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Recent trends in the financial field in Brazil and their impact on the political scenario[*]

Roberto Grün[1]

ABSTRACT

During the last decade Brazil has witnessed the expansion and differentiation of its financial field, with a major impact on society and the composition of its elites. I analyze this process based on data concerning the new players and the instruments they disseminate in companies and other organizations in Brazilian society. These include both financial instruments per se and organizational tools based on the same logic. I seek to demonstrate that the quest for legitimacy for new players and instruments has led to a new cultural judgment on what constitutes society's "common interest", which drastically constrains action by the different governments and partially explains the paradoxes faced by the Lula administration in its first year.

Key words: economic sociology; sociology of finance; arbitrage; cultural conflicts; economic culture

The first year of the Lula government surprised many with its rigidly orthodox handling of the economy. Welcomed by the "markets", this policy rapidly negated the (self-fulfilling) prophecy of Brazil's "Argentinization" or Lula's "De-La-Rualization". Adepts of Fernando Henrique Cardoso, the outgoing president, were not pleased, however, branding it "incompetent plagiarism" and the group previously in power treated it with supreme irony. At the other end of the spectrum, it was regarded with considerable suspicion by various well-known figures who had been very close to Lula (at least in the public eye) when he was a candidate. As well as the discomfort it generated due to its inherent nature, it was strongly suggested that financial orthodoxy would prevent any consistent social or sector policy. And the alarm was not only on an individual level, but was felt by various sections of the middle class who expected the

Workers' Party (PT) government to alleviate the enormous pressure on those groups who had been most jeopardized by the expansion of the financial sphere in Brazil in the last decade.

I shall attempt to show in this paper that the "surprise" can be understood sociologically as the result of a homology of positions, which had arisen in previous periods in the day-to-day conduct of various groups of social actors linked to the PT and occurred side-by-side with other developments among the elites, particularly in the economic sphere. Thus the phenomenon can be regarded as an evolution of Brazilian society, more precisely a recomposition and differentiation of its elites arising from the interaction (albeit not totally perceived as such vis-à-vis their consequences in terms of integrating perspectives) by groups of players in apparently adverse subspaces of the social and political framework.

In support of the analysis, I shall cite evidence from financial and legislative activity, the pension fund industry and the relationship between the political and economic agents. This evidence comes from: (1) the behavior of the players and the results of their interaction in processes concerning aspects of financial legislation; (2) an analysis of the public face of certain economic undertakings directly or indirectly linked to the wave of privatizations triggered by Cardoso; and (3) the results of recent research on the shrinking world of Brazilian organizations.

From the intellectual point of view, this paper is meant to be an exercise in economic sociology, particularly that branch of the discipline which deals with financial issues. In recent years, we have witnessed the development of a new subspace in the social sciences called "social studies of finance", which has been occupied by two groups of authors: the first consists of well-known names from the field of economic sociology and the second comprises researchers more concerned with social studies in science. Both have recorded the central role of financial interaction in defining the contours of contemporary society, but then each has attempted to use the central ideas of their respective specialties to investigate that space in a scientific manner. In broad terms, the analytical line originating in economic sociology represents a continuation of the line begun by the seminal work of Polanyi (2001 [1944]), who initiated an analytical thread which develops the idea of the social construction of the markets as the point of entry and upholds the relevance of casting a sociological eye on phenomena normally regarded as being in the exclusive domain of the economists (Garcia, 1986; Callon, 1998).

Those grounded in the social studies of science, however, attempt to make use of network studies, originally developed to explain how the veracity and acceptance of scientific propositions are constructed[1]. The aim in this case, rather than drawing attention to the social conditions of existence, as the first line tries to do, is to "open the black box" of the financial world in order to explain how it works. Making use of both these lines, the theoretical intention of this paper is to show the relevance of the "sociology of finance" in understanding contemporary Brazil.

The first isolated developments of each of the international groups investigating the issue are converging institutionally towards virtual spaces of dialog[2] and analytically towards the partial restitution of the old FinanzSociologie program (Guex, 2003), from the early 20th century, of which Schumpeter (1991) is perhaps nowadays the best-known current proponent. The intention here is to show that developments in the financial sphere, either in place or ongoing, constitute a sort of framework, or infra-structure, around which society, and particularly its elites, is encountering or has encountered a new mold in which to fit. In Schumpeter's own words:

"The public finances are one of the best starting points for an investigation of society, especially though not exclusively of its political life. The full fruitfulness of this approach is seen particularly at those turning points, or better, epochs, during which existing forms begin to die off and to change into something new." (*idem*:101).

Thus the study of the financial space may lead us to an approximation of what Bourdieu (1989) has termed the "field of power": the social locus in which the various elites or, in the author's words, the dominant poles of the various fields, more or less autonomous, meet, generating more or less established forms of tolerance by establishing criteria of equivalence for the value of the "capital" of each group[3].

The sociology of finance, in both its branches, gives a strong clue as to the means by which a consensus on the exchange rates is arrived at, corroborating the idea that a type of *lingua franca* of the contemporary elites has grown up around the lexicon of finance which, among other things, ends up redefining the order of priority in modern societal agendas (Boyer, 2002). At the heart of the analysis is its central preoccupation – how to explain the mimetic nature of the cognitive processes that provide the input for the financial agents' decisions. This issue arises as a direct counterpoint to the maximizing hypothesis, which is central to the economic explanation of individual behavior in the markets. In this way, the world of finance is treated in a manner that may be seen as an evolution of the social construction of reality program from the sociology of knowledge of the 1960s (Berger and Luckmann, 1966). This approach explains how, given the electronic information tools arising from use of the world wide web, foreign-exchange brokers end up producing a new level of reality (virtual?) at the heart of which the classifications established by the rating agencies become a mandatory common point of reference. Moreover, even when these ratings give a demonstrably inaccurate representation of the economic reality of the countries and companies concerned, they still govern the behavior of the members of the international financial community, thereby affecting the destiny of millions of individuals worldwide (Knorr Cetina and Bruegger, 2002a; King and Sinclair, 2003). In addition, the approach helps clarify the mechanisms through which the crises triggered by the shrinking of the financial space are "sponsored" by society, which, fearing their "systemic effects", generously banks speculative excess, absorbing its cost, via the frequent bail-outs of failed financial schemes, exemplified by the Long-Term Capital Management fund (LTCM) [4] at the end of the 1990s (Mackenzie, 2003).

The "social construction of the market" group, the specialty's other branch of origin, approaches the mimesis through what is normally classified as a type of sociological neo-institutionalism (Powell and Dimaggio, 1991). In this case, isomorphism is more prevalent, accompanied by the pursuit of the social constraints that induce organizations or individuals to exhibit mimetic behavior. This approach is more present, even traditional, in organizational analysis, but began to be applied to the financial aspects of the economic reality, doubtless impressed by the increasingly central role of the strictly financial point of view in determining corporate destinies (Dimaggio, 2001; Fligstein, 2001). In the space that interests us here, this type of analysis will show, for example, that investment fund managers, whether they are linked to pension funds or not, are more concerned with avoiding errors for which they could be held responsible in legal or organizational terms, or that may harm their reputation, than in generating the best returns from the investments entrusted to their care. Thus it becomes preferable to mimic the behavior of the other market agents, even against one's better judgment, than to run the risk of being held responsible for reckless conduct[5]. In general, both approaches highlight the difficulty of any individual agent going against the consensus established by the social arena of the financial market, especially in times of euphoria such as massive bull markets, which, as experience has shown, are followed by equally spectacular slumps (Galbraith, 1998). Thus the sacrosanct idea that the behavior of the agents is based on strict rationalism is seriously compromised (Boyer, 2002; Mackenzie, 2003).

Another point of view worthy of attention to is the so-called "minimum State" theory (Guex, 2003). The ethical basis of economic sociology, particularly that aspect of it dealing with the social construction of the market, is found in the struggle against the transformation of the so-called welfare states, built by the developed nations in the aftermath of the Second World War. Financial economics, which intellectually and operationally backs that development, constructs a new idea of how public finances should behave, in counterpoint to the Keynesian basis on which such states were built. Given the (apparently senseless) fiscal-deficit-producing policies pursued by republican administrations in the USA from Reagan onwards, and particularly by G. W. Bush, there is a clear conviction that the state should be permanently "in the red", continually rescheduling its debts with the financial markets. Control would thereby be handed back to those sectors that had lost their absolute authority[6] during to the growing democratization and differentiation of interests that began in the post-war period and expanded as of the 60s.

