REGULAR SESSION INFORMATION

Session: Financialization

Session Convener(s): Alya Guseva, Boston University

Chair: Alya Guseva, Boston University

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Olga Kuzina, National Research University - Higher School of Economics, Moscow

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Akos Rona-Tas, University of California, San Diego
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ABSTRACTS

Session description

Finance has become a powerful force in the global economy. Financial markets, once an exotic and exclusive realm of the economy by now have permeated a many segments of social life. Yet the current global financial crisis also has demonstrated the stunning fragility of the financial system. It also revealed that behind the seemingly hegemonic, universalistic and hyperrational and decidedly Western façade, there is a wide variety of local practices. This panel invites contributions that analyze the financialization of everyday life from a comparative perspective with special attention to the social embeddedness of finance.

Papers

I) *Individual Financial Strategies: How to Define and Operationalize*

Olga Kuzina, National Research University - Higher School of Economics, Moscow

The concept of individual or household 'strategies' in sociology reflects the ambition of researchers to avoid extremes of both structural determinism and excessive voluntarism in finding explanations for human behaviour. It assumes that agents, on the one hand, are constrained in the range of possible goals and means by structural factors, but on the other hand, they are able to exercise initiative by pursuing their goals and choosing the appropriate means, making other choices, being reflexive about their own behavior and the behavior of others.

Even though sociologists agree about the ambition of this concept, the way this concept is defined and operationalized for the empirical research is still at issue. For example, in one approach it is assumed that that not all behavior is strategic and not all households are able to strategize: 'strategies are not behaviours or practices but systems of rationally grounded decisions leading to desired medium- to long-term goals' (Anderson, Bechhofer, Kendrick, 1994: 21). In another (Pahl and Gershuny, 1979), strategies are conceptualized as applicable to all households. There is also no agreement about whether individuals or households are the strategizing actors, since households are not only units where members share goals of common good but also can be seen as arenas of conflict over resources and power where one member can gain more at the expense of the others.

The concept of strategy is widespread on all levels and subjects of analysis; for example, the variety of strategies can be found in the context of economic policies of states or strategies of different classes, strata, or groups of people or households/individuals. Strategies are linked to the goals of actions ('growth strategy'), or to the types of agents ('corporate strategy') or to the performance of actions ('paternalistic strategy'). Researchers focus their analysis on 'work-family strategies' (Moen & Yu, 2000), 'coping (adaptive) strategies' (Elder, 1974; Tilly & Scott, 1978; Harevan, 1982), 'family strategies' (Chayanov, 1986; Tilly, 1979; Tilly & Scott, 1978; Smith, 1978) 'educational strategies' (Watson, 1976, Van de Werfhorst, 2005), 'migration strategies' (Stark and Levhari, 1982; Stark, 1984; Lucas and Stark, 1985; Stark and Bloom, 1985; Katz and Stark, 1986b), 'inheritance strategies' (Goody, 1976), 'marriage strategies' (Bourdieu, 1976), etc. However, the concept of individual or household 'financial strategies' has not been yet established and validated in empirical research.

In this paper we will focus on the concept of 'financial strategies' and address two problems: how to define the concept of financial strategy and how to operationalize it into indicators. The notion of financial strategy is familiar when we talk about what firms do, or traders in markets, but raises interesting issues when applied to individuals or households and their everyday financial behavior, which is under-researched. There has been a lot of attention on finance in sociology, but it is dominated by research into bankers and traders, not households. Financial strategies of individuals or households have a broader agenda, but this paper deals with the groundwork, an attempt to integrate practical work on financial literacy with more academic concerns in economic sociology. To base our conceptual enterprise on some sort of empirical basis, we use the data collected during focus group discussions where participants were asked to describe what they mean when they say that they have or do not have a financial strategy. 6 focus-group discussions with the middle class urban residents took place in October 2010 . In November 20113 focus-group discussions took place with the middle class urban residents and 2 focus-group - with the low class urban residents . The aim of these focus groups was to find out how people themselves define what financial strategy is, what people consider to be the main elements of financial strategies, how they distinguish between strategic and non-strategic types of financial behavior and which factors they think can facilitate the implementation of financial strategies and which ones constraint them and force to behave non-strategically. To quantify the findings of the focus group discussions we use quantitative data from the all-Russian survey conducted in November 2010 and 2011.

The paper is structured in the following way. In the beginning we discuss the concept of strategy in the action/structure debates in Sociology, and the concept of rationality in Economics and Sociology. Then we focus on the concept of financial strategy comparing the ways the concept of a strategy is approached in Economics and Economic Sociology. After that we summaries the findings from the focus group discussions in terms of their contribution to the existing theoretical discussions and finally we estimate how often Russians report that they apply financial strategies and what explains why some people have financial strategies and others do not.

