# Book Review

Karen Ho, *Liquidated: An Ethnography of Wall Street*. Durham: Duke University Press, 2009, pp. 392, $89.95.

Reviewed by Nancy Reichman

In her book *Liquidated* Karen Ho offers her readers a unique, insightful, and engaging picture of the everyday work world of investment bankers who did the deals to finance corporate America at the turn of the twentieth century. An anthropologist, Ho digs deeply into the everyday experiences of investment bankers, including the "origin myths" that contextualized those experiences, to expose how a culture of liquidity shaped the orientation of investment banks and in turn, the corporations that they capitalized. Her fieldwork takes place at a time when "the economy experienced *not only* record corporate profits and the longest rising stock market ever, *but also* record downsizings" (1, emphasis in the original). It is this fundamental contradiction between corporate profit and employee insecurity that drove her research. Although her ethnographic work preceded the current global financial crisis, Ho's analysis takes on added importance when refracted through that lens, providing important insights into the everyday work routines that fueled recklessness and misfeasance, if not malfeasance, in the financial industry.

Although lawyers are not an explicit part of Ho's ethnography, the longstanding relationship between investment banking and elite law firms and lawyers makes this an important read. Not only are investment banks important law firm clients, some lawyers worked directly for investment banks (Robert Rubin is one notable example), and for a time, many more aspired to do so. The parallels between investment banking and law, while not exact, are close enough to warrant careful attention and offer additional insights and questions for our understanding of the legal profession.

In 1996, Ho used her own elite academic connections to secure a management consultant position with a Wall Street firm that would allow her to learn more about finance before returning to graduate school to write about Wall Street culture and its relationship to corporate downsizing. After six months at her "prefieldwork" site, she was "downsized." Her "actual fieldwork" took place after she was let go from her position and included interviews, some shadowing of bankers, formal and informal networking events, and attendance at industry conferences from 1996–1999. Although the analysis is updated to offer insight

**Nancy Reichman** is Professor of Sociology and Criminology at the University of Denver.

into the current financial crisis, readers must be mindful that the Wall Street culture Ho describes predates the crisis by nearly a decade. Still, those seeking to make sense of the global financial crisis and how so many "smart" people could make such drastic mistakes will find some answers in Ho's work.

Employing the perspective of Bourdieu's *habitus*, Ho demonstrates that the orientation of Wall Street financiers was shaped by their elite education, on the one hand, and the compensation practices and job insecurity of their own employment, on the other. Rewarded for doing deals while ever mindful of the fragility of their employment at any given time, the Wall Street financiers Ho studied projected their orientation for the liquidity of everything on to the economy as a whole. Taken in by a culture that manufactured a sense of their "greatness," bankers attempted to shape the economy in their own images. Ironically, by 2008, investment banks were experiencing the dislocation and restructuring they were recommending for corporate America a decade earlier.

Two chapters of the book are devoted to making sense of the narrative of shareholder value first as a political and cultural strategy and second, as a meaning system that investment bankers used to make sense of the world. Although readers might find this hard going, what distinguishes this part of the book is Ho's anthropological perspective on the rich secondary material about the ascendance of shareholder value, the moment when shareholders *"symbolized and 'stood in' for the whole of the corporation and became the sole locus of concern and analysis"* (175, emphasis in the original). Ho argues that shareholder value, as a particular, albeit now dominant, analytic strategy reinforced a particular set of Wall Street interests and, in turn, workplace structures and strategies. While this part of the book is important in demonstrating that many so-called "core values" of the market are historically situated and socially produced, the originality of Ho's analysis comes through in her telling of how these "myths" become actualized in the working world of investment banks.

**Elite pedigrees and the culture of smartness.** Ho was a graduate student at Princeton, one of a handful of "Ivies" from which Wall Street firms systematically recruit. Her own experience and interviews with her co-workers demonstrate that firms were recruiting general smartness rather than a set of technical skills or, even more than, as we suspect to be true in law, social connections. Although not discounting the value of social capital, particularly the alumni and peer networks that develop from elite education, Ho's work emphasizes the significance of the cultural capital elites bring not simply in terms of habits and tastes but in terms of generic smarts, the kind of smartness that "conveys a naturalized and generic sense of 'impressiveness,' of elite, pinnacle status and expertise which is used to signify, *even prove*, investment bankers' worthiness" (40, emphasis added). Technical skills could be learned on the job. The recruitment process itself combined with orientation sessions once hired to construct the "hegemonic elitism that produces the 'expert' knowledge of financial markets" (41). Rankings among elite universities were replicated on the street. Whereas Princeton and Harvard graduates were assumed to have what it takes to succeed on Wall Street, recruits from the other Ivies had to demonstrate a particular ability or set of skills. Overall, the recruitment process created a mutually reinforcing connection between the market and the Ivy League. The logic went like this: Since Wall Street recruited the best and the brightest, the decisions and deals emanating from investment banks had significant value simply because they (the products of elite Ivies) did them. The global financial crisis may have exposed the fallacy of such assumptions. Nevertheless, Ho's nuanced understanding of the value of elite pedigrees on Wall Street may inform ongoing debates about the value of elite legal education in the legal profession. The ability to attract the "best and the brightest," whatever that actually means in terms of actual skills or even connections, is likely to remain an important source of power in a profession that seeks to remain elite.