The doctrine of financial economics states that the wealth of societies is more productive if it is controlled by individuals and not by the state or companies. After all, only individuals with a direct interest in seeing their capital grow are systematic in the pursuit of maximum possible returns from their investments. Big corporations suffer from the problem of gigantism – their managers, who control internal decision-taking processes due to informational asymmetry, are more interested in making the organization grow in order to increase their personal power than in diligently investing the capital entrusted to them by the shareholders[7]. Similarly, states are inevitably hostages to their bureaucracies, which, analogously, would prefer to see the growth of their machinery and, consequently, their power, at the cost of public expenditure. The sociology of finance entered the contemporary cultural fray in an attempt to unmask the ideological foundation behind the above considerations. It would open the black-box of finances, showing just how limited and partial the interests involved were, despite the (robust) appearance of serving the good of the nation[8].

The Empirical Arena

In Brazil's case, I shall first look at the dispute surrounding the definition of the precise configuration of the pension funds and then analyze the articulative power of the various groups of players who dispute, and at the same time contribute to, the institutionalization of corporate governance. In addition, I shall pursue references on the passage of finance-geared legislation, such as the possible limitation on interest rates and the bankruptcy law. The resulting data will give a picture – clearly partial, as such pictures inevitably are – of the field of power: the economic, social and cultural space in which the future of Brazilian society in the coming years is currently being traced.

Pension funds have played an important role in the Anglo-Saxon nations since the 1940s at least. In the 90s, they also became a major fixture in the most populous European countries, partly because the original funds had become big investors in Europe's financial markets and partly due to the various attempts to replace the traditional partition-based retirement system by one based on capitalization. According to conventional wisdom, the latter is both more up-to-date and more suited to dealing with the "problem" of ageing populations[9]. It is therefore no accident that sociology in the Anglo-Saxon countries put great emphasis on analyzing how the funds functioned internally and how they related to other business players (Useem, 1993; 1996), while European social scientists focused more on examining their possible undesirable consequences for social equilibrium (Nikonoff, 1999; Lordon, 2000a; Sauviat, 2001).

Since the beginning of the 90s, there has been a fierce dispute to control Brazil's pension funds (Grün, 2003c). The contenders are: (1) their traditional managers, most of whom have previously occupied high positions in the state-run companies that sponsored the funds; (2) various sector interests, mostly originating in the middle-class sections of the country's two biggest trade-union federations – the Central Única dos Trabalhadores (CUT) and the Força Sindical (FS), representing banking, electricity, telephony, oil and metal workers; and (3) various individuals with a background in the financial markets, mostly linked to the new investment banks that had proliferated during the previous decade.

In general, the first group had landed in the pension funds as a sort of consolation prize for losing out in top-management disputes in the big state-owned firms and for whom they became a "place of exile". The funds' increasing importance in the Brazilian economy and the intense identity-forging which these players had been engaged in as of the 80's resulted in the creation of a new collective identity – in the 90s they began to refer to themselves as members of the pension fund "system".

Those with a union background were attracted by the representative space offered by the funds in a period when the wave of strikes triggered by political redemocratization was beginning to peter out (Noronha *et al.*, to appear). By law, the funds have a council on which active and retired quota-holders are represented. Initially, these seats were not eagerly sought after, but their importance was soon recognized and the competition to obtain them became increasingly intense. In this context, the electoral technique and the generic representativity of those originating in, or with the blessing of, the union movement began to show their strength vis-à-vis the "outside" candidates or those backed by the members of the "system", who had been the first to occupy these posts.

The players linked to the financial market came to the pension funds for two reasons. One, structural and more predictable, was the attraction of being involved in major business operations and earning commission on the funds' massive, and constant, investment movements. Here the contentious issue of outsourcing entered the arena: were the funds capable of managing their own asset portfolios or did they need help from the "real professionals"? This is much more than a simple practical question that can be checked mathematically, but a dispute involving identity. By accepting such services as "natural", the funds would not only lose some of their independence, but would also be admitting that their managers were not as financially capable as those operating in the main market[10]. The other reason, more conjunctural and more urgent, was linked to the Cardoso government's manifest need for the pension funds' capital in order to fuel the privatization of the giant state-owned firms. As shown by the privatization of the northern network of the Brazilian state-owned telecoms monopoly Telebrás, later renamed Telemar, the funds were driven to accept partnerships with investment banks, something which would have been highly unlikely in the natural order of things (Duailibi, 2001:A13). The coercion to adopt the two lines of conduct could take place by pressuring the members of the "system" to act in accordance with what was required or they could simply be replaced by people more in tune with the aims of economic policy at that time. The sequence of events in the Telemar privatization, whose protagonist was the ex-banker turned financial operator and politician, Ricardo Sergio, made these maneuverings virtually public (Santos, 2001:A9).

In general, what we saw was two battalions of players, each powerful in its own way, challenging the "system": the financial operators, waving the sword of true professionalism, and the unionists, under the banner of true representativity. It was not coincidental that, under the Cardoso presidency, the first group prevailed, accompanied by the constant delegitimization of the funds by branding them as "corporate". Thus the federal authorities, and some state governments, aided by sections of the business press, attempted to keep the pension fund managers under intense scrutiny and permanent pressure. The main direct instrument in this process was the Complementary Social Security Secretariat (SPC), under the Ministry of Social Security, which put great emphasis on the results of the funds' investments by establishing performance benchmarks, but which remained mute on the way in which the funds took part in the groups disputing the privatization auctions. If there were some connection between these two strands of governmental action – the insistence on benchmarking and the funds' "corporate" nature being used to compel the members of the "system" to accept the terms of the adhesion contracts imposed on them by the investment banks in the shaping of special purpose companies that were set up at that time, only a future detailed historical examination of the period will tell.

In the new scenario triggered by Lula's victory in 2002, members of the unionist faction working in the private pensions industry were appointed executive directors of the big funds and invited to utilize their assets in major undertakings by the new government, such as the public-private partnerships (PPPs) in infrastructure projects (Martinez, 2004:4-5)[11]. It is worth emphasizing that this transition towards more direct ties with the new administration's strategies is by no means a smooth one; on the contrary, the current fund managers are constantly voicing their opposition, while the PT's opponents among the quota-holder representatives have emphasized the dangers of routing their savings into possibly unprofitable or unsafe investments (Futema, 2004).

One of the more immediate effects of this process was that the players with a union background would become generically immersed in issues of financial and economic management, thereby creating a sphere of interaction with the traditional economic elites. In this sense, we shall pay special attention to their stance on the corporate problems of the undertakings the funds are intended to invest in. The moment coincided with the congressional passage of the new Corporate Law, a key factor in shaping Brazilian capitalism into the modern American mold so extolled by academia and the international economic development agencies. It is here that the problem of instilling "good" corporate governance arises, the latter being regarded as a virtuous model of the relationship between companies and the capital markets, characterized by accounting transparency and absolute respect for shareholders' rights. This issue, originally a product of academic financial economics and which played a central role in the attempt to export the Anglo-Saxon model of capitalism[12], had been launched by financiers and politicians close to Cardoso during his mandate and had met with little or no open opposition from "traditional capitalism". Or at least exponents of the latter appeared to believe that it was not of sufficient importance to merit confronting their opponents within the sphere of the established economic elites. But for the unionists, particularly those linked to the CUT and especially in the period preceding the 2002 presidential elections, desirous of showing their adherence to the prevailing economic practices of the financial world, the issue would gain "national interest" status. In this sphere, corporate governance was considered a fundamental instrument for modern economic development by creating a propitious climate for the productive and safe investment of Brazilian workers' savings (especially those entrusted to the pension funds) in local companies and other national undertakings, providing them with the resources needed to expand[13].

Perhaps the most interesting aspect of this configuration that is assisting at the birth of "good tropical corporate governance" is the light that it sheds on the various facets of the national financial sphere and their interaction with the realm of politics. For the purposes of our "paternity test", the window opened by the 2002 presidential campaign provides us with an excellent opportunity. From this privileged point of view, we could see the none-too-peaceful coexistence of various financial "subspaces", more or less close to Cardoso's inner circle. Despite certain somewhat erratic attempts by the Cardoso government to promote the national or regional financial market(s), by putting the privatization auctions in the hands of the Rio de Janeiro Stock Exchange or by strengthening the CVM (Comissão de Valores Mobiliários – Brazil's Securities and Exchange Commission), major market operations were increasingly taking place on the world's leading exchanges (New York, London, Frankfurt and Tokyo), depriving the local ones of their source of business. The only exception was the resources of the pension funds, which were legally obliged to invest their assets in Brazil alone. In Brazil's case, this process whereby the stock exchanges in the peripheral countries were losing their business, became even more exacerbated when innumerable companies closed their capital, hit by the high administrative costs associated with remaining listed and by the meager results in terms of raising new resources on the capital market (Ciarelli and Farid, 2002).

