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# Staging information—financial analysis and the (up)setting of market scenes

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## Abstract

Quakes after the boom and bust around the turn of the century and experiences in the sequel of the tousel 'new economy' have made the market's dramatic traits painfully visible. Company *performances* on the stock market face an anxious audience of investors like a drama with a continuously postponed conclusion. This dramatizing of events is also the *staging* of information where altering assemblages of actors, scenery, and props are framed by the stock market scene where investment decisions are produced. Thus, the theatrical model proposed in this essay is as an outlook from which to examine the vital production and consumption of the information on which stock markets feed. Against this background, the role of the financial analyst is being examined. Neither being one of the leading characters nor part of the investing audience, his part in the drama is a puzzling problem that seems to elude the script of financial theory. Perhaps the most evident implication of the dramatic context would be to view the financial analyst as a critic—a silent messenger between stage and audience that evaluates the quality of the plot and the performance of the main actors (Is management convincing? Is the company story trustworthy?). However, as the drama unfolds, the script falls apart and alters into props and scenery. The silent messenger between actors and audience moves into front stage and challenges the plot, the characters, and the frame. By upsetting the frame that separates the reckonable and controllable from the unknown and ambiguous, the financial analyst forces the market into movement and becomes an active creator of trade.

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## 1. The drama

*One of the spicy details discovered in the messy remains of the notorious American energy giant was the dummy trading room constructed to impress investors. In 1998, when the new project Enron Energy Service was launched, a conference for analysts following the company was arranged. To get the right image of the vigorous activities within the young stock market comet, the attendants were guided through a gigantic hall of flickering computer screens, loud traders, and ringing telephones. That there was nothing behind the scene was not exposed until after the collapse and a couple of former employees in an act of vengeance decided to expose the scam. The operation had an internal cover name, *The Sting*, after the classic gangster movie from 1973, where a phony bookmaker shop played a central role.*

The workings and the reality of financial markets were for a long time linked with deep suspicion by the general public. The disconnection between the world of finance and ordinary life made financial markets, and in particular their odd and amusing inmates, a popular theme in comedies, pamphlets, novels, and vaudeville acts in 18th century England and France (Preda, 2000). This dismissal of the financial way of reasoning as hocus pocus or even sorcery stands as a blaring contrast to the clinical description of the market that dominates modern financial literature, as well as today's rationalistic financial discourse that permeates both the public sphere and individual life worlds.

However, some of the old claims of magic and mysterious logic—albeit in altered guise—can perhaps still be detected within the rising objections to the ruling financial paradigm (e.g., Frankfurter & McGoun, 2002).<sup>1</sup> Particularly mysterious is the way modern financial theory applies the concept of financial *information*—the vital nutritive on which stock markets feed. Supported by a model of the market as a neutral mirror of events and values within a substantial economy, theorists worry about whether information is efficiently compounded in stock prices, or evenly distributed between different groups of investors. This contributes to the apprehension of financial information as an unambiguous, context-independent, and objective image of economic reality, clearly distinguished from its surrounding *noisy milieu*.<sup>2</sup> Inquiries into the actual origins of information, and how it is formatted, interpreted, and consumed by market actors fit badly into this cosmology and thereby become superfluous. Contrary to this view, the dramatic framework adopted in this essay recognizes information as contingent of the social practices situated *within* the market. This way of opening up the black box of the market and looking at it as a social arena that presents as well as represents

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<sup>1</sup> One way of dealing with the shortcomings of financial theory has developed into the growing paradigm of behavioural finance. However, this line of research seems reluctant to abandon the cosmology of financial theory. Concepts such as *behaviour* or *psychology* are circumscribed and disciplined into variables that can be isolated and measured to fit into the general framework (e.g., McGoun & Skubic, 2000).

<sup>2</sup> The rather bewildering concept of noise frequently occurs in the financial text. Black (1996) suggests a definition and writes that *noise is what makes our observations imperfect*. In a way, the statement is a small revolution as it indirectly establishes a possibility to—without the presence of noise—indeed make a perfect observation.

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