we spent between one and three days at each fund, depending on its size and complexity. In each case, we interviewed separately the chief executive officer and a number of other employees involved in specific areas of the fund's operation, including portfolio managers, analysts, and lawyers. We also interviewed outside money managers where relevant. Most interviews lasted between one and four hours. All told, we spent more than four full weeks gathering data at various locations. We tape-re-

12. Financial people sometimes use the term "pension fund" to refer to a pool of pension fund money from several sources held by a money manager or mutual fund. We use the term exclusively to refer to the organization that has legal responsibility for funding the pensions to be paid by a particular public or corporate entity.

13. For a complete discussion of the range of pension fund management structures and investment strategies, see O'BARR & CONLEY, *supra* note 1, ch. 3.

corded all interviews and ultimately produced over a thousand pages of transcripts for subsequent analysis.

In each interview, we raised the general topics of fund structure, investment strategy, and corporate governance, if the informant did not do so. The overriding objectives, however, were to encourage the fund executives and employees to set the research agenda by identifying their interests and concerns and expressing their viewpoints, and to listen carefully as they did so. In this Essay we present and analyze the agenda that our informants set.

Individual Versus Institutional Voices

Although we chose the nine funds because we understood them to represent different approaches to the management of institutional money, the extent of their actual variability was extraordinary. Beyond some very general strategies (for example, indexing[14] by two of the public funds and some use of outside managers by all but one of the funds), each case can fairly be described as unique with reference to all of the others. The extent of the variation among these nine cases suggests that one must be careful when generalizing about "institutional investors" or "pension funds" when discussing economic policy or arguing for changes in the law.

We began each interview by asking for a description of the particular fund's investment approach, and for an account of how and why the fund adopted that approach. From the responses, we hoped to learn how the people managing or working for the various funds understand the institutions of which they are a part and the investment strategies they carry out. Here we expected to find some consistency. Our initial, albeit naive, expectation was that informants would account for their fund's structure and strategies in economic terms. In response to questions about why funds made investment decisions as they did, we expected such an answer as, "We laid out the various options, compared them, and chose our approach on rigorous financial grounds."

This expectation was confounded. We heard instead about historical quirks, seemingly petty personal disputes, and bruising political battles. The work of Adam Smith's invisible hand was rarely in evidence. Clearly, the most striking finding in the entire project was the extent to which pension fund insiders do *not* offer economic explanations for the ways that they manage money.

One problem was the simple lack of "official," authoritative ac-

14. For a definition of "indexing," see *infra* note 18.

counts of why particular structures and strategies were in place in given funds. The public funds publish annual reports, but these contain only general statements of investment philosophy and quantitative summaries of performance. The only publications available from most private funds are brief newsletters sent to beneficiaries. Except for these documents we could find no systemic perspectives, even in the accounts of those whose positions suggested they should have been able to provide them. (Contrast an institution like a university, which, despite the diversity among faculty and students, can readily provide an "official" version of its position on such fundamental matters as academic requirements for graduation, majors, course offerings, and student life.) Instead, we were relegated to piecing together the highly personal and often conflicting accounts offered by individuals.

A critical element in these accounts is that individuals' perspectives on institutional structures and strategies are constrained by the time horizons of their own careers. Individuals speak of the time before their own arrival in vague and general terms. Their explanations have the quality of folklore: the speakers are aware of events of symbolic significance and people of heroic proportions who preceded them, but the details of who, what, when, and where, have been lost. By contrast, they remember in great detail events that they have participated in or witnessed. Yet their perspective is not the bird's-eye view of the historian, management consultant, or financial analyst, but rather the fragmented view of one who is too busy living through an event to stop and analyze it.

This perspective is illustrated by the story told by the chief executive of one of the six private funds. He had worked elsewhere in the corporation that sponsors the fund and was shifted to the top position in the pension fund more than ten years ago. In the course of his vague account of the fund's evolution before his arrival, we attempted to press him for details. He brushed us off with evident irritation, snapping, "I'm trying to get you up to when I came, when we changed things." A moment later his colleague joined in to speculate about the dates of some events that occurred before World War II. The chief executive cut him off with an impatient "Yeah, I guess so," and resumed his rambling narrative.

By contrast, when he spoke of events after his arrival, he offered much more detail and was receptive to our requests for elaboration and to his colleague's efforts to fill in the gaps in his history. But the story he told was an account of what *he* saw, what *he* did, and what *he* felt, rather than an authoritative corporate explanation of the fund's investment behavior. For example, talking about the fund's actions during the stock

market crash of October 1989, he provided a virtual diary of his own activities on October 13, 1989. He never stepped back from his personal vantage point to assess how the events appeared from the perspective of the fund itself:

> And *I* just happened to notice on *my* screen and *I* looked and saw that the market was way down so *I* went upstairs . . . . Those of us that were here just focused on what was happening, and looked at the screens . . . . *I* was on the phone with *my* boss . . . . We stayed around, several of us . . . and by 7:30 [Monday morning] *I* was here . . . and *I* said . . . .

We can piece together personal accounts of this sort to develop a composite portrait of the pension fund as a corporate entity. In none of the funds, however, did we encounter a consistent corporate voice. Like other anthropologists, we consider the ways in which people describe phenomena to be reflections of the way they think about them. Thus, the general failure of fund executives and employees to rise above their own personal perspectives and articulate a corporate vision suggests that one does not exist. This apparent lack of institutional coherence among such influential players in the American economy is in itself a surprising and disturbing finding.