THE GENERAL AND THE PARTICULAR IN THE DIFFUSION OF CORPORATE GOVERNANCE IN BRAZIL

"Good" corporate governance is the internationally-recognized neoliberal prescription for resolving the problem of corporate capitalization, imparting momentum not only to the financial markets but to local economies as a whole[14]. Its main precepts are to ensure that control of listed corporations can be acquired on the financial markets, that accounting procedures are transparent and that respect for minority shareholders is absolute. It also aims at the abolition of preferred (non-voting) shares. As a result, company shares would become an attractive investment and everyone would benefit: the country, which would see its economy grow; the companies themselves, because they would gain access to sources of inexpensive long-term financing; the investors, whose portfolios would have lower risk and higher liquidity and, consequently, greater profits; and, finally, the companies' professional managers and employees in general, whose earnings and interest in their work would be increased through the adoption of the variable remuneration schemes that normally accompanied the establishment of "good" governance, such as stock-options. Why, then, with such all-round benefits, isn't it taking off? Because it makes the life of owners and managers harder and more restrictive. Firstly, they are obliged to dismantle an already well-established framework, which was particularly suitable for accommodating corporate "inheritance" procedures: voting shares were ceded to those groups of "heirs" chosen to carry on running the firm, while those passed over would have to be content with preferred shares, which gave them the right to a stake in earnings, but no control over the business *per se* as they were not entitled to vote at shareholders' meetings. Many associated such shares with *mesadas*, which roughly translates as monthly allowances. It is therefore obvious why the proponents of "good" corporate governance acted publicly, with an almost messianic zeal, lauding the innovation as the virtuous way forward for Brazilian capitalism and society (CVM, 2002:13), while its opponents adopted a very low-key approach, concentrating their powers of persuasion on those "who really mattered", in the ante-chamber of central power (Mattos, 2001).

Doctrinally speaking, all those in the financial field are in favor of corporate governance, which would control the opportunistic behavior of corporation managers, something which, as we have seen, is a theoretical and ideological presupposition of the current consensus. After all, the idea of legal governance mechanisms comes with the total backing of the harbingers of financial globalization[15]. However, there are differences in emphasis in the discourse that are perhaps more important than the similarities. For the more globalized market players, normally with university degrees and backgrounds in the interface between international academia and professional practice, the issue is, paradoxically, less important[16]. Capable of operating on the biggest financial stages, they can afford to ignore, at least in the short term, the horizontal development of intermediation opportunities that the introduction of corporate governance would provide for. For the more traditional players, however, whose professional careers have normally been built through direct, "hands-on" experience of the market and who are umbilically connected to the country's national, and most-utilized, financial instruments, the question is of substantially greater import. The growth of the former group could be at the expense of the latter, as much in traditional intermediation, now more discreet, as in the creation of more sophisticated options, either in Brazil or in the major global financial centers.

We therefore find ourselves facing a differentiation within the world of finance. Until the process of banking consolidation, sponsored by the military regime, a multitude of small independent intermediaries lived cheek-by-jowl with the established banks. However, they gradually began to lose ground as the retail banks were transformed into "superfinancial markets", with a more direct say in managing the country's savings. Prior to this, we had a plethora of independent financial brokers or small-scale securities dealers, who advised their clients (normally middle-class families) on sound investments in fixed-income securities, such as bills of exchange arising from or tied to retail credit operations, shares traded on the market and new stock issues, as well as foreign-exchange investments, the latter being generally illegal. One important characteristic of this era was that the broker-client relationship was based on mutual trust, not subject to elaborate official formalities, the key factor being that the broker was regarded as honest. In this context, in the "pre-monopolistic" São Paulo, when relationships still had a strong ethnic component, reputations had a great deal to do with community connections and such brokers frequently occupied positions of importance in organizations built around group origin or religion, which in turn helped cement their reputations. The basic understanding was that financial investments were regarded as a sort of consumption that was deferred during more comfortable periods in the financial/professional lives of the families in question and resorted to in more difficult times or on special occasions, such as weddings, major trips, the purchase of property, etc. As of the 1970s, however, the banks[17] began to progressively restrict the space for this type of business, beginning to corner the market in savings management. This reduced the clientele of the independent brokers, who continued, however, to take part in various types of intermediation, often on behalf of the banks themselves.

In recent years we have seen increasing opposition to the role of the retail banks; in particular, they are blamed for the country's soaring interest rates. Thus there was much talk of the need to "deintermediate" savings, since the banks were obtaining excessive profit margins from collecting and reinvesting financial resources. In such a climate, therefore, there was more room for independent operators to take part in this type of brokerage, and more space for the creation of new tradable instruments, partially outside the all-encompassing reach of the banks, such as the receivable funds that began to spread throughout the financial world[18]. These securities, arising from retail installment sales, would be subject to high discounts if the retailer dealt directly with the banks. Receivable funds allowed the receivables to be "securitized" and passed on in blocks to individuals or firms, at a risk level which becomes a sort of average for this type of operation. In exchange, the returns are greater than those offered by the banks.

"Securitization", to some degree an extension of the principle that created joint-stock companies to more diversified operations, is the grouping of securities via some sort of risk-spreading criterion, followed by their division into homogenous blocks for sale to interested takers. This is the same basis for the development of new forms of credit and new financial products. The logic is: (i) pay the seller in advance, allowing him to use the resulting capital in other undertakings; (ii) spread the risk of each individual credit operation, replacing a more uncertain risk from the default of a particular borrower with a less uncertain "risk rate" applied to the whole conjunction of the firm's borrowers; (iii) spread the risk of big operations or those whose result is uncertain, thus making them feasible, since it is reasonable for investors to take on a high degree of risk (and the expectations of high returns should the operation prove successful) when the value of the operation is small in comparison to their total investments.

The operators, in turn, gain a commission from creating a security which is acceptable to both parties, whose discount rate is low for the seller – the retailer – and whose remuneration is high for the buyer, who is seeking securities whose risk is low in comparison to the expected profits, the parameter throughout the process being the rates charged and offered by the banks. Thus, discounting the operations' perceived risk, the higher the bank rates, the greater the space for the creation of new extra-bank instruments based on future results and liquidity in general (unless, of course, the government imposes restrictions on this type of financial fringe activity).

Another major financial-product development was in response to corporate demand for a hedge against the risks of certain operations, particularly those in the foreign-exchange market. This resulted in the emergence of derivatives and options, securities designed to shield firms from market fluctuations, normally in the exchange rate but also in any other price of goods or services that could affect them (e.g. the price of soybean for a company manufacturing cooking oil or transport charges on soybean costs). Regarded for some time as a source of unfettered speculation[19], which jeopardized producers to the benefit of speculators, such securities were subject to lengthy restrictions on their circulation in most countries as the result of laws which met the popular demand so common in times of economic crisis (Mackenzie, 2002). However, the deregulation of the global financial markets that began in the 90s gave the green light to a new wave of such paper. This had important repercussions on the financial sphere, given that creating and trading in such securities required a substantially-more-than-routine knowledge of financial mathematics. Thus not only were would-be brokers faced with a new professional entry barrier, but already established ones were faced with expulsion if they could not adapt to the new techniques (Bernstein, 1992).

More recently still, we have seen a new development in individual intermediation, which should be understood here as something opposed to intermediation by the banks, regarded as excessively costly. Partially fueled by international deregulation of the financial markets which aimed to reduce these costs, and partially by an important redefinition of the *métier* itself, we are witnessing the appearance of new players, to some extent descended from the brokers of the pre-monopolistic period, but also representative of an entirely different species. Once again, they are independent of the huge conglomerates, once again they can deal with individuals, but their main attribute is no longer the trust they engender, but a new type of technical expertise that followed in the wake of developments in financial economics[20]. Now, pursuing the maximum possible returns for a given level of risk (or vice-versa), financial agents handle a sophisticated conjunction of investment risk/return evaluation techniques, creating so-called "optimized portfolios", which become more protected the more diversified the risk associated with each of their components [21]. One of the new market needs, therefore, is more differentiated types of security, such as receivables (Bernstein, 1992; Fligstein and Freeland, 1995; Mackenzie, 2003).