**Overwork as Normative Practice.** Lawyers may relate closely to Ho's discussion of the rigorous hours and competitive atmosphere of the Wall Street investment banks. Expectations for 24-hour client management coupled with the need to cater to more senior banker's schedules meant that analysts and associates were at the office well past midnight on a regular basis. The culture of overwork, fueled by organizational/lifestyle perks such as dinner and a car service ride home, combined with the culture of smartness to justify the power and dominance of the Wall Street firms, at least to those who worked there. Deals were good, indeed right, because smart bankers worked very hard to get them done (107). The grueling pace of work also justified the hierarchies within investment banks as well as between investment banks and other economic actors. Although Ho recognizes a cultural imperative to "hard work" where women and minorities were offered different opportunities to prove themselves as hard workers and did not receive the same value for the hard work they performed, she suggests that working hard, in general, was a key cultural prop to support short-term finance capitalism.[1] "The hard work needed to forge the smart 'men of mettle' who serve as a disciplinary exemplar of the new prototype of worker under short-term financial capitalism is itself calibrated on the bodies of unmarked investment bankers"(121). Young associates at large elite law firms will likely find that they can relate directly to this analysis.

**Compensating Liquidity.** The Wall Street Ho entered was characterized by "drastic and sometimes simultaneous spikes of hiring and firing" (225), a pattern that persists today. By making sense of their job insecurity as a natural consequence of unstoppable market forces, Ho's Wall Street bankers forged their identity with the market. As there was no job security, the focus was always on the immediate present. "If you can't make money *today*, you are out of there" (234, emphasis added). Indeed, Wall Street bankers came to embody

1. She acknowledges in passing that overwork is a dominant feature for many lower and middle class workers so that bankers' efforts to distinguish themselves by their grueling hours is a bit self serving.

the market "as the ultimate 'liquid' employee" (252), exchanging compensation for job security. They were paid well for the uncertainty (riskiness) of what was more a financial relationship than a career (273).

A key feature of Wall Street compensation is the bonus. Although the Wall Street bonus has come under media scrutiny in the current financial crisis, the bonus is not well understood on Wall Street or in law practice. In the high flying days that preceded the crisis, bonuses were linked to "deal flow," i.e., moving money, regardless of whether the transactions resulted in anything productive (268). Induced by the promises of the bonus, investment bankers strove to make the most out of the present, and in doing so created a "bubble culture of expediency," devoid of long-term strategic thinking. The culture of smartness, overwork, and job insecurity combined with a compensation system rewarding expediency and liquidity to "enact shareholder value the way they [bankers] themselves experience it—through their own, Wall Street-centric cultural lens…[is] detrimental to shareholder value in the long run" (293). Most importantly, Ho found that bonuses structured bankers' lifestyles and the understanding of their own worth (263). It is no wonder, then, that bonuses still hold traction as a method of retaining talent in the face of the global financial meltdown.

There are parallels here to large law firm practice, of course. Job security has become more elusive. Compensation is hardly linked to performance as young associates are hired for what seem outrageous sums given their lack of substantive skill. Yet compensation at law firms lagged that of the investment banks at the time, suggesting that there may be more than a financial relationship at play in the case of law. While some young lawyers may make sense of the high starting salaries and job insecurity in large law firms as part of an exchange to pay back debt quickly, it is not clear that compensation in law demonstrates market forces in the same way as it does in investment banks. Other professional values, e.g., the value of "service," may co-exist with the market to organize compensation in law.

The power of the Ho's analysis comes from her insider status. But that insider status presents a weakness as well. As a member of the elite culture she attempts to critique, one wonders whether she, too, drank the Kool-Aid and perhaps overstates the significance of the investment bankers' ability to shape the economy. Given that there is little context for the interviews and accounts she offers, it is hard to feel completely comfortable that the picture she paints covers investment banks as a whole or only the most elite among them. Moreover, there is no counterpoint to the banker's frame, although clearly other elite professionals played a role in doing deals and surely challenged and/or further supported the framework that organizes the bankers' work. Derivative product groups were beginning to emerge in Wall Street firms at that time[2] and one wonders whether the culture of the traders and the "quants" who were manufacturing and selling these products was different enough and significant enough to put competitive pressure, short-lived as it might be, on those doing deals. Without a picture of competition within the field, something seems missing from her analysis of investment bankers' *habitus* that would strengthen our understanding of the persistence of the elite Wall Street culture she describes.

Taken on its own terms, the book demonstrates that the study of everyday work experiences can shed significant light on the power of institutions. Although scholars of the legal profession have addressed many of the issues discussed in the book, there are few contemporary ethnographies of large law firms that directly link workplace structures and strategies to the larger values and interest of the profession as a whole. Analyses of the kind and depth found in Ho's *Liquidity* seem particularly important as we enter a "second transformation" of the legal profession.[3] In the face of ever more market pressures in law, Ho's analysis of elite investment banks leads us to ask what particular orientations and interests are being served by the culture of the large law firm. How are law firm structures and practices shaped by those interests and, in turn, in what ways do everyday routines reinforce those interests? Is law large law firm practice similarly focused on creating a worldview of elite importance irrespective of the work that is being done? Will large law firms find themselves hoisted on their own petard, temporarily, as Ho suggests was the fate of investment banks, only to re-emerge because of their elite status? What narratives and "origin myths" organize law practice, particularly at large law firms, to reinforce their sense of preeminence and importance?

2. See the various discussions in Frank Partnoy, FIASCO: Blood in the Water on Wall Street (W. W. Norton & Co. 2009); Charles R. Morris, The Two Trillion Dollar Meltdown (Public Affairs 2008); Michael Lewis, The Big Short: Inside the Doomsday Machine (W. W. Norton & Co. 2010); Gillian Tett, Fool's Gold: How the Bold Dream of Small Tribe at J.P. Morgan Was Corrupted by Wallstreet Greed and Unleashed a Catastrophe (Simon & Schuster 2009).

3. Marc Galanter & William Henderson, The Elastic Tournament: The Second Transformation of the Big Law Firm, 60 Stan. L. Rev. 1867 (2008).