One might expect that this absence of corporate vision would create opportunities for unusually motivated and capable executives to impose their own visions on their funds. This has been the case in one of the public funds. Against a historical background of political infighting that tugged this fund in many directions at once, its board of trustees appointed the present chief executive officer a couple of years ago. He told us of his agenda for streamlining the fund on a corporate organizational model and for achieving specific objectives in the areas of investment strategy and corporate governance. His goals include freeing the fund from the constraints of the state bureaucracy, eliminating political influence on investment decisions, and using the fund's economic power to improve the accountability of corporate directors to their shareholders.

Like others, this executive described his fund from a first-person perspective. But his "I" was of a different quality: rather than giving us a look at the management of the fund from his personal vantage point, he made it abundantly clear that his personal vision *is* the fund's vision. When he spoke of "my plans" or what "I" intend to do, he was speaking not of what *he* intended to do tomorrow, but of where the entire entity was headed. He described how he "works the board"—which he often called "my board"—to ensure that his vision becomes and remains the fund's vision. For example, he acquiesced in a small amount of real estate investment, though he characterized it as "a real major pain in the

ass," because "trustees love real estate; they touch it, they feel it, they point with pride to it." While the trustees are dutifully, and presumably happily, engrossed in inspecting shopping centers, the head of the fund can pursue the other, more significant matters on his agenda without the distractions of controversy.

This executive is quite conscious of having identified and filled a leadership vacuum and of the relative celebrity in the financial world that his efforts have brought him: "It's a real heady trip." Moreover, he is acutely aware that putting his personal imprint on the disposition of billions of dollars is a source of real economic power as well. He made the point with the following anecdote:

> One of the fellows, a good friend of mine, we were sitting down and having drinks one night. And he said, "Do you realize that if we decide to dump equities in late October prior to the presidential election that we would probably influence an election?"

It is probably not coincidental that this executive—the only person we interviewed who articulated a clear institutional vision—works for a public fund. Most public funds are governed ultimately by diffuse, nonexpert bodies. Such bodies probably are "worked" more easily (to use our informant's apt term) than are corporate executives and committees of corporate boards. Moreover, with vision and power sometimes come publicity and celebrity, which private corporate funds studiously avoid. Ironically, then, but perhaps predictably, the democratic and open nature of the public funds renders them more susceptible to individual domination.

ECONOMIC BLUEPRINTS AND CREATION MYTHS

If the form of the accounts we heard suggests a lack of institutional perspective, their content reveals the absence of economic blueprints. Instead of financial rationales for management structures and investment strategies, we heard stories of historical accidents, interpersonal conflicts, and political battles that shaped the ways the funds presently manage their investments. As we will explain, these accounts have some of the characteristics of the "creation myths" that members of traditional societies recount to explain their origin and current state of affairs.

For example, one executive told us the story of how the sponsoring company's legendary founder, disturbed by injuries on the manufacturing floor, established a fund for deserving widows and orphans. For reasons that have been lost in the oral history that has been passed down by generations of employees, the company established the pension fund as a

separate corporation chartered in another state.[15] Then, for reasons that are also no longer well understood, the pension fund corporation stayed behind when the sponsor moved its headquarters to another city several hundred miles away. Our informant offered the story of the physical separation of the offices of the sponsoring corporation and those of the pension fund to explain this fund's remarkable independence from its sponsor. He used this independence in turn to account for the fund's unvarying strategy of patient, highly selective value-investing.[16] While the strategy is widely believed to be an effective one, it is, in the eyes of those who carry it out, a product of evolution rather than planning. As another employee of this fund said in reference to its strategy, "This point is so instinctive, it's so much a part of corporate culture here I don't really know how it evolved."

Officials at another fund told a comparable story. It began with a general directive for change from the sponsoring corporation's chief executive officer, followed by a series of key personnel changes. The role of rigorous financial analysis seems to have been secondary at best. For example, when the mandate for change first came down about ten years ago, the fund was, in the view of its present chief executive, "following some procedures and approaches that were fifty years behind the times." Specifically, the strategy of the fund at that time was "basically to pick out good companies, buy the stocks and then hold them, essentially." The thrust of the directive was to emulate a number of other "more up-to-date" funds, including the fund described in the preceding paragraph. Perhaps unbeknown to this chief executive, the strategy of that fund has always been the "buy quality and hold" approach that he characterized as fifty years out-of-date.

Subsequently, an ostensibly successful equity manager was forced to resign after a dispute over his personal work habits. The manager's style did not result in any identifiable financial detriment, but rather in what one of the fund's executives called "a loss of a working together nature of the thing." Likewise, the fund's outside money managers were said to be judged less on the bottom line than on "qualitative factors" such as working relationships. In addition, the fund has repeatedly tinkered with its asset allocation process[17] to promote a sense of "contribution" and

15. The pension funds of large corporations usually operate out of corporate headquarters, often as a function of the corporate treasurer's office. Establishing a separate corporation to run the pension fund is unusual.

16. That is, the fund's practice is to conduct painstaking research in an effort to identify a limited number of fundamentally sound, reasonably priced companies, and then buy their stock and hold it for a period of years.