FINANCE: CONFLICTS AND CONVERGENCES

In his ethnography of the City of London, Britain's financial center, Paul Thompson (1997) suggests that the substitution of generations was an important component of the transformations in economic intermediation as of the 80s. There too, the benevolent broker, whose legitimacy is derived directly from the recognition of his honesty, in turn almost synonymous with middle-age and respectable social origins ("gentlemanly"), is a figure of the past. They have been replaced by an aggressive younger generation, proposing higher-risk operations for a clientele which, at least in theory, is well aware of the risk it is running, accepting it in the name of greater profits. In addition to these generational attributes directly linked to the content of the work in question, we can point to other symbolic markers, both in Brazil and the UK, that show a clear attempt to record the existence of a discontinuity between the generations.

Thus, in Brazil, the press is full of articles not only extolling the economic ambition and technical expertise of the new generation, but the aversion to alcohol and the adoption of a more "healthy and natural" lifestyle by its most visible members. Then there is the "crowning" of their idol, Armínio Fraga, ex-head of the Central Bank, ex-manager of George Soros' funds and now the owner of Brazil's most sought-after brokerage house (Dávila, 2004; D'Ambrosio and Vieira, 2004).

Everything indicates that we are witnessing the emergence of a new group of economic and cultural elites, which we may term as a "Cardosian patrician meritocracy ", of which Fraga is the prime example (Dias, 2000). The recognition of the new nobility, which even sets the new rules for the "good life", can be confirmed in various ways, such as the publication (and, therefore, importance) of their opinions on matters unrelated to their professional ability, such as sports, the arts and even cookery, all of which we must accept as being in the best possible taste. Clearly such a person is high-born – patrician in the Roman sense of the word – but at the same time self-made, working in a *métier* far removed from that of his physician father, for example. He is not an irresponsible *arriviste*, appearing from nowhere, like the "mere speculator" Naji Nahas. Despite numerous attempts to brand Fraga as a speculator, the label has not stuck. He has not only proved his ability academically and in the world of international finance, but also in the extremely delicate position of running the Central Bank when the latter had to keep a tight grip on monetary policy in order to resolve the foreign-exchange crisis triggered by his predecessors; he is, therefore, full of merit[22]. And he is "Cardosian" because it was during Cardoso's eight-year mandate that the new pattern of intermediation was legitimized, possibly due to his international backing and his role in the privatization of the state-run companies which aimed to bury the corporative past – an aim at once economic, cultural and moral.

The positive categorization of our personage gains even more weight if place him within a larger social background. On the one hand, against the traditional bankers and financiers; on the other, against the "anti-financial" world. More "open" than the traditional bankers, who normally cultivate a conservative and austere image (at least in public), he will certainly make use of his global passkey to seek more intelligent destinations for the resources of investors seeking his advice. A responsible administrator, as he proved when running the Central Bank, he cannot be accused of being an adventurer by those who are suspicious of finance, even though repeated attempts are made to do so[23]. In short, we have the archetype of the successful "modern man", with all the positive connotations that Brazilian society associates with that term. Those who uphold opposing opinions or life-styles are immediately branded as "backward-looking", so that confronting the model head-on becomes a costly process.

But the most important point in this generational conflict and succession is that the new generation is redefining, through financial economics, the meaning of "common interest", a notion traditionally cultivated in the financial world, and carrying the new criterion over into society itself. Previously, bankers' legitimacy was based on their role as the bridge between the owners of capital and those who could make good use of that capital by generating wealth, thereby creating a virtuous circle of economic growth, benefiting the entire nation and, moreover, without proposing a sphere of virtue separate from the world of industry. At that time, banking's prime instrument was the discounting of trade bills – commercial securities generated by loan and commercial operations. However, when the banks began to concentrate on trading in government securities, it was no accident that their spokespersons declared this to be an anomaly and that the institutions must abandon such an activity, so reminiscent of medieval usury, as soon as they could and return to their traditional, and only truly healthy, role of financing business (Troster, 2004).

Nowadays, in the spirit of financial economics, there is a new idea of the role of finance in the common interest, namely that it is absolutely essential for society, since it is only through its mediation that we can efficiently monitor the economic players, chiefly companies and countries, forcing them to behave rationally. This scrutiny is exercised through systematic recourse to "arbitrage" – the capacity of the financial markets to detect the anomalous behavior of any agent (a company making poor use of its potential, a government that keeps its currency artificially overvalued or undervalued, or that maintains an inflationary regime) – and punish this irresponsibility by attacking the source (Mackenzie, 2003). Examples include a hostile takeover of the company in question or an attack on the currency of the "badly-governed" country. Thus the market's vigilance is seen the main instrument for maintaining an efficient society. And, magically, the private financial interests of the operators, who can earn fortunes from such acts of arbitrage, become a public virtue. An important corollary of this point of view is that governments or institutional frameworks that protect companies against such takeovers or any other financial action, or even protect other governments directly or through multilateral bodies, far from being virtuous, are in fact conspiring against the efficient use of society's resources and thus against the nation as a whole (as well as, clearly, interfering in the source of the new players' business).

It is important to note that, in this new, arbitrage-based version of financial economics, unlike the traditional, neoclassical version, the behavior of the agents is no longer premised by rationality, but is nothing more than a *performance*, produced by the virtuous nature of the markets themselves. This development corrects the inherent weakness of the previous model's explanatory capacity, producing a much more sophisticated simulation of the agents' behavior. Firstly, because the new version is endowed with interactivity – rationality becomes a social characteristic, acquired through learning, both scholastic and practical. Secondly, through its stronger analogous relationship with certain principles of our democracy, such as the compulsory vote: in the same way that Brazilians learn to vote by voting, they learn how to invest by operating in the market.

Nowadays, individuals are not simply *endowed* with economic rationality, amounting to a genetic ability of the human race, but *achieve* it through the need to correct the results of their past behavior. The internal logic of the pronouncements gains strength and the contours of what typically constitutes the economist's profession change. The pursuit of arbitrage opportunities becomes its core activity. In such a tableau, macroeconomics ceases to be relevant for its own sake, becoming much more important from the point of view of its effects on portfolio management. If we examine the distribution of the recent Nobel prizes for economics, the intellectual backing for this development appears to be equally strong (Lebaron, 2000). Thus, presuming the cultural axes around which the current economic debate takes place do not change, we appear to be facing a version of economic theory whose legitimacy is rooted in social Darwinism to an unprecedented degree, except perhaps for the way in which Malthusian-based concepts were used by the British Colonial Office in the 19th century, whose analysis may well help us develop a better understanding of this cultural effect of economic theory (Thompson, 1993; Lebaron, 2003).

We are faced with a solid cultural construction, which explains and orders the world in which we live, providing logical explanations for our personal and collective vicissitudes. Its strength and its weakness can be attested by the way it analyzes what we consider to be the most important economic problems. Thus continuing unemployment, an apparent proof that the finance-based view is not an efficient means of determining our fate, is not really an economic problem at all. It exists because the political system, an area where good governance is far from being achieved, is incapable of taking the correct measures to eliminate the barriers against free market arbitrage. The villain of the piece, therefore, is labor legislation, which, under the guise of protecting workers, actually condemns them to cope with meager demand for their current skills and does not offer them sufficient incentive to acquire new ones for which there may be greater demand. In individual terms, examples of success, such as Fraga, provide the blueprint. Following this example, or not, is up to the individual, a question of exercising our free will. But the cost of straying from the "true" path is also put down to the individual. The blame for any eventual weakness is his and his alone and not the fault of society, particularly when we remember that our "post-modernism" has endowed us with a plethora of instruments to reconstruct our personal and professional trajectories (Grün, 2003b).

Thus the world view built around the idea of arbitrage, which is behind the new group's central position among the Brazilian elites, appears difficult to combat. To paraphrase Goodman (1988), it constructs a complete world and, consequently, often a strong one[24]. Following in the footsteps of Bourdieu's (1997:221-222) sociological appropriation of the issue, the struggle to influence the way in which society weighs the value of each evidential marker in the construction of the prevailing versions of how we should understand the world around us is the essence of the political struggle – the struggle that produces the cognitive categories that guide our perception of the social world and thus confer the events we encounter with such qualities as "justice", "familiarity" or "strangeness". Within the confines of this cultural war, the ways in which society regards unemployment – as an economic or a political problem – or if it accepts the theodicy proposed by the new elite, agreeing that there are natural gifts that confer legitimacy on the aspirations of the group, or even if, on the contrary, it believes we are simply dealing with a bunch of privileged opportunists, become good indicators of the worldmaking's strength.

