



Financial markets are markets in stories: Some possible advantages of using interviews to supplement existing economic data sources [☆]

David Tuckett

Faculty of Brain Sciences, University College London; the Anna Freud Centre; and Institute of Psychoanalysis, London, UK

ARTICLE INFO

Article history:

Received 1 February 2011

Accepted 23 September 2011

Available online 2 April 2012

JEL classification:

B4

G1

Keywords:

Financial markets

Interviews

Economic methodology

Narrative

Uncertainty

ABSTRACT

Fifty-two research interviews were conducted with money managers controlling over \$500 billion. This paper presents detailed material from one interview to argue interviews usefully describe their shared reality and provide information about the conditions of action facing financial decision-makers with implications for aggregate behaviour. Their shared reality was dominated by “radical” uncertainty and information ambiguity which severely limited the scope for “fully rational” decision-making. How they managed to commit to decisions was by creating narratives. The study suggests it may be useful to reconsider prejudices against the usefulness of talking to individual economic agents about what they actually do.

© 2012 Elsevier B.V. All rights reserved.

1. Introduction

During 2007 I conducted 52 interviews with senior money managers working in different locations in the world's major markets. Between then they controlled over \$500 billion in assets gathered from pension and trust funds, retail funds and wealthy private individuals. I want to show these interviews provide information about the conditions of action facing key financial decision-makers and usefully describe the shared reality of their experience. That reality was dominated by what Knight (1921 p. 198) termed “radical” uncertainty as well as by information ambiguity. Given the limits to precise knowledge, interviews revealed consistently and rather easily that what agents in financial markets have to do in the situations they find themselves is to trade stories about the “fundamentals” thought likely to influence the prices of financial instruments rather than the “fundamentals”¹ themselves. This has many implications for how we might understand the supply and demand for financial assets creating their prices.

To support and elaborate these points I will begin by presenting some data from one representative interview from the series but elaborate the implications based on the sample as a whole. I will then discuss my reasons for believing this kind of data is valid for the purpose it is being used.

[☆] This study was made possible by support given to the author by the International Psychoanalytic Association, the Leverhulme Trust and the Institute of New Economic Thinking. I am grateful to Professor Richard Taffler (University of Warwick) and the CFA Institute particularly for assistance in finding the participants, as well as to the managers themselves.

E-mail address: d.tuckett@ucl.ac.uk

¹ The term “fundamentals” is here used in a generic way to refer to available information about the factors influencing future returns from holding an asset and the risk or chance that those returns might be different than predicted. They, therefore, refer to various economic, political and social factors, as well as details about individual enterprises' operations, which might reasonably be expected to influence returns. The notion that the outcome of a great deal of individual buying and selling is asset prices that somehow fluctuate randomly around their “true” or fundamental value is central both to the Efficient Market Hypothesis and its implication that markets allocate scarce capital in the best possible way, given available information.

2. Interview methodology

Although only rather rarely applied to the study of finance,² interview methods have been developed as a standard methodology in sociology, social anthropology and social epidemiology and nowadays also often form part of the debriefing and context clarification that occurs after psychological or neuroscience experiments. The economist, [Bewley \(1999\)](#), also used them successfully to throw light on why wages do not fall as much as theory expected during recession periods.

Research interviews tend to range between two different extreme types. At one end they may be highly structured like questionnaires, in which every respondent receives exactly the same questions and their answers are constrained to fall in pre-defined categories. At the other they can be informal and unstructured. They can also take place where people live or work normally or in an environment controlled by the interviewer.