17. Asset allocation is a fund's division of its portfolio among such major investment

"fairness" among those who participate in the allocation decisions. Ten years into the shift toward a more active investment strategy, the strongest statement that the chief executive of the fund can make is that the fund is probably doing better than an indexed fund,[18] but "I have to say the case is not an overwhelming one; I mean it's not a powerful case."

The creation myths that anthropologists have recorded in more than 800 traditional societies have two related characteristics that are relevant here. First, their truth is self-evident to those who hold them. The myths are deeply ingrained in members of the society, and are not open to question or analysis. Second, this very characteristic means that the adherents of a particular myth find it difficult to consider alternatives. When truth is self-evident, looking for alternatives is simply a waste of time.

In our study of the nine funds, we were repeatedly struck by the lack of interest in questioning or analyzing the structures and strategies that had evolved. Comments about things being "instinctive" and "part of the corporate culture" were recurrent. Moreover, there was surprisingly little interest in considering other possibilities. The comments about other funds' strategies that we did hear tended to be little more than ill-informed stereotyping, reminiscent of the way ethnocentric Americans might talk about such exotic peoples as Arabs or Russians.

We heard creation myths in public as well as private funds, but the public funds' versions were somewhat different. There, we heard less about heroes and villains than about financial scandals and political struggles. For example, the chief executive of one public fund began his account of the fund's organizational structure by explaining it as "the result of a scandal that took place in the late forties." At another, we heard about how the present trusteeship arrangement, with a diverse lay board, had evolved partly in response to turf battles among prominent

---

categories as stocks, bonds, real estate, leveraged buyouts, and international investments. Large funds typically allocate assets annually and then make regular adjustments. *See* O'BARR & CONLEY, *supra* note 1, ch. 3.

18. Indexing involves creating and maintaining a stock portfolio that is representative of the market as a whole or some specific component of it. The investor buys the stocks on the index and changes its portfolio only when new stocks appear on the index and others drop off. A number of commercial services compile and publish different kinds of indexes. The best known are the Standard & Poor's 500, which includes 500 of the largest American corporations, and the Wilshire 5,000-Stock Index, which is more representative of the broader market. One can find an index that purports to represent almost any segment of the market, whether domestic or international. When the market (or the relevant segment) rises or falls, the index follows. For a general introduction to indexing, see BURTON G. MALKIEL, A RANDOM WALK DOWN WALL STREET 359-66 (5th ed. 1990). For a review of current pension-fund thinking about indexing, see James A. White, *Pension Funds Think Less May Be More*, WALL ST. J., Oct. 23, 1991, at C1.

state politicians. And at a third, we heard about ongoing struggles between a governor from one party and a fund executive from the other.

The point to be noted about all these descriptions of structures and strategies is that the people who are managing a huge segment of America's capital market, when asked to account for what they do, do so in the first instance on cultural rather than on economic or financial grounds. This is not to say that they do not consider economics, but only that they choose to talk about other things first and more often. Most prominent among these subjects are the historical quirks and the details of local politics that are the stuff of everyday life in less consequential institutions.

The Civil-Service Culture of Public Funds

An important noneconomic factor that influences the way the public funds invest their vast resources is the civil-service culture in which they operate. One executive echoed numerous others when he said, "Obviously, we're not paying $500,000 a year Wall Street salaries and we got civil-service restrictions, so we have a small and modestly paid staff."

He went on to point out that this environment attracts people interested more in security than achievement, in meeting obligations rather than pursuing profit. This tendency is reinforced by the press, which, in his view, is the principal authority to which the public funds must account. The press is interested in disaster, not success:

> Of course, there's no rewards. You beat the market, somebody's going to write it up? Forget it. Underperform, they would be happy to.

Not surprisingly, many public funds are attracted to indexing, a strategy that is supported by some degree of financial analysis. Fund employees speak of eliminating excess commissions, and one cited specific figures from a study of outside money managers that purported to show the unlikelihood of beating the market. With the single exception just cited, however, the economic reasoning was at a very general level. One chief executive at a public fund explained his fund's shift to indexing this way:

> Somebody said, "Here's an idea—you don't give your money to money managers, they don't perform too well anyway. Just get a computer and match the market with it." Socko! It was the easiest decision I've ever made, easy.

When asked to elaborate on the specifics of the decision, he continued, "Oh, I have no idea. It just occurred."

Some funds also offered noneconomic rationales in support of index-

ing. In particular, an executive at one of the public funds observed that indexing simplified his dealings with the press and ultimately with the public. If an indexed fund goes down, he argued, it can blame the poor performance on the market as a whole, an explanation that even the lay public can understand.

RESPONSIBILITY

These comments about indexing suggest a preoccupation with responsibility—or, more accurately, with displacing responsibility. Comments about assuming, assigning, or avoiding responsibility were prominent in every interview we conducted. Moreover, it appeared to us as naive outsiders that decisionmaking procedures in many funds had been designed almost with questions of responsibility in mind. In fact, it is not an exaggeration to say that the most prominent feature of several of the fund structures we discovered is their effectiveness in shifting responsibility for decisionmaking away from identifiable individuals. Specifically, there seems to be a roughly inverse relationship in any given organization between the level of trading activity and the ability to assign individual responsibility for investment decisions. As the number of investment decisions—and, consequently, the likelihood of error—increases, so too do the complexity and consequent impenetrability of the decisionmaking structure.

For example, one of the private funds that manages much of its large stock portfolio internally employs a range of technical investment strategies and appears to have a substantially higher equity turnover rate than any of the other funds we studied. It also invests small percentages of its portfolio (although significant dollar amounts, given the size of the fund) in such decision-intensive areas as real estate, mergers and acquisitions, and venture capital. It took the fund's chief executive almost an hour, with the aid of many charts and spontaneous diagrams, just to explain the chain of command for different kinds of investment decisions. He described a structure in which identifiable individuals have authority to make decisions affecting relatively small dollar amounts. The more money at stake, the more people must approve—to the point that multiple committees, often with interlocking memberships, must review truly substantial decisions. The decisionmaking is so complex that it would be virtually impossible for the management of the fund or its sponsor to assign credit for a major success or affix blame for a major failure. It may not be coincidental that this fund is dissatisfied with its past performance and unable to judge the success of its present strategies.

In sharp contrast, another private fund pursues a relatively inactive

strategy, but there is no doubt where the responsibility for individual decisions lies. Each of a small number of investment analysts has responsibility for a segment of the market. For example, one analyst might cover transportation, entertainment, and food retailing stocks, while another oversees chemicals and communications. The fund encourages analysts to rotate into new areas every few years in order to develop fresh perspectives and sharpen their analytical skills. The analysts recommend individual investments or divestments and top management approves them on an informal, consensus basis, but the analysts' recommendations carry almost conclusive weight.

The analysts are keenly aware of the responsibility they bear. One of them described the way he scrutinizes a prospective investment as follows:

> For me personally, before I'll buy a name, the mental screen is: Am I willing to stick my neck out with this company and this management for at least the next five years? And, if I'm not willing to do that, then I'll tend to stay away from it. *It's too much personal risk involved in it for me* . . . . I wouldn't want to have to turn around two years later, and recommend that we sell it because things are not going at all like we had hoped. So, it's a pretty tough screen.

Although it would be difficult for them to say which is the chicken and which the egg, there is a clear correlation in the minds of this fund's analysts between their sense of individual responsibility and their "buy quality and hold" investment strategy. Whichever way the causal relationship works, the management of the fund believes that its approach is a financial success. Knowledgeable people in the pension-fund world agree and often name this fund as a model for how a fund should be managed.

Two of the private funds we studied do not manage any of their money in-house. In each case, the sponsoring corporation and the fund management have concluded that they lack the resources and expertise to do so. These funds employ outside managers to whom they delegate virtually all investment decisions. At first glance, it appears that this procedure effectively shifts most of the responsibility for investment performance outside the company.

On closer examination, however, these two funds differ in much the same way as the two internally managed private funds. At one, the fund and sponsor managements collectively decided on a "buy quality and hold" strategy, and then hired two external managers to implement it. Both of the managers have been in place for many years and consistently have produced results that are satisfactory to the fund and its sponsor.

Thus, while the fund has shifted responsibility for particular investments onto external managers, a small number of identifiable individuals within the sponsoring company remain responsible for the success or failure of the fund's overall investment strategy.

At the other fund, the objective has been to achieve diversity in investment strategies for the sake of diversity. The result is a current stable of twenty-one external managers who implement different strategies, not all of which the fund's management understands well. Historically, there has been little turnover among the external managers. As long as the bottom line of the fund is reasonably healthy and the external managers are pursuing the strategies they advertised, the fund gives little detailed attention to the relative success of individual managers or to the continuing validity of those strategies. In any event, replacing an external manager is, in the words of the fund's chief executive, "a slow process" that ultimately ends up on the agenda of a committee comprising both fund and sponsor executives.

According to the chief executive, the principal rationale for this strategy-diversification approach is the unchallenged but unverified belief that "you pursue diversity to reduce the overall volatility in a portfolio." Not everyone shares this view. One highly successful external manager with whom we talked maintained that what this fund executive should have said is that you pursue diversity to ensure mediocrity in the portfolio and thereby avoid criticism. Irrespective of one's view of the financial merits of the strategy-diversification approach, there is no doubt that it offers many options for diffusing responsibility for poor results. The fund can lay blame on the external managers, on changing market conditions that rendered a particular strategy obsolete, on long-gone predecessors who hired the managers many years ago, or on the "slow process" for changing them.

The issue of responsibility emerges in a different way at the public funds. Public fund officials believe that pension funds bore the press and the public, which become interested only when disasters occur. Indexing, which hitches the fund to the market, offers an attractive way to preempt questions of responsibility. Initially, a fund can justify indexing on the complementary grounds of the difficulty of managing money internally in a civil-service environment and the allegedly spotty performance of outside managers. Thereafter, when the fund suffers serious losses, as in October 1987 or October 1989,[19] the fund can displace re-

19. To get some idea of the impact of the October 1989 crash on a large pension fund, consider the example of the New York State and Local Retirement Systems. At the time of the crash the New York fund had approximately $13 billion invested in a fund that tracked the

sponsibility onto the national economy and the market as a whole.

An obvious question is why indexing is not more prevalent among private funds. The answer seems to be a matter of business culture. Executives of the private funds regularly point out that by performing well they reduce their sponsors' contribution levels and thereby reduce the cost of producing goods, just like efficient production supervisors. At the public funds, however, swamped by the influx of new contributions every day,[20] the thinking is purely defensive: To index is to admit helplessness in the face of market forces, and to reject striving for superior performance as an illusory or irrelevant pursuit. Whether or not it is economically efficient, this is a position that, for obvious reasons, is almost impossible to advocate in a corporate environment.