The few alternatives for the enemies of finances

Would the legitimacy of this new group and the vision of finance as the compass of social choice be eroded by the defeat of Cardoso's chosen successor in the 2002 presidential elections? To respond with an unqualified "yes" would be extremely comforting, even though such a reply is largely belied by the facts, at least during the first year of Lula's mandate. However, much more than just a frequently-repeated error, it is an interesting sociological question which deserves an analytical explanation. It is my belief, as Bourdieu might put it, that the sociological response lies in the exploration of a homology (Bourdieu, 1984) between the positions occupied by members of the PT in the restricted sphere of the political elites when the party was in opposition and various "anti-financial" sectors in society as a whole.

In the Cardoso period, various factions linked to the PT and the CUT attempted to revive the *câmaras setoriais* (sectoral chambers) which blossomed during the Itamar Franco government (Anderson, 1999). At a time when the Washington Consensus was regarded as the only possible way forward for the Latin American economies, these chambers became the practical response[25] of the PT to the problems of unemployment and economic development. On the one hand, in the recessive climate created by monetary austerity, the sector mobilizations they triggered led to economic gains (or perhaps more precisely, to reduced losses) for those segments represented by the CUT; on the other, their visibility led to political gains that proved the opposition was alive: it had a concrete alternative to the Consensus[26] – an alternative consistent with the sphere of representativity occupied by its cadres at that time. Trades unionists and ex-unionists stopped simply saying "no" and began to unite what had hitherto been regarded as opposing interests, showing they were responsible and *unavoidable* institutional players. The mayors of industrial cities run by the PT and its allies also encountered a response, at least a rhetorical one, to the complaints of their voters, who, after all, were the most directly affected by the economic changes, and were much closer to their local governments than to Brasília. In addition, the chambers helped characterize unemployment as an economic problem, the result of monetary austerity and insensitivity to the problems of industry, and not a political one produced by an anachronistic institutional framework. Thus, if the chambers cannot be said to have achieved their official goals, they still played a relevant part in the strategies of those who made use of them.

The homology occurs because of the principal governing the very idea of the sectoral chamber – the systematic attempt to coordinate the activities of the various players involved by creating a consensus, followed by the planning of joint action. This principle is cognitively opposed to the idea of "spontaneously" coordinating the economic agents through the force imposed by competition in a self-regulated free market (Grün, 1999). It resurrects the idea of planned development as the government's central economic concern, in contrast to the recent, and virtually consensual, one that the government's key role was to create and maintain an institutional and macroeconomic environment designed to attract private investment. Economic and political action based on systematic coordination also serves as a kind of blueprint for seeking solutions, at least rhetorical ones, for the macroeconomic problems faced by the union leaderships. One recent example was the remodeling of Volkswagen's Via Anchieta plant[27], the result of joint action by the union, the firm and local government, which became a true manifestation of the principle behind the idea of an industry-centered economy and strengthened the connection of the PT leaders with this principle[28].

From privileges to middle management

The target of attacks which began with a series of articles on the "privileges of the state sector" in the newspaper *O Estado de S. Paulo* as of August, 1976 (Kotcho, 1976), the world of organizations, as a whole, somehow believes that it is represented by those who appear to be upholding the principle of systematic coordination in the political sphere. It is important to note that, if the initial attack was aimed at the state sector, accusing it of being "bloated by the gigantism of the military", it did not stop there, but went on to take aim at the private sector under the banner of streamlined production and a lean organization. In the cultural sphere of the time, the only effective defense against such a broadside was the idea of total quality, which appeared at the end of the 80s, and it was no accident that it spread rapidly in such diversified organizational spaces. But quality, as well as being a clear compromise between the two economic rationales[29], also provided the professional managers of the time with a weapon to help them maintain, and occasionally win back, social control of the organizational spaces in dispute with the unions, as well as enabling them to defend themselves against accusations that they were identical to civil servants. Thus its possible usefulness in uniting the industrial world against its common enemies was not perceived and the agents began to focus on the intra-organizational disputes[30]. In addition, whatever the result of this internal dispute, as of the mid-90s the room for maneuver within the organizational world began to shrink considerably and compromises were becoming increasingly difficult to achieve. The idea of shrinkage, propagandized by "reengineering" – the microeconomic arm of the financial pressure – now prevailed over the notion of mobilizing the intellectual and productive capacity of all members of the organization, which was the great social triumph of the quality idea[31].

Reengineering put enormous pressure on organizational life. But it was temporally localized, normally being undertaken in consultancy periods of limited duration (i.e. a "one-off"). More recently, however, it has been backed by a series of continuous management instruments, inspired by the same idea, rooted in financial economics and agency theory, that the company should be regarded as a series of contracts between individuals, clearly defined in terms of time, space and scope. These "tools" represent a crescendo of control over, and individualization of, performance measurement, operating, in the cognitive sphere, as important instruments in the attempt to abolish the "old" idea of collective work and, at their most extreme, the very idea of the company itself.

The first such tool to become popular in organizations was the so-called Activity Based Costing (or ABC), which proposed measuring the earnings or expenses of each of the organization's units in complete isolation, achieved by abolishing the difference between fixed and variable costs (Armstrong, 2002; Colwyn Jones and Dugdale, 2002). In the traditional costing system, fixed costs (installations, outsourced labor, supervision, etc.) were assigned to the entire company, shared by all departments and, for accounting purposes, booked as such – conveying the same idea of an indissoluble entity. Only variable costs (raw materials, direct labor, etc.) were attached to each production line. The organizational purpose was clear: to get rid of ambiguities in the evaluation of corporate performance that prevented the complete division of its activities into its multiple products or services. The sociological consequences of individualizing the various intra-organizational segments soon began to be felt. The new instrument allowed the firm, both cognitively and in accounting terms, to be seen as a group of independent units, only provisionally working together, in short announcing the idea of the organization advanced by agency theory – as a network of contracts. The pursuit of this model, hitherto regarded as exotic, became a clearly-labeled necessity for achieving "excellence". Initially, the tool stood in isolation; more recently, though, as a sign of its maturity and the acceptance of the principles that inspired it, it has become just one component in the huge computerized integrated organizational management systems called ERPs (Enterprise Resource Planning), whose adoption by modern companies is considered to virtually mandatory (Colwyn Jones and Dugdale, 2002). The enormous dissemination of these new instruments has consecrated accounting procedures and their cognitive influence has spread into ever-increasing areas, far beyond the industrial organizational environment for which they were first conceived.

Following ABC, we had a bifurcation of the instruments, roughly corresponding to a differentiation in outlook, signaling a new polarization in the business sphere, this time internal to the preponderance of the financial theory. On the one hand, there is the Balanced Score Card – BSC (Kaplan and Norton, 1996), proposed by the same group responsible for the previous "tool"; on the other, Economic Value Added – EVA (Lordon, 2000b). BSC, in the spirit of Porter (1985), which proposes the detection and maintenance of each firm's most important positive aspects (in the jargon, its competitive advantages), is intended as an interface for organizing the connection between a company's non-financial and purely financial aspects. With EVA, the idea is to make a precise, continuous and systematic measurement of the profit differential (i.e. beyond average or expected levels) of each corporate unit, and even each employee, which will serve as a central basis for all decision taking, particularly those regarding investments, the sale of assets, remuneration and dismissals.

A critical assessment of each of these tools raises doubts concerning their promised achievements and the precise effects on the business world. ABC has not truly succeeded in individualizing and redefining cost structures to the extent of assigning them unequivocally to each source of earnings (Armstrong, 2002). BSC has not managed to join companies' financial aspects, such as profit and liquidity, and their non-financial ones, such as productivity, quality and innovative capacity (Norreklit, 2000). As for EVA, although it has produced a wealth of useful measurement data, it has been unable to ensure an exceptional financial performance in terms of profits and share price by those firms employing it (Froud *et al.*, 2000). However, whatever the relationship between the promised results and the effective transformations that the adoption of these tools may engender, their powerful rhetorical effects remain (Norreklit, 2003). In fact, they announced the unambiguous idea, that the "old" predictable business hierarchy, the fundamental social locus of its members, is definitively not part of society's evolutionary path. At the individual level, we are left with the idea that we must prepare ourselves for other realities, in which these old collective foundations simply do not function any more, being replaced by individualized financial security, professional, health, and even emotional, frameworks.