Entirely unstructured interviews obviously raise serious questions about whether each respondent has been given the same opportunity to provide their viewpoint on the issues and whether data analysis and presentation is sufficiently systematic to avoid problematic bias. Results, for instance, might reflect the method of questioning rather than any underlying truth. On the other hand, highly structured questionnaire interviews (in which answers are also pre-coded and there is very little scope for interviewer bias) have the comparative advantage that they appear to deal with that problem. Every respondent receives exactly the same stimulus, there are no biases introduced in coding responses and the analysis and presentation of data is much more straightforward and can quite easily be statistical. As little training of interviewers is involved they are also relatively cheap. However, against this approach are many of the same arguments sometimes levelled at experimental methods in the social sciences: the research itself might be creating a social situation with a meaning of its own which might then create artificial behaviour from which inferences may be misleading. Moreover, the situation is so highly structured that perhaps the investigator does not actually know how the respondent understood the questioner's intent and so whether the answer is really informative regarding the question the investigator actually wants to ask.

Unstructured (or even semi-structured) interviews are difficult to rely on or analyse. Questionnaire type interviews are difficult to interpret. I, therefore, elected to use a "standardised non-schedule interview" (SNSI) format. It is an approach first developed by social epidemiologists precisely to address the problems of interpretation and analysis just mentioned as well as to create less intrusive conditions for high quality interviewee engagement ([Richardson, Dohrenwend et al., 1965](#), [Brown and Rutter, 1966](#)). It creates a situation for respondents to talk in a conversational way while providing a rigorous opportunity to explore how they understand the questions being asked and how interviewers understand their answers.

In an SNSI the interviewer has a list of questions to him or herself and a number of assessments to make in the form of more or less complex assessments (rating scales). Questions to respondents are asked in a flexible sequence to allow interviewers to establish that the respondent has understood the question as it was intended and the interviewer has also understood the respondent's answer in relation to what s/he wants to find out. To be rigorously systematic an interviewer has a check list and a set of issues to write up and to code after the interview. S/he can respond to what s/he is told by detailed probing to get underneath the assumptions respondents always make about what the interviewer means or wants to know. Eventually, once ratings are made, such interviews generate both numerical and more detailed qualitative data (the latter in the form of excerpts and examples). If interviews are recorded then it is possible for a second investigator (trained in the techniques) to listen to the recording and to make the judgements needed to make ratings independently. It is then possible to introduce random checks on ratings and to report the agreement levels reached. To make reliable judgments requires careful specification of meanings and assessments and so significant development effort before the final round of fieldwork. When it is all done high levels of inter-rater agreement about complex matters are then possible (for example, [Brown and Rutter, 1966](#); [Brown and Harris, 1978](#), [Tuckett, Boulton et al., 1985](#)).

The advantage of SNSI interviews is that any uncertainties or doubts about what respondents are saying or thinking that the interviewer senses in them can be picked up and discussed. More crucially, rather than inventing artificial activities for experimental subjects to undertake or answer questions about, SNSI interviews also provide considerable scope to let participants bring an interviewer inside their activities. As my respondents told me about how they looked at market data, met company officials, looked at new plant or rolling stock, boarded aeroplanes to far-away places, talked to analysts and colleagues and so on, I could seek elaboration, cross-question, test and explore their accounts in a naturalistic conversational setting. Also, by indicating I wanted lots of details and emphasising this by cross-questioning and prompting, I could encourage them to live the moments they were describing. Rather than batter them with a series of

² Several aspects of what happens in financial markets have been investigated by sociologists. They have used their traditional more or less informal interview methods to draw conclusions and supplemented them by various types of observation as market actors went about their business. [Smith \(1999\)](#), for example, held a series of informal conversations with a handful of stockbrokers in New York City which are described later in this paper. Other sociological studies include those by [Abolafia \(2005\)](#), who examined the official minutes of the Federal Reserve; [Pixley \(2005\)](#), who interviewed central bankers and financial journalists about trust in financial markets; [Hardie and MacKenzie \(2007\)](#), who conducted participant observation in a hedge fund and [Godechot \(2008\)](#), who used interviews after the event to describe how salary negotiations among French bond traders were based on strategic negotiations and effective blackmail. More studies of a wide range of issues and sociological approaches to them, including behaviour in financial bubbles, are also reported in [Smelser \(1962\)](#) and [Knorr-Cetina and Preda \(2005\)](#).

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات