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While the current turmoil in global finance seems to support calls for "transparency," "accountability," and "professionalization," closer analysis reveals disjunctures in the dominant discourse on corporate governance, whose central element is the promotion of "investor confidence" and "shareholder value." This essay draws on the theoretical work of Pierre Bourdieu and Stuart Hall to examine how representations of the stock market and securities research in the Philippines regularize particular interests, identities, relations, and hierarchies in the global political economy. But it also shows how these representations reveal underlying tensions in the discourse that open up spaces for rearticulating and reordering financial governance.

KEYWORDS: globalization, corporate governance, stock markets, securities research, professionals

The scandals that engulfed Wall Street involving large public corporations, like Enron and WorldCom, and leading professional financial services organizations engaged in accounting and securities research, such as Arthur Andersen and Merrill Lynch have led to "a full blown corporate governance shock" amid the collapse of the once booming United States stock market (*Washington Post* 2002).

This market decline and focus on corporate and professional misconduct call to mind a similar emphasis on "good corporate governance" made in the context of the financial crisis in East Asia in the late 1990s. Indeed, the turmoil in Wall Street may be seen as supporting the global discourse of "transparency," "accountability," and "professionalization." However, a critical analysis may show how this crisis reveals the disjunctures or contradictions in the dominant discourse on corporate governance, as articulated, for example, by the OECD and the World Bank.

This discourse is centered on the argument that, in the context of financial globalization, the goal is to promote investor confidence and shareholder value. This objective is seen to be achieved if financial practices and institutions in emerging markets, such as those in the Philippines and East Asia, are reshaped along the lines of the "mature markets," particularly according to what is assumed to be the most advanced of them all, American financial markets (Tolosa 2001). Indeed, prior to the scandals that have prompted calls for regulatory reforms and tighter governance of the U.S. capital markets, Wade (2000) noted the double standard in the discourse of transparency and accountability. He said

> most of what the G7 and IMF and allied bodies have acted on so far—as distinct from merely talked about—is related to subjecting the governments, banks and firms of emerging market countries to the tighter discipline wanted by private international capital markets, rather than subjecting those international capital markets or the G7 countries to tighter discipline. (Ibid., 148–49)

In the wake of the scandals, the debate in the U.S. on the nature and extent of regulatory reform shows how "good corporate governance," which has privileged U.S. financial practices and institutions, can become contested. One view—held by the Bush administration and its business and political allies—sees the scandals as "more a case of a few bad apples, not a fundamentally deformed tree." The other view considers "the steady stream of corporate failures as symptoms of broad systemic problems." A *New York Times* writer said the debate reveals a "philosophical difference about the role of government and its relationship to the marketplace" (Labaton 2002).

What are the conditions of possibility for the production and contestation of a particular common sense of financial governance? Underlying the nature and extent of corporate and regulatory reform is the

larger question of the meaning and relations of accountability in global financial governance. Who is being called to account, by whom, and to what end? How does a particular story of "transparency," "accountability," or "professionalization" come to construct social hierarchies in the global political economy wherein actors and institutions are differentially empowered and deemed capable of gathering information, interpreting and deploying them so that others can be monitored, held responsible, and disciplined if so warranted? What are the tensions and contradictions in the discourse that can provide spaces for alternative accounts and social relations of political-economic accountability? These are the questions raised by a critical constructivist reading of the production of global financial governance which I seek to provide in this essay.

The Stock Market as a Field of Symbolic Power and Securities Research as Symbolic Labor

Pierre Bourdieu's notion of doxa provides a way to conceptualize and analyze global governance in terms of the structuring and structured effects of knowledgeable practices (Ashley 1989). While the field of doxa is a world where "things go without saying because they come without saying" (Bourdieu 1977), its self-evident, natural character is not given but actively constituted in knowledgeable practices that have a habitual (or unspoken) and strategic character. There is always the possibility that the ambiguous field of doxa could lose its necessary, apolitical character when its arbitrary and constructed quality is exposed, and thus its unquestioned doxic or symbolic power is lost.

Bourdieu has produced a whole body of empirical and theoretical work on the construction of symbolic power in partially autonomous "fields"—structured spaces of positions and relations shaped by the distribution of specific resources or "capital" among those in the field. He argues that this type of power is not based on words per se but in the "belief in the legitimacy of the words" of the speaker who utters them (Bourdieu in Swartz 1997, 88). Although it is rooted in material forms of capital (economic, cultural, or social), these are transformed into an invisible form of symbolic capital whose power lies precisely in its not being recognized as such (Thompson 1991). Its arbitrary and interested character is "misrecognized" as disinterested and thus legitimate by those who are subjected to it. The production of symbolic power is therefore about the struggle over the production of common sense, legitimate naming, and indeed "world making" (Bourdieu 1989).

Key to this process of the production of doxic power is symbolic labor. This is carried out by specialized symbolic or cultural producers (intellectuals and professionals in particular fields, who are at once dominated and dominant) "by transforming relations of interest into disinterested meanings and by legitimating arbitrary relations of power as the natural order of things" (Swartz 1997, 93). In Bourdieu's analysis, this form of production is crucial to social regularization or normalization.

Drawing on Bourdieu's insights, the stock market may be conceived as a field with historical relations among subject positions rooted in certain types of resources or forms of capital and power. It has relative autonomy from other fields; it has its own values and regulative principles of production, evaluation, and exchange. While a field is a "patterned system of objective forces," it is at the same time also a "space of conflict and competition" where agents struggle with one another—often with the shape and divisions of the field itself at stake (Bourdieu and Wacquant 1992, 17–18). It has its own professionals or symbolic laborers (e.g., accountants and research analysts) who have both lasting and transposable dispositions or "habitus" internalized from their socialization and training, and who are at the center of the often contradictory and hybrid practices of symbolic production, that partly arise from the tensions of their own social identities and positions as "dominated dominant" (ibid., 192); or what Bourdieu has also expressed as a subject position on the "dominated pole of the field of power" (i.e., a relative position among the powerful).

In the case of emerging markets, financial globalization and governance are linked with the entry of foreign portfolio capital and investment houses from "mature markets" which are associated with practices such as securities research. The rapid growth of stock markets amid capital account liberalization in emerging markets like the Philippines in the 1990s indeed has been accompanied by the emergence and increased prominence of research departments, with their highly paid managers, directors, economists, strategists and analysts, particularly those

in foreign-owned investment houses and stock brokerages. But what is crucial is the representation of the growth of securities research as signifying a shift in the nature of the securities industry, from one driven by gossip and inside information to one that is founded on "improved information and a rigorous assessment of risk" (IMF 1998, 6), and thus more characteristic of developed financial markets. Transparency and professional analytical capacity are seen precisely as essential features of private or marketized regulation and corporate governance in the context of globalized and "mature" finance.

Securities Research as a Signifying Practice: The Work of Representation in Financial Regularization

Securities research is not a neutral or "scientific" informational practice performed by professionals, but is itself a discourse, a structured terrain of signifying practices, that is mutually constitutive of the social meanings and relations of "good corporate governance" and of global financial regularization. It is deployed as a symbol to classify or create social distinctions among actors and practices within the stock market field itself and among corporations and economies that are made transparent and accountable in the broader political economy.

I draw on Stuart Hall's (1988) work to understand securities research as a signifying practice. His insights on the work of representation as involving processes of articulation and identification help illuminate the analysis of global financial regularization. Hall (1996a, 141) uses the term "articulation" to mean a "connection that *can* make a unity of two different elements, under certain conditions . . . a linkage which is not necessary, determined, absolute and essential for all time." Thus, sociopolitical struggles are "over how particular practices are positioned, into what structures of meaning and power, into what correspondences they are articulated" (Grossberg 1996, 156).

Part of the analytical task is to study how securities research is represented in the field of the stock market and beyond it, to what specific discourses and webs of meaning it is attached, and how it is appropriated and employed as a cultural or symbolic device, as much as a financial tool, to categorize particular sites, actors and practices, and encode them with social meanings and distinctions. In the articulation of securities research practice with wider discursive formations, identities are also produced and socially positioned—within the research community, the securities industry, and more broadly in the national and global political economy. These social identities and subject-positions are themselves the result of a social suture, a temporary point of intersection, attachment and identification (Hall 1996b). Thus we can also ask how stock market actors (especially research analysts) socially imagine and invest in the particular identities and positions to which they are summoned, within specific historical moments, institutional sites and political-economic strategies. It is in these complex articulations or suturing processes and effects that we can understand the conditions of possibility for global financial regularization.

But, as Hall stresses, such articulations are never complete or final. It is therefore critical to view these processes as sites of conflicts, contradictions and contestations. The articulation of social meanings and identities is an arena of appropriation, accommodation, resistance and struggle, involving various forms of identification and differentiation, inclusion and exclusion, speaking and silencing, domination and subordination. Processes of articulation and identification are mutually constitutive of social hierarchies at many levels which, because of their discursively constructed character, are not fixed or completely stable, and thus also open to challenges.

The representations of the stock market and securities research in the Philippines thus can be used as a window to view not only the constitution of the dominant discourse of corporate governance and global financial regularization, but also to identify the spaces for a rearticulation and reordering of these financial mechanisms of calling to account.

The Philippine Stock Market as a Site of Global Financial Regularization

This essay takes the Philippine stock market as a site in the field of global finance and examines the contemporary process of financial regularization and symbolic production at work in this particular

geographic and sociopolitical space. My analysis is based on in-depth interviews I conducted from February to July 1998 with more than eighty informants across the industry—the majority of whom were securities research analysts, but also included other actors in the equities market. My field research took place at an opportune time for studying representations of the stock market precisely because it was done during a moment of crisis. There was a perceived failure of financial governance and many saw the need to rethink habitual ways of conceiving and doing things in the industry, including securities research. Research analysts were grappling with their assumptions and analytical models. They were concerned about job security and career options. They became conscious of practices and relations that they had taken for granted. As Lincoln (1994) has noted, mechanisms of authority-production become more manifest during crises of authority. Thus, the common sense of the securities field and the processes of global financial regularization also become apparent and open to problematization, as their tensions and conflicts are revealed even to the actors who are participant in them.

In studying these actors' representations of the securities field, particular attention is given to the classificatory schemes which they deploy to make sense of the world in which they are located, particularly in the context of the boom and collapse of emerging stock markets like the Philippines in the 1990s. Such systems of classification, often based on a binary logic of inclusion and exclusion, are at the heart of symbolic production, as Bourdieu has argued, borrowing a key insight of French structuralism. But these binary distinctions are not only logical or conceptual. They are at once also social and political discriminations and thus both express and produce hierarchies among the dominant and dominated in particular fields. For Bourdieu (1984, 479), therefore, the production of symbolic power is embedded in classificatory struggles which are productive of social meanings, groups, and positions.

Bourdieu has also said that classificatory struggles are not only based on and constitutive of social interests. They are struggles over the very identities of those who are both subjected by and/or who subject others to such symbolic representations and classificatory schemes.

> [W]hat individuals and groups invest in the particular meaning they give to common classificatory systems by the use they make of them is infinitely more than their "interest" in the usual sense of the term; it is their whole social being, everything which defines their own idea of themselves, the primordial, tacit contract whereby they define "us" as opposed to "them," "other people," and which is the basis of the exclusions ("not for the likes of us") and inclusions they perform among the characteristics produced by the common classificatory system. (Ibid.)

These distinctions are also articulated with one another or with broader discourses and classifications to position themselves and others within the field and sometimes beyond it. Research analysts formed a majority of my informants; at the center of their representations was securities research itself, and how particular types of practices, actors and spaces may be socially distinguished and positioned in terms of it. It is in this sense that securities research may also be understood as a discourse—a structured terrain of symbolic or signifying practices.