Another issue related to the question of responsibility is the perception of the legal constraints under which the funds operate. For the private funds, the Employee Retirement Income Security Act of 1974 (ERISA) regulates fiduciary behavior;[21] the public funds generally operate under the old common-law standard of the prudent person,[22] although some states explicitly have adopted the ERISA standard.[23] In the view of many legal scholars, the two sets of standards are not materially different: both establish a very general requirement of well-informed, prudent judgment exercised in the interest of the plan's beneficiaries.[24]

In spite of the absence of specific rules governing particular situations under either standard, fund executives repeatedly place the responsibility for particular decisions on the law. For example, executives at a highly active, multiple-strategy fund maintain that ERISA all but dictates their approach. Interestingly, the executives at another fund, who

---

Standard & Poor's 500. NEW YORK STATE AND LOCAL RETIREMENT SYSTEMS, SUPPLEMENT TO THE 1989 ANNUAL REPORT 42 (1990). Between 2:30 and 4:00 p.m. on October 13, 1989, the S&P 500 Index lost 5.1% of its value, falling from 352 to 334. *See* Sarah Bartlett, *Wall St.'s 2 Camps*, N.Y. TIMES, Oct. 23, 1989, at D1. Thus, the portion of the New York fund tracking the S&P 500 lost more than $660 million of its value during the 90-minute period.

20. Some of the largest public funds take in millions of dollars in new money every day. Since few large corporations currently have rapidly expanding workforces, their pension funds tend to grow less quickly. *See* O'BARR & CONLEY, *supra* note 1, ch. 3.

21. The ERISA fiduciary standards appear in 29 U.S.C.A. § 1104 (West 1985 & Supp. 1991) and in Department of Labor regulations set out in 29 C.F.R. pt. 2550 (1991).

22. *See* RESTATEMENT (SECOND) OF TRUSTS §§ 170, 227(a), 228 (1959).

23. *See, e.g.*, CAL. GOV'T CODE § 20205.8 (West Supp. 1991) (codifying the prudent person standard and limiting the purposes for which a fund may act).

24. For a readable discussion of these standards, see Paul G. Haskell, *The Prudent Person Rule for Trustee Investment and Modern Portfolio Theory*, 69 N.C. L. REV. 87, 88-99 (1990).

see ERISA as requiring little more than the exercise of everyday good judgment and common sense, view this argument as specious.

Executives and employees at several funds also say that ERISA or the prudent person rule or both absolutely preclude "social investing"—such things as divestment of companies that do business in South Africa or have poor environmental records. One public official lamented, "If I had an ERISA standard there, I could head this [pressure for social divestment] off . . . because if we don't we are just going to get the crap beaten out of us."

A private fund executive spoke of ERISA's constraints with apparent regret:

> [I]t sounds like a heartless attitude that I'm expressing, but it isn't . . . . [The fund] is there for the benefit of the beneficiaries of the trust, and to provide them with retirement benefits, not to provide them with jobs before they retire, or to provide roads in the community where they live, or to provide them with the emotional satisfaction that some of them might get from having this attitude or that attitude about a social question.

But a public fund official, coincidentally choosing the same road-building hypothetical, took the opposite view:

> I'm not sure you have to maximize—see, I don't like that word "maximize"—your profits, which, you know gives the view that you can't look at anything else. Let's say the state is reaching a gridlock with its highway system. And so, the legislature and the governor say to us, "The economy is going to fall apart unless you and some of these other huge funds invest in roads or high speed trains." As long as you are getting a decent return, I think you can take those other kinds of things into consideration. In that regard, I think you don't have blinders on when you work as a fiduciary.

What emerges is a picture of fund executives continually recreating the law in their own image and likeness to support the judgments they make on contentious issues. Although the actual language of the legal standards is sparse and usually inconclusive, the fund executives rarely view themselves as interpreting an ambiguous standard. Rather, they describe themselves as merely following explicit and detailed prescriptions—what one of them referred to as "the clear-cut rules stated in ERISA." Here again, the executives preempt questions of blame, fixing responsibility in advance on an unyielding external force. It is not surprising that people adopt this tactic. It is striking, however, that few of the people we interviewed—all of whom have access to sophisticated legal advice—have ever stopped to question the uncertain legal grounds

on which their assertions rest. Apparently, the law is too useful to jeopardize it by critical scrutiny.

LONG-TERM VERSUS SHORT-TERM THINKING

In his opening remarks at a Senate hearing on institutional investment in the fall of 1989, Senator Christopher Dodd of Connecticut charged that "the major decisions on the part of institutional investors are made by fund managers who are more interested in beating the DOW on a quarter to quarter basis than in the long-term prospects of the companies in which they invest."[25]

Testifying at the same hearing, Andrew C. Sigler, Chairman of Champion International Corporation, was even more emphatic: "If [pension] funds do very well, plan sponsors stop contributing. If funds don't do well, e.g. the market goes down, they contribute more. . . . We have money managers, at the direction of plan sponsors, working like mad to make short-term money that puts pressure on corporations . . . ."[26]

In Sigler's view, the "immense pot" of short-term pension fund and institutional money is "the fuel for the financing of those financial transactions that we are beginning to be concerned about."[27] The ultimate result of this short-term focus, he and others argue, is that corporate managers who want to survive cannot look beyond the current quarter, thus neglecting such long-term needs as research and development and capital improvements.