Based on the analysis of modern working environments, we can therefore say that the hierarchical organizational world, which includes the business and government spheres, the locus of innumerable professional and career strategies, is under heavy fire. Politically-speaking, prior to the 2002 elections, the PT was committed to defending this world under threat. And we must remember that it is a huge world and that the number of potential "victims" is enormous. The economic universe proposed by finance rejects a series of assumptions regarding not only corporate, but career structure, such as the priority given to seniority when judging merit and the fundamental role played by formal diplomas in measuring personal qualifications, among others.

Another important factor in the creation of the homologous effect was Lula's compassionate attitude, when he was a candidate, to the social issue[32]. The need to record and reiterate the necessity of caring for the underprivileged is an essential part of the mnemonic sequence triggered by the hierarchical point of view, which furnished the cognitive basis for the traditional understanding of how organizations work and what we should expect from them (Douglas, 1996)[33]. Regardless of their effectiveness, the insistence on the ideas proposed by the *Fome Zero* (Zero Hunger) program and other forms of social assistance continue to give the impression that the present government is committed to this line of thought. In the cognitive space triggered by the financial ideas, also notwithstanding the gap between the discourse itself and the resulting policies, the spirit is something else entirely: ensuring fairness and basic equality of opportunity in social competition (Boltanski and Thévenot, 1991).

In short, we are faced with the fact that certain segments of Brazilian society are extremely willing to accept the PT's proselytizing, and through a clear cognitive filter. Regarding the latter's effectiveness, it is fruitful to look at certain aspects of the 2002 election campaign. In Lula's manifesto, the sectoral chambers made a very low-key appearance; in addition, they were dealt with in the social policy section, not the economic policy one, a clear sign of their loss of importance[34]. At the same time, however, their measurable achievements were listed as proof of the political capacity of the PT mayors in the regions affected by the sector policies. But, perhaps for lack of alternatives, none of this potential evidence gained the status of a "counter-proof" that reduced the idea of Lula-against-everything, especially against the power of finance and the new world it was shaping. At the same time, in terms of overall electoral tactics, there is ample evidence to show that the "anti-financialization" line was in fact a handicap for any candidate in the 2002 campaign who was serious about winning. In the effort to push Serra out of second place and force a second-ballot run-off against Lula, both Ciro Gomes (Seabra, 2002) and Anthony Garotinho (*Folha de S. Paulo*, 2002) attempted to play this card. However, it backfired completely and both the press and, apparently, most opinion-makers, branded them as "lacking in seriousness", burying their chances for good[35]. Ciro Gomes (Felício, 2002) was the most insistent in his "anti-finance" line, leading to acute discomfort: the antiplutocratic chorus rapidly began to echo the old anti-São-Paulo regionalism and was branded as leaning towards fascism[36].

Perhaps because those jeopardized by the primacy of finances constituted a sort of captive PT clientele, whose loyalty had been secured by the symbolic activities of the party in previous periods, perhaps simply due to lack of resistance, perhaps even because anti-financial rhetoric is not well received by Brazilian society in general, while his possible adversaries were attacking the banks, Lula and his entourage were drawing closer to various financial players – his visit to the São Paulo Stock Exchange being the most marked example (Murphy, 2002). Did this constitute an unambiguous embrace? From what we have seen above on the differentiation of the financial sphere, clearly not. The Stock Exchange represented one of the area's least privileged sectors, the local brokers, what Bourdieu called the dominated pole. There were also the pension funds, another group of subservient financial players in the Cardoso period, and within which the PT was already well represented. Lula's visit to the Exchange reinforced the ties with both groups and the PT's position in the struggle for control of the funds. Thus was established the confluence that produced the homology – the dominated pole of the political sphere met with the dominated pole of the financial sphere, an advantageous situation for both. The social space allowed the economic world to be penetrated in a meaningful way by the PT, which needed its *imprimatur* in the election campaign, and provided a gateway to the political world for the economic sectors, which needed its support in the attempt to renegotiate their positions with the dominant pole of their own sphere.

In the arena of the players who are representing their peers, the situation appears to be a comfortable one for all concerned, but in the social sphere, as Bourdieu never ceases to remind us, we are faced with the possibility of a generalized illusion. The specific and contingent interests of the political groups in the territorial dispute within their own sphere are critical ones, crucial for the survival of the social groups who believe they are represented by the principles that the PT's previous action inferred it would espouse when in power. If the political sphere maintains its autonomy, ignoring the pressure from voters and interest groups, the gap between the type of performance suggested by the party's history and its actual performance in government will tend to widen. In this space, except when external turmoil produces internal heteronomy, the idea of arbitrage is fundamental. There is a dispute for the prize that it instituted, that of the best way to handle the economy, measured by the content and immediate repercussions of events in the financial world, chiefly through their effect on the stock markets, exchange rates and the price of Brazil's foreign debt bonds. In short, an agenda defined by the sword of Damocles that arbitrage imposes on societies. If the latter do not act "to order", the financial markets can rapidly make themselves felt: any attempt to defy economic orthodoxy would be met by attacks on the currency and other national assets. In this battle for the center of the political stage, the "best" government would be precisely that which best defended us from the markets, always in accordance with the standardized opinion on the latter's behavior[37].

The current government appears to be seeking coherence with the expectations generated before the elections, declaring the disassociation of the country's microeconomic policies from its macroeconomic ones, the latter rooted in financial orthodoxy[38]. Perhaps the most visible act in the first year of Lula's administration in favor of the systematic pursuit of coordination was the adoption of the concept of "concertation"[39] by the Economic and Social Development Council under the direction of former minister Tarso Genro, which produced visible discomfort among those commentators most committed to the financial vision of the economy (*Folha de S. Paulo*, 2003). The fading away of the concept's use and the actions of the Council itself, or their possible resurgence, may be regarded as indicators of the potential of this type of symbolic and economic action that is out of step with the principles guiding the current government's most important economic and political actions (at least until now).

Another initiative, cognitively based on the application of the same principle, is the so-called *Arranjos Produtivos Locais* (APLs – Local Productive Arrangements), a federal government instrument of direct microeconomic action[40]. The anchorage is strong: in the APLs the government interacts with partners who function within, or justify their functioning on, the encouragement of industry. These include FIESP (the São Paulo State Industry Federation), SEBRAE (a huge organization that supports small businesses), local players and, occasionally, trade unions and workers' cooperatives[41]. However, it is difficult for local actions such as these to receive the same attention normally given to macroeconomic affairs and overturn the general opinion that the present government is tied to economic orthodoxy, preferring to bow to the demands of the financial sphere than meet the needs of industry and its supporters. Clearly, one cannot rule out the possibility some such similar scheme or schemes being so successful that they receive widespread publicity. It is possible to imagine, for example, one or several such clusters having a beneficial impact on the trade balance, and hence the external accounts in general, by finding a way to systematically boost high added-value exports or substitute imports. A situation like this would have a strong demonstrative effect and it appears that the government does have such attempts in mind, particularly in such high-end areas as software and biotechnology.

It is interesting to note, that in the eight years of the previous administration, the pension funds, riding on the coat tails of the technology bubble, tried to get involved in venture-capital schemes, but were prevented from doing so by the federal authorities. Now, the government wants to see the funds focusing on the PPPs. Although the bubble burst in the United States, there is nothing to stop the funds from rekindling their interest in cutting-edge areas such as high technology. In such a case, we would be faced with an expansion of "microeconomic" activity induced by the government, although acceptance by the market "arbiters" is an open question. After all, conventional market wisdom (Galbraith, 1998) can always label any activity whatsoever as "underperforming" and put pressure on the fiscal authorities, the pensioners themselves and the anti-PT factions in their representative bodies to render risk investments unviable, whether in the PPPs or any such future scheme.

CONCLUSION

The name of the entity is arbitrage. Some regard it as a saint, enthusiastically invoking its name, others see it as a demon to be ruthlessly exorcized, but everyone admits its existence. Some are paving the way for the advent of new financial instruments in Brazil, while others are engaged on defensive works, attempting to lessen international exposure by reducing and extending the public debt. In both cases, however, other national needs have been subordinated to the rule of arbitrage. We can analyze it as an economic artifact, verifying its effects or refuting the evidence by means of some other explanation. But it also a cultural artifact, endowed with a solidity that makes it highly resistant to scientific attack.