For example, the discursive constructions of "present/future," "foreign/global" which they have articulated with "research expertise," "economic advancement and maturity," and "good governance" point to the subjectivities of global institutional investors and Western (especially the U.S.) financial markets and services that are not directly visible in the site of my primary field research, but are the ever-present privileged "other" in the representations of my informants, and thus constitutive of their own social identities and subject positions in global finance. The site of the Philippine stock market itself provides a window to this production of identity and difference, inclusion and exclusion, in a field that is at once local and global.

Representations of the Past and Present, Local and Global, and the Articulation of Hierarchies in the Stock Market

Although the history of the stock market in the Philippines can be traced as far back as the late 1920s, my informants considered the relevant period for studying the industry as beginning only in the late 1980s and even the 1990s. One reason often given for such a view

was that, prior to the late 1980s, the listed companies consisted largely of speculative mining and oil exploration ventures. It was only in the late 1980s and 1990s that commercial-industrial issues began to dominate stock trades. But, more significantly for my informants, this period was associated with the entry of foreign institutional investors and investment houses/brokerages, and thus with the Philippines joining the global ranks of "emerging markets."

Thus, one very prominent form of articulation is that which links "past" with "local," and "present" with "foreign" or "global," in terms of both actors and practices. Moreover, past-local and present-global are discursively constituted through a further articulation with the "quality" or "sophistication" of securities research and the extent of "professionalization" in the industry. Consider, for example, the following typical observation from an expatriate research analyst who joined the local industry in the 1990s:

> When I arrived, the Philippine stock market was driven by gossip. It was driven by who knew what and who knew whom, rather than any attempt to assess whether a company was fundamentally cheap or fundamentally expensive. It was almost irrelevant. People didn't even seem to know how to come to a conclusion on that question. *Whereas now, which is probably a reflection of the fact that there are a lot more foreign brokers in Manila than there were five years ago*, the gossip side of it still drives the market to an extent, but it tends to drive the smaller stocks, whereas *the bigger stocks are far more driven by some fundamental attempt to understand what they're worth*. And *the attempt to understand what they're worth is quite sophisticated.* (Emphasis added)

Analytical "sophistication" is defined in the analysts' community in terms of the latest quantitative valuation models and techniques being used in New York or London. A Filipino head of research for a medium-sized local brokerage claims that "prior to 1986, nobody even knew what a P/E [ratio] was." He adds that, with the entry of foreign investors and brokers, "we now had to adopt ways of looking at the stock market the way they do: P/Es, cash flows, balance sheet analysis—*lahat* (the works)." A managing director for an Asian brokerage says Filipino securities analysts in the 1990s took short-term crash courses in investment analysis. He proudly notes: "Our securities analysts can now easily relate with fund managers anywhere—London, New York. *They now communicate in and speak the same language*" (emphasis added).

A managing director for a European investment house contrasts the time in the early 1980s, when he entered the stock market in its "infancy," with the late 1990s. In the past, he says, what were required were "street smarts" rather than people with formal training to handle the market. When he joined the industry, experience was the more important requirement. The research he did at that time, he says, "was nothing complicated—what was involved was market talk and simple analysis." But "when the bigger houses came in, the demands changed dramatically. Things became more technical. They became less dependent on what you learn in the street than what you learn from books." Now, he says, the people they hire are "rocket scientists." A former senior analyst for another European house, in responding to a query if securities analysis has become a profession in the Philippines, says: "Definitely. In the past you only had to be *guwapo* (good-looking). You had to be a good salesman." According to him, it did not require too much analysis to sell a stock then. Now, there is a constant demand for new valuation methods. One has to be a step ahead of investor clients who are also steeped in analytical methods.

What is evident in these representations I have described is the way a certain kind of securities research and those who practice or subscribe to it are articulated with notions of sophistication and progress in financial markets and services. Furthermore, these conceptions are also linked to notions of "foreign" or "global" entities, actors and practices, with the implication that these are the relevant models that need to be emulated, whose "language" needs to be spoken, whose concerns need to be addressed, and from whose perspectives "local" institutions need to be constructed if the latter are to grow and "mature."