The question of this alleged obsession with the short term came up in every interview we conducted. In almost every instance, the response was some variant of "Not us!" One fund executive stated the prevailing view rather lyrically when he said, "Our horizon is just short of the hereafter."

We asked whether such critics as Dodd and Sigler were merely posturing, or whether there was indeed some short-term villain out there somewhere. In response, our informants hypothesized about other funds (which they did not name, probably because they could not) where short-term thinking might prevail. An analyst at one fund maintained that "most of the institutional investors don't invest in the way that we do."

---

25. *The Impact of Institutional Investors on Corporate Governance, Takeovers, and the Capital Markets: Hearing Before the Subcomm. on Securities of the Senate Comm. on Banking, Housing, and Urban Affairs*, 101st Cong., 1st Sess. 1 (1989) (statement of Subcommittee Chairman Dodd).

26. *Id.* at 91 (statement of Andrew C. Sigler).

27. *Id.* at 89 (statement of Andrew C. Sigler).

He continued, "Most of them are very short-term oriented . . . . We don't get hung up on this very short-term myopic approach to it all." When asked to comment on why others took this myopic approach, he speculated that many fund managers "maybe think that people aren't working and doing their job if they take a longer-term approach. . . . They got to move those stocks around."

One interpretation of these comments is that they are credible. That is, we may have inadvertently selected nine funds that do not contribute to the short-term pressures that corporate management finds so threatening. There are at least two reasons to believe that our informants may protest too much, however.

The first is our discovery of what we call the "composite villain."[28] Informants at most of the funds we studied told us that they allocated portions of the fund's assets to relatively high-turnover equity strategies or such ventures as leveraged buyouts or both.[29] In each case, the people we talked to emphasized that the money so employed constitutes only a small percentage of the fund's total assets, typically five to ten percent. Yet five to ten percent of hundreds of billions of dollars is a great deal of money, even by macroeconomic standards. Thus, it may be true that the pension funds are contributing to the short-term pressures on American business, but in a subtle, cumulative way that is all but imperceptible to the managers of individual funds.

The second reason concerns the way people in the investment world talk and think about time horizons. As we noted earlier, there is a relationship between language and thought. Eskimos, for example, have many words for the meteorological phenomenon that we describe by the single word "snow," because they are called upon to think about it much more often than are those of us in the temperate zones. Another aspect of the relationship between thought and language is that the language available to talk about something tends to limit the ways in which we think about it. It has been argued, for example, that one reason for the slow pace of economic reform in what used to be the Soviet Union is that

28. By using the phrase "composite villain," we do not mean to pass judgment on the ultimate question whether short-term pressure on corporate managers helps or hurts the economy. There is a substantial body of opinion holding that corporate managers are not under enough short-term pressure, and as a result are more solicitous of their own needs than those of their shareholders. For an academic discussion of the divergent interests of managers and shareholders, see KNIGHTS, RAIDERS, AND TARGETS: THE IMPACT OF THE HOSTILE TAKEOVER 45-48 (John C. Coffee, Jr. et al. eds., 1988).

29. The press usually characterizes leveraged buyouts (LBOs) as being motivated by short-term greed. But LBOs often have resulted in long-term involvement with the acquired companies. This was particularly true in the earlier days of the phenomenon.

Soviet economists and policymakers had no tradition of speaking and writing about economic planning in units of less than five years.

This phenomenon may be at work in the investment world. Although fund executives may speak of the hereafter in responding to charges of short-term myopia, the everyday discourse of the investment world focuses on the short term. One can cite examples almost endlessly: companies issue quarterly reports, which the financial press awaits with an almost prurient interest; accountants perform annual audits; the Securities and Exchange Commission requires quarterly and annual filings; fund managers make quarterly or semi-annual reports to their sponsors. And, as the equity manager at a private fund pointed out to us, the advent of the computer has brought about daily scrutiny of performance:

> In more than in almost any other job that you can think of, what you do is absolutely measurable. And there is no question, no question, you work for those numbers . . . . In this business, boy, your decisions are measured every single day. And when you win it's exhilarating, and when you lose it's painful.

Short-term evaluation is necessary for many purposes, of course. The problem is that the rhetoric of the short term, along with the thinking it reflects, has crowded out the alternatives. The stacks of papers on every analyst's desk do not include many five-year financial reports or ten-year business plans. Thus, to focus seriously on the long term is to go against the cultural grain, something that those in the corporate world are not noted for doing.

Those who have escaped this cultural constraint appear to have first recognized it and then consciously renounced it. One obvious way to do so is through indexing. Whatever else it may accomplish, a commitment to indexing binds the investor to the long-term perspective.

Another possibility is simply to opt out of the ongoing discourse about the short term. At a fund with a "buy quality and hold" strategy, one of the analysts argued with evident frustration that the structure of conventional financial reporting "doesn't do, it doesn't help me." He described how, with great effort, he had developed his own analytical system, "something I call my plus and minus page," which summarizes "what I consider the longer-term positives and negatives of the company." Although this is a single instance, we believe the point to be broadly applicable. Professional rhetoric so constrains the investment world that a serious commitment to the long term is an act of intellectual originality as well as a burdensome undertaking.