II) *Consumer Confidence in Financial Institutions: Conceptual Definition, Indicators, Measurement*
Dilyara Ibragimova, National Research University - Higher School of Economics, Moscow

The main goal of this paper is to addresses the issues of defining and measuring the concept of consumer confidence in financial institutions in all-Russian surveys as well as to reveal the changes in people's attitude towards financial institutions during the period 2008-2011. How to define the concept of consumer confidence in financial institutions? We do not believe that confidence and the use of financial services are perfectly correlated. People may invest, borrow or buy insurance policies despite having low confidence in financial institutions because there are many other factors that influence financial behavior of households, such as income, the life cycle needs, etc.). Nevertheless, other things being equal, confidence in financial institutions should lead to higher levels of consumption of financial services. We define confidence as different from blind trust and implying more rational than emotional dimensions. Confidence is higher when people have better understanding of financial institutions and know what they can expect from them. We operationalize this concept by measuring changes in reliability in the services of financial companies, informational transparency and utility perceived by people. Reliability in the services of financial companies is understood as safety, compliance with the commitments and absence of fraud towards clients. Informational transparency implies disclosure of information on the cost of services, first of all fees and commissions, and other things which are important for the consumers' decisions. Utility is linked to the estimation of the level of prices on financial products. Consumer confidence in financial institutions in 2008-2011 reached the top grades in October-December 2010, but informational transparency continues to be more problematic than reliability. Both quantitative and qualitative methods of collecting data are used in the research. Quantitative data include eleven waves of all-Russian cross-section surveys (2008 - 2011). In each wave 1600 respondents were interviewed face-to-face at 140 sampling points in 42 regions of Russia. The qualitative data was derived from the focus-group discussions carried out in 6 big cities of Russia. Middle aged people who had been using financial services during the previous two years participated in these discussions.

III) *Portugal's Financial Crisis: A Procrustean Tale*

Carlos Henrique Santana, IESP/UERJ, Rio de Janeiro

In recent years, Portugal has been confronted with a severe financial crisis that culminated in 2011 with a search for international help from the IMF, EU, and ECB. The support from these institutions was established via a relief package that imposed a three year plan of austerity and a long list of reforms deemed imperative by the three organizations and by the three Portuguese parties belonging to the so-called power arch (Christian-Democrats, Social Democrats, and Socialists). Considering the structural economic and financial imbalances that characterize the country and some severe limitations at the levels of productivity, social and economic inequality, or education, the crisis seemed predictable, at least since the Portuguese adhesion to the Euro area, and the correspondent curtail of the traditional competitive measures taken by the governments, namely devaluation. And yet, the warning voices were few and far between. Just a handful of economists made some cautionary remarks on the possible downsides of the Euro introduction. In Portugal, like in the rest of the Southern European countries that were part of the third wave of democratization of the 1970s (Greece and Spain), the Euro was seen as a symbol of modernization, economic growth and stability. Its introduction was considered the culmination of a successful process of European integration accomplished in a very short period and against all odds. Accepting the Euro was a proof of work well done and that, at last, the Portuguese could be considered true European citizens. Considering the depth and the persistence of the aforementioned structural weaknesses of the Portuguese economy, we can ask ourselves whether they may be overcome with a three year adjustment programme, even though draconian. Up to the present time, many attempts have been made to solve these problems internally, but with low levels of success. The current situation differs radically from the past, given the external ruling and close monitoring by the troika. With more than two hundred specific measures, the programme is not only very detailed but also imposes quarterly goals that should be strictly reached by the Portuguese authorities. However, the fact remains that the interest rate associated with the loan taken by Portugal is probably too high to be payable, since it corresponds to a level above the sum of foreseeable inflation and GDP growth. That is to say, the debt service has a crescent relative importance, meaning an also crescent burden on the economy in its whole. Therefore, we can wonder whether this shock therapy will cure the disease at the cost of killing the patient. As we know, these measures can provoke serious strain in a society that already ranks among the most unequal in all of the European Union, leading to social protest movements, political unrest (even in a scenario of a coalition government enjoying a majority support) and also – and crucially – the deepening of the current brain drain, especially youngsters, with its reinforcing looping effects on the declining competitiveness.

IV) *The War of the Brands: Domestic versus International Plastic Cards in Seven Postcommunist Countries and the EU*

Akos Rona-Tas, University of California, San Diego
Alya Guseva, Boston University

The paper examines the trajectories and the outcomes of the competition between domestic and international (Visa, MasterCard) card brands in the emerging plastic card markets of seven post-communist countries (Hungary, Czech Republic, Poland, Bulgaria, Ukraine and Russia, China) and the European Union. Contrary to a straightforward globalization story (Visa and MasterCards conquering Eastern bloc countries), the past 20 years present a more complex picture of inter-brand standardization and compatibility wars. We want to explain why in Hungary, Czech Republic and Poland international brands has always dominated and there has not been an appeal to create an alternative domestic card network, in Bulgaria domestic cards (Borica) dominated initially, but have recently been gradually replaced with co-branded Borica-MasterCards, and while in Russia and Ukraine international cards dominate now (in Russia – only since 2003), there is a continuous appeal to establish a domestic card network, the one that can successfully compete against the hegemony of card multinationals, and the Russian and Ukrainian states are actively pursuing this goal. In China, the state already set up a domestic card network (UnionPay) and began to position it as a global competitor to the international giants. The European Union is also in the process of creating a new framework that could strengthen domestic brands against Visa and MasterCard. We explore several factors that contributed to the different trajectories and outcomes of this brand competition in the seven countries: size of the market, timing, bank competition and relative size of banks, role of the state and the extent of global integration.