The force of the new finances and arbitrage in particular, is based on much more solid foundations than mere economic robustness. Structurally, they are cultural constructions based on the same metaphorical framework that forms the basis of capitalist society. Their instruments are virtuous because they help ensure that both the market and society as a whole are self-regulated. Douglas and Ney show that the solidification of the self-regulated market metaphor is the essence of social life. It is based on an analogy between the idea of diminishing returns in nature and the economy and the idea of self-regulated appetites in the realm of psychology. Just as we should only take from nature what nature is capable of replacing, we should also moderate our appetites in society; if we do not, we will be irredeemably punished (1998:33-36). And instruments that result in immediate punishment are virtuous because they help society to re-establish its equilibrium more rapidly and with the least damage.

Conjuncturally, we are seeing the increasing legitimacy of those social agents who base their business on the new financial procedures. The comparison between the "patrician" Armínio Fraga and the "*arriviste*" Naji Nahas appears to me a useful measurement of this [42]. While the former continues to a enjoy an excellent reputation in the Brazilian elites and the press, the latter, whenever he attempts to make a reappearance, even when apparently in favor of a respectable cause, is immediately stigmatized[43]. We therefore have a legitimate financial sphere and an illegitimate one. In this context it is worth remembering that attempts, not only on the edges of the political sphere but also at its center, to characterize the man who once managed funds for George Soros (who has also changed his coat, donning the identity of a philanthropist and social philosopher) as speculators cut from the same cloth as Nahas, or dogmatic adventurers like Gustavo Franco, were widely regarded as base.

The other proposed differentiation is the division of the financial sphere between dominated national players and dominant international ones. Here we have to be wary of the homology illusion. The groups who welcomed Lula and his entourage were only attempting to improve their positions *within* the financial field and not seeking to drastically reformulate the space itself. Perhaps the links forged in 2002 slowed the wave of attacks launched by the international financial markets against the PT, reducing the damage done by the run on the Real. But their behavior after the new president took up office leaves no room for doubt. The hierarchy of the financial sphere continues to be respected, even though the new government has occasionally attempted to break its hold. One example was its attempt to seduce the international pension funds in May 2003, seeking new sources of investment inflow, possibly ones not controlled by the "arbiters" (Batista, 2003).

The strength of the structural constraints is apparent from the fact that attempts to escape from the arbitrage straitjacket have petered out. It is not the lack of options that keeps us on the path of economic orthodoxy, but rather fear of the possible punishment that the arbiters could unleash if we stray from it. So any alternative economic or government action is seen in the light of the possible injurious consequences and ends up being discarded.

The space for the groups most directly hit by "financialization" was squeezed even further during the first year of the new government. Here the message is clear. Talk of labor reform is now distinct from talk of union reform. The argument that employment is not increasing due to the restrictive regulatory framework is at least partially accepted (Rolli and Fernandes, 2004). Thus formal work contracts should become more flexible, as should the formal structure of the organizations themselves. In addition, it is unlikely that action in favor of the APLs, normally clusters of small start-ups, will result in an increase in formal employment. Similarly, the activities fostered by the pension funds, one of the country's development drivers, are unlikely to be focused on industry, a generator of traditional, stable, formal jobs, with career expectations. On the contrary; up until now, the funds have been focusing their investments on the service sector, in such areas as shopping centers or tourism, which typically generate temporary and informal jobs. So far, industry has been neglected (although EMBRAER, a major aircraft manufacturer, is an exception).

In general, the great challenge for the enemies of the financial order is to build an agenda that cannot be branded as either "particular" or "corporate". We have seen a frequent proximity between these ideas and extremist postures, normally of the extreme right. There is certainly a mnemonic logic that produces such a convergence. Is it inevitable? Probably not, but various cases, recent and historical, national and international, eastern and western, show that the probability is high. It would therefore be wise to keep a close eye on the outcome of the Kirchner government's defiance of the IMF in Argentina. If such an outcome were considered "successful"[44] in Brazil, it could result in strong pressure against current economic policy, giving new strength to those voices silenced at the beginning of the Lula government.

Another possible outcome is an internal collapse of the financial system. The history of finance (Mackenzie, 2003) shows that political agendas in periods hit by financial crises tend to drastically restrict the scope of the possible of products designed to increase the liquidity of the capitalist system, even prohibiting them. However, we have not seen this in Brazil recently, perhaps even the opposite. In a period of widespread outcry against punishing bank charges, and shortly after the PT's election victory, there was actually a tentative (albeit rhetorical) attempt to reinstate the notoriously inefficient tabling (control) of borrowing rates. This came under such fierce attack that the idea was buried once again, appearing to eradicate any willingness on the part of the new government to challenge the orthodoxy (Leonel and Tavares, 2003). Thus the analysis of the cultural sphere that determines the degrees of liberty and the possible alternatives when faced with the current financial framework shows an environment exceptionally hostile to any sectors wanting to oppose it.

NOTES

1. Good recent examples of the first line are the Americans, Fligstein (2001) and Abolafia (1996). A synthesis of the "Bourdieusian" point of view, closer to the "social construction of the markets", but incorporating some strands of the other line, can be found in Bourdieu *et al.* (2003), while Knorr Cetina and Mackenzie are powerful representatives of the second line (see, particularly, Mackenzie, 2002 and Knorr Cetina and Bruegger, 2002a; 2002b).

2. See <http://sfs.kellogg.northwestern.edu> and <http://www.siswo.uva.nl/ES>.

3. For a discussion of the meaning Bourdieu gives to the concept of "capital", its similarities to and differences from the term's use in economic theory and the misunderstandings that it generates in readers who are not familiar with the author, see Boyer (2003).

4. A famous hedge fund, conceived and managed by renowned economists, which was highly successful in the 1990s and whose collapse had a massive impact on the global financial market.

5. This interpretation is only apparently analogous to that of the "herd instinct", with which economics attempts to explain the phenomenon. For the financial sociologists, this phenomenon of mimetic behavior is permanent, while for the economists it only appears in the list of exceptions, i.e. it is only resorted to as an explanation when traditional analytical thought, based on the hypothesis of the rationality of the economic agents, fails to provide one.

6. In this analytical framework, the Clinton government's great sin was its policy of reducing the public debt, and not those other factors that made press headlines.

7. The informational asymmetry that allows managers-representatives to fool their shareholders-representees is the central pivot of the explanation – not exactly proven, but becoming axiomatic – of the behavior of professional managers in big corporations. According to this line of analysis, such asymmetry must necessarily lead to conduct that jeopardizes the shareholders, given that individuals tend to maximize their own utility to the detriment of the rights of others, if not prevented from doing so. The idea is systematically developed in Fama (1980), while a systematic critique of the hypothesis and its consequences can be found in Perrow (1990). On another level, partly echoing Galbraith's classic work (1967) on the role of "technostructure" in major organizations, Lordon (2002) analyzes the tendency of industrial capital to pursue increased operational scale, at any cost, in order to subsequently show that its financial counterpart only acts rhetorically in the "correct" sense of accumulation of capital without any interference whatsoever from considerations of status.

8. Clearly, the partisans of financial economics can level identical accusations against the *mouvance* sociologists. They would be branded as defenders of "high spending" and a bureaucratic inefficiency that promotes functionalism at the cost of the populations who should be well-served and are not, or encouraged to confront their own problems to become a proud and productive part of society, instead of remaining the captive and subordinate clientele of the "state leftists". See Handler (1996) for the effectiveness of these argument in the 80s and the early 90s.

9. For the social misunderstandings that led to the creation of the "problem", see Bourdelais (1993).

10. Subsequently, when the types of financial investment available in the country became increasingly diverse, the issue became less dramatic and "outsourcing" advanced more rapidly.

11. The PPPs were made part of the left's platform by Blair's New Labour. However, their application, chiefly in the regional and local spheres, under the banner of PFIs (Private Finance Initiatives), were greeted with a good deal of skepticism from both ends of the British political spectrum (see, *inter alia*, Froud, 2003 and Weaver, 2003).