CORPORATE GOVERNANCE

The behavior of the pension funds as owners of securities has received at least as much attention as their investment performance. Most of this attention has centered on the increasingly assertive positions taken by executives of some of the largest public funds. In January 1990, for example, a letter from Edward V. Regan, Comptroller of the State of New York and trustee of the state pension system, to the members of the board of General Motors concerning the choice of a successor to Roger Smith became a major news item.[30] More recently, the press has given significant coverage to the efforts of Dale M. Hanson, chief executive of California's pension fund, to influence managements at Texaco, Lockheed, General Motors, and other major corporations.[31] In Regan's case, the letter merely asked for information about the selection criteria to be employed and whether the board would seek to continue current General Motors business strategies; Hanson's activities, on the other hand, have concerned such issues as board seats for institutional investors and, in the case of Texaco, opposing Carl Icahn.

The response of corporate management to these governance initiatives—and other less publicized ones—has been vocal and almost uniformly hostile. The typical comment is that the funds are exceeding their competence by telling General Motors how to make cars and Lockheed how to make planes. All such initiatives are lumped under the general heading of "meddling," and little attention is paid to the substance of the individual demands. The result has been emotional argument rather than rational discussion.[32]

One of the issues we discussed at length with pension fund executives is the role that pension funds want to play in corporate governance. Among the private funds, the position is consistent: as little as possible. Private funds that use outside managers generally delegate the voting of proxies to the outside managers, reasoning that corporate governance is inseparable from investment. The expectation is that the external managers will vote with management except in the extraordinary case of ob-

30. *See* Edward V. Regan, *Why We 'Interfered' with G.M.*, N.Y. TIMES, Feb. 11, 1990, at F13.

31. *See, e.g.*, Judith H. Dobrzynski et al., *Taking Charge*, BUS. WEEK, July 3, 1989, at 66, 67; Richard W. Stevenson, *Large Foot in Board-Room Door*, N.Y. TIMES, June 6, 1991, at D1.

32. When California Governor Pete Wilson launched an initiative to take control of the California fund's board of directors in the summer of 1991, rumors were rife that influential business executives were behind the effort. *See* Michelle Osborn, *Pension-Fund Chief Promotes Activism*, USA TODAY, July 3, 1991, at 4B. Governor Wilson's initiative was partially successful: while the legislature prevented him from taking control of the board, it did permit the state to take $1.6 billion from the fund to balance the state budget. *See* Alan Deutschman, *The Great Pension Robbery*, FORTUNE, Jan. 13, 1992, at 76.

vious corporate plunder. Funds that manage some or all of their assets internally assign proxy voting to a committee or to the analysts who follow the particular companies. General guidelines are usually provided; the result is voting with management in almost every instance.

Private fund executives give several reasons for their reticence. First, the private funds are reluctant to do anything that attracts any sort of attention. We were told of a very few instances in which a private fund questioned a corporation's management, but it was always done in a discrete, low-key, off-the-record way.

In addition, private fund executives feel that they are bound by a version of the Golden Rule: Do unto other corporations as you would want their pension funds to do unto yours. Finally, there is concern about conflict of interest, stated as follows: "What happens when you are running the pension fund for your company and you are dealing with stocks that are, companies that are competitors to your own company or suppliers of your own company or important customers of your company?"

Not all private fund executives accept their passive role with equanimity, however. Some of them acknowledge the right, if not the responsibility, of large shareholders—particularly indexed funds that have foresworn the "Wall Street Walk"—to be informed about and to comment on major corporate issues. One private fund executive saw a need to take a more active role simply to counterbalance the negative influence of the public funds:

> I don't view that we as private funds can stand aside and let [New York State Comptroller] Ned Regan and a California politician [presumably referring to Dale Hanson] decide to pick somebody for Texaco's board and let Jay Goldin [Comptroller of New York City] decide to agree with Exxon about putting an environmentalist on their board, and so on and so on and so on.

For the foreseeable future, however, it seems likely that this kind of thinking will be outweighed by the disincentives to greater private fund involvement in governance.

Executives at the public funds, by contrast, see an abundance of considerations that favor a more active role. These executives are either elected themselves or answerable to boards whose members are elected by various constituencies or appointed by elected officials. In such a political environment, criticizing large corporations is generally a low-risk, high-yield proposition. The extensive and largely favorable press coverage enhances the attractiveness of an active approach to governance.

On a more substantive level, public fund executives ask rhetorically, "What else can we do to discharge our fiduciary duty?" If a public fund has made a decision to index, it cannot sell the stock of a poorly performing company without changing that policy. Even large public funds that are not indexed find it difficult to carry out their fiduciary responsibilities by selling. Because of staff limitations, they tend to invest heavily in a limited number of companies. The fear, particularly during periods of low volume on the stock exchanges, is that the act of offering a large number of shares for sale will depress the price and thereby prove self-defeating.

The dilemma, as one public fund executive framed it, is that as a fiduciary, "if you don't sell, it requires you to do something different." Most public fund executives feel that the only thing left to do is to try to improve the performance of the companies they hold by taking a more active role in governance. Although they are often accused of wanting to meddle in the day-to-day running of companies, the public fund executives we interviewed vigorously disclaimed any such interest. Their uniform position was that their only interest is in insuring that the boards of directors perform their legal duty of carefully selecting and diligently monitoring management. In response to questions about pension funds taking seats on boards or influencing specific corporate policies, we regularly heard such things as "I don't have the time, the energy, the knowledge." The stated goal, rather, is to "relate to boards of directors" and to be on the alert for the "corporation that has a board that's asleep at the switch." Toward this end, the public funds we studied have introduced shareholder resolutions (almost all have failed) on such matters as outside majorities on corporate boards and key committees and secret ballots in shareholder elections.

The public and private funds did agree on one significant issue. Virtually every executive we interviewed, both at public and private funds, reacted with hostility to the idea of "social investing." The term refers to using one's position as a stockholder to influence a corporation's response to social issues such as the environment or South Africa by, for example, threatening to divest or undertaking proxy initiatives. Although legislatures have required some state funds to divest their holdings in companies doing business in South Africa, the fund executives uniformly deride such efforts as "purely emotional" grandstanding, which is inconsistent with the fiduciary obligation to focus exclusively on the economic interest of their beneficiaries. (There is some irony in this exclusive focus on strictly economic concerns, of course, given the secondary role that economics appears to play in determining fund

strategies.)[33]

If one takes the public funds' statement of objectives at face value, it is difficult to understand the vehemence of the response by corporate management. Whatever personal resentment they may feel, corporate managers surely cannot have principled opposition to the funds' insistence that boards of directors perform their legal duties. Further study of the remarks of the public fund executives suggests that the problem arises not from any substantive dispute but from a failure of communication.

In stating their corporate governance objectives, the public fund executives made repeated reference to "dialogue," "conversation," and "relationships." They are shocked at the unwillingness of many corporate managements even to meet with them and are offended by management's practice of putting them off on shareholder-relations people. In their view, they have been forced to adopt the unattractive option of filing shareholder initiatives because they cannot otherwise get management to focus on their serious concerns. Their stated preference is to talk out their concerns, using the shareholder resolution as a bargaining chip, and they assert their willingness to live with differences of opinion as long as their concerns are given a reasonable hearing.

What particularly troubles the public fund executives is their belief that they are being ill-treated by managers whom they are often in a position to help. One of them told the following anecdote about a conversation he had with a corporate executive who has been particularly critical of meddling by institutional investors:

> He called me and said, "I'm really upset about Donald Trump trying to take over American Airlines and AMR." Then he says, "Why don't you guys do something about that?" And I said, "That's a valid question." Three days later, we had contacted the top ten holders of AMR, and said, "Hey, we don't like AMR from the standpoint of how they deal with shareholders, because [AMR Chief Executive Officer] Crandall's position is basically 'treat 'em like mushrooms, keep them in the dark.' But you have to recognize that he has done a very good job of turning that airline around. Is Donald Trump going to be in a position to do that? . . . I think if they go to a consent

33. In one recent instance, a social investing policy had a demonstrably adverse effect on a pension fund's performance. State auditors in Kansas claim that the $4.2 billion state employees' pension fund has lost at least $118 million as a result of the state's "backyard" investment program. *See* James A. White, *Back-Yard Investing Yields Big Losses, Roils Kansas Pension System*, WALL. ST. J., Aug. 21, 1991, at A1.

> solicitation, that if the top ten shareholders say, 'Sorry, Donald, we're not interested,' we could be a very powerful force."

Trump did not acquire AMR, of course, and the moral of the story is that there are a number of significant issues on which pension funds could assist management if only given the chance.

In view of the emphasis that the public fund executives have put on establishing relationships with management, the confrontational approach that many corporate executives take is difficult to understand. On a substantive level, of course, management might well learn something from the interaction, and the funds indeed might prove helpful on a number of issues, from thwarting takeover efforts to containing strike suits. But even if management's only objective is to eliminate a source of irritation, the confrontational approach seems politically inept. If the dual motivations of the public fund executives are to experience a sense of personal power and to expend an appropriate amount of fiduciary energy, then access and an opportunity to state their position should satisfy them on both counts.

Finally, as social scientists we cannot help but notice a striking historical irony in the involvement of pension funds in corporate governance. The cataclysmic confrontation between labor and capital that Marx prophesied has yet to come about, and recent events suggest that it never will. Yet Marx is being vindicated in a subtle and unexpected way as labor, through the pension funds, strives to influence how the instruments of production are managed.

THE FUTURE OF CULTURAL STUDIES

We do not intend this research to be the last word on pension funds or institutional investors. Quite the contrary, we envision it as the first word in a new field of inquiry: the cultural study of the economic world. In demonstrating the central role that cultural factors play in institutional investment, our hope is to inspire the examination of other business and financial practices from a cultural perspective.

Some directions for future cultural research are immediately apparent. Our study of institutional investment has focused on nine pension funds; other kinds of institutions, like banks and mutual funds, undoubtedly have distinct cultures of their own. Our research has examined the cultural bases of some of the management practices in the nine funds, raising the question whether business management generally is susceptible to the same sorts of influences. In addition, as we spoke with members of corporate boards of directors and listened as others talked about boards in a variety of contexts, we were continually intrigued by the

prospect of a systematic study of the cultures of these powerful organizations.

We would never claim that cultural studies alone can provide a complete picture of the economic world. But we do claim, and claim strongly, that any picture that fails to include a cultural perspective is necessarily incomplete. Business and finance are human enterprises, and human beings always behave in cultural ways. Anyone who aspires to a real understanding of these enterprises must therefore come to terms with the culture of capital.