12. Until the end of the 90s, most of the critical analysts were skeptical over the possibility of expanding the US corporate governance model to the non-Anglo-Saxon nations. By the beginning of the 21st century, however, analysts would be confirming the adoption of various American precepts in those countries most accustomed to the rules of "social-democratic" rules of conviviality, and some authors were even speaking of the convergence of the various capitalist models towards the American one (Lane, 2003). Others, however, preferred the idea of the hybridization of models (Streeck and Yamamura, 2001; Vitols, 2002).

13. For a more detailed look at this justification and a discussion on how corporate governance achieves the status of being in the general national interest (in Brazil), see Grün (2003a).

14. See the revealing phrase in the *Agestado* release of 9/7/2000 (17:21), entitled "Fraga: governo incentivará pension funds": "I believe that the productivity boom in the US economy has more to do with good governance than with investments in information technology". The announcement of the new consensus, which replaced the old idea that the decline in US business had been provoked by the better industrial performance of the Japanese and of which Fraga's words are an interesting echo, can be found in *The Economist*, 1/15/94, pp. 65-66.

15. For example, via repeated recommendations from the OECD nations, which systematically fostered studies, seminars and publications on the issue (OECD, 2003).

16. For the polysemy of the main economic and organizational discourse, see Lordon (2002).

17. The banks were required to be safe and solid and their honesty came under the scrutiny of federal government inspection agencies.

18. See Galvão (2004) and the following sites: <http://www.acionista.com.br/bovespa/fundos_recebiveis_27_02_04.htm>; <http://www.tvbovespa.com.br/pdf/RevistaCapitalAberto5.pdf>. For an analysis of the global tendency towards the differentiation between the financial intermediation offered by retail banks and that offered by the new agents, see Aglietta and Orléan (2002).

19. For the early history of options, the opposition to their use and the greed they engendered, see Cardoso (2002) and his comments on the 17th century classic, *Confusion de Confusiones* (Penso de la Vega, 1977).

20. It should be said, however, that the relationship between the new asset managers and the established banks is probably more interactive at the moment, with the latter creating investment funds, whose management is then outsourced to the "new financiers", and also backing certain of the managers' own undertakings (Pavini *et al.*, 2004; D'Ambrosio and Vieira, 2003).

21. More specifically, these portfolios are made up of securities with a low risk covariance, such as paper issued by exporting firms, whose results are highly dependent on the behavior of the exchange rate, and securities issued by downmarket retail chains, whose profits are much more dependent on developments in the domestic market, assuming that the exchange rate and the purchasing power of the lower income groups evolve independently of one another.

22. Another interesting exercise, and one that certainly helps confirm Fraga's central presence, is to compare him with his predecessor at the Central Bank, Gustavo Franco, who was simply regarded as a neoliberal zealot. Compared with the latter's "excesses", Fraga appears to be a man of common sense, reasonable and even personally agreeable. The same articles that praise Fraga draw attention to Franco's isolation – definitely not a "team-player".

23. This is the most glaring contrast with Franco.

24. For extensive comments on and critiques of this issue by Goodman's fellow philosophers, accompanied by the author's replies, see McCormick (1996).

25. "Practical" here is used to denote the effectiveness of the discourse within the internal limits of the political sphere. If the opposition does not encounter a discourse to counter that of the establishment, it will tend to disappear. Thus the discourse of the chambers may be considered "practical" if it manages to maintain the opposition' political operationality. Clearly, this practicality may or may not correspond to its "concrete" application in the economic sphere, but this problem can only really become evident when and if the opposition becomes the government. For the autonomization of the internal discourse vis-à-vis the political field, see Bourdieu (1981).

26. For more on the chambers, see Arbix and Zilbovicius (1997). For my own interpretation of their importance to the economic cultural framework, see Grün (2003a).

27. See the interview with José Lopez Feijóo, then secretary-general of the ABC Metalworkers' Union, at: <http://www.oficinainforma.com.br/semana/leituras-20020119/02.htm>. For Volkswagen's presentation of the event, see <http://www.volkswagen.com.br/fábricanovaanchieta>.

28. On the repercussions of the process, see Luís Nassif 's column, "A Estratégia da Volks" (*Folha de S. Paulo*, 15/6/2002).

29. The clearest manifestation of the compromise is in the idea of *kaizen* – the systematic reduction of waste in organizational activity. The industrial logic functioning without "natural predators" emphasizes the pursuit of efficiency through increased scale, giving the idea of reducing waste to the *status* of a simple detail. See Boltanski and Thévenot (1991) for the respective arguments.

30. For the logic by which the leaders of Brazilian industry act, and the contradictions they face, see Zilbovicius (1999).

31. I have dealt with the circumstances of this cultural conflict, which revived the terms used by Veblen (1921), in Grün (1999).

32. Less important for the zone of the social sphere under investigation here, but equally, or even more important in the social sphere as a whole.

33. In the text in question, Douglas revives the "hierarchy v. market" antagonism, developed by Weber, and discusses its cognitive consequences for understanding the cultural conflicts in capitalist societies, especially those imbued with neoliberalism.

34. See <http://www.lula.org.br/programadegoverno>, accessed on 25/7/2002.

35. I read all the leading newspapers at that time and did not encounter, either in the main body of the papers or in the letters columns, any support for Ciro Gomes or Garotinho vis-à-vis their anti-financial declarations. The analysis can be enriched and extended by examining the passage of the constitutional amendment which aims to change the national financial system, in particular the issue of whether to fix, or not, a maximum legal interest rate – the "old" idea of the Usury Law, which received some attention at the beginning of Lula's mandate but subsequently ceased to be newsworthy (see, for example, Oliveira, 2003).

36. It is interesting to remember the experience of Malaysia, regarded as the prime example of a country that managed to free itself from the influence of the international financial markets and, consequently, arbitrage. However, this repudiation of the markets was accompanied by anti-semitic and xenophobic rhetoric (Cohen, to appear). We may also cite the history of "classical" European fascism, one of whose ideological progenitors was the anti-financial and anti-semitic cult of labor espoused by the followers of Proudhon (Sternhell, 1984). Thus, by observing our own small domestic experience in the 2002 elections, the main international example of our times, and historical experience, it is difficult to believe that the association of antiplutocracism with xenophobia and anti-semitism is fortuitous, albeit not deterministic, one.

37. For the social and technological constraints governing the production and maintenance of this standardized opinion, and the force of the consensus, see Knorr Cetina and Bruegger (2002b).

38. This perhaps explains Lula's repeated calls to businessmen to invest, while ignoring the prohibitive interest rates (see, e.g., Athias, 2004:B1).

39. Internationally, the logic of concertation, sustained by the concepts of social capital and the social network, tends to project itself as a distinct, but equally "modern" alternative to the financial order. Its followers begin with an explanation of the virtuous circles of the "III Itália" (Putnam *et al.*, 1993), arriving at generalizations that attempt to account for the current economic world in its entirety, questioning the idea of the primacy of the financial logic in the production of basic social ties (Boltanski and Chiapello, 1999).

40. See, for example, the transcript of the seminar "Ipea Discute Arranjos Produtivos Locais", August 26-27 2003, on the institution's site. According to the organizers: "Public policies based on the concept of local productive arrangements have been designed to increase exports, reduce regional inequalities, foster local innovations and promote greater social inclusion." (<http://www.ipea.gov.br>).

41. It is worth noting that FIESP and SEBRAE are both "corporate" entities and thus threatened by the rationale imposed by the financial culture. They therefore have a vested interest in launching initiatives that highlight their respective contributions to Brazilian society.

42. We must not forget the "maxi-devaluationist" Gustavo Franco, the other figure who balances Fraga's positive image. Franco appears to have maintained his influence in traditional conservative circles. Observing how these images arise and change can provide a fruitful entry-point for analyzing the cultural substrate that governs the economic and financial spheres.

43. For example, in *O Globo*, 27/02/2004: "Ceará Refinery: At the official dinner with Lula, Prince Bandar (always accompanied by his controversial Brazilian companion, Naji Nahas) also promised that the Saudi-owned Aramco would look into the idea of constructing a refinery in Ceará, in association with Petrobrás."

44. Even though, in the logic of symbolic forces, this seems unlikely, since any "or else" in Argentina's future agreement with its creditors will be regarded as ample proof of the folly of defying the international financial markets.

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1 **Roberto Grün** is a professor in the Department of Production Engineering at the Federal University of São Carlos – UFSCar. His areas of interest include economic sociology, labor sociology and organizational theory (E-mails: grun@power.ufscar.br; rgrun@uol.com.br).

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