These binaries and their articulations are mutually constitutive of the social distinctions in the field, and the way social identities and practices are positioned in the struggles over financial regularization, in this particular site and beyond it. These distinctions express and produce social hierarchies on both buy and sell sides of the field which include

locating those subjects whose positions are in the intermediate levels of the discursively constructed discriminations.

A senior analyst who does research on the Philippine market from an overseas base but was in the country during my fieldwork believes "locals have grown as a function of the foreigners being here, because it is foreign money that makes the price move. So you have to understand how foreigners think, and from that you learn." Brokers are accredited and funds are coursed through them on the basis of points and rankings given by fund managers according to several criteria, but with the biggest weight given to research (around 70–80 percent). Thus, analysts say one of their goals is to be "ranked" in regular surveys of global fund managers' opinions of brokers, whether internal surveys or those conducted and published annually by financial magazines such as *Institutional Investor*, *Asiamoney*, and *Euromoney*.[1]

By contrast, the image that is presented of the "locally driven" stock market of the past is one in which speculative traders or "punters" dominated the industry and who required little if any securities research. Investment decisions were made on the basis of insider access, advance information, anticipation of money flows, and market rumors. The same overseas-based Filipino analyst quoted earlier puts it this way:

> The stock exchange has been traditionally an "old boys' network." What was needed in order to make money was to be in on the *tsismis* (gossip or rumors). Most brokers were engaged in proprietary trading. What was needed were a few salesmen and some analysts, but little real analysis was done.

The head of research of a local brokerage portrays research prior to the entry of foreign institutional investors as based on "*Daw* Theory.[2] *Aakyat daw*. (Someone said it will go up.)" Thus, this local brokers' joke (which I caught only when I realized that he was giving me a Filipino language answer to a question I had posed in English) expresses in Filipino bilingual humor the widespread notion that the local stock market was primarily rumor-driven rather than research-driven. It was part of the task of research analysts to verify whether these stories were true or not. According to the research analysts who serve the local market, what is of interest to their clients are direct, actionable, trading ideas and story lines rather than valuation models. But one foreign-based broker, who used to analyze the local market, says that the difference between the current situation and the past is that, while locals are still story-driven ("who is buying what"), they also ask for fundamental reasons ("what do they see in the company"). The implication is that even the rumor-driven locals are not immune from the influence of the research-driven foreigners through sheer exposure.

An even more recent development than the entry of foreign portfolio funds and houses has been the arrival of foreign or "expat" research analysts into the Philippine equities industry, beginning in the mid-1990s, when business revenues as well as the salary costs of top local analysts had reached levels prevailing within the region to justify the hiring of expats in cost-benefit terms. Interestingly, some Filipino informants tend to see the expats in terms of contributions to sales rather than in terms of contributions to research or substantive analysis per se. Such representations point to the tensions and struggles within the field that, on one hand, construct the "global" as superior to the "local" but, on the other hand, also attempt to carve out a privileged space for those locals whose identities are articulated with "sophisticated" research in "globally oriented" and "professionally run" brokerage houses. Thus, expat analysts are viewed as "marketing tools" who help to communicate and present research products to foreign fund managers in a language and manner they understand, and thus impress potential clients and raise foreign business volume. As one Filipino stock market veteran puts it, "Filipinos are good in crunching numbers but weak in communicating ideas."

While the traditional belief is that the surplus of local professionals and the Filipinos' relatively good command of English make the hiring of expats less necessary in the Philippines than in other places in East and Southeast Asia, local securities actors also say it gives houses a competitive edge in the global market to have "whites" and "British accents" speaking for them. One expat head of research seems to concur with this general notion about the expats' contributions to the sales side of the business, but takes it a step further when he says "hard-hitting directness is more natural to Westerners than Filipinos." He believes

Westerners are better at going on marketing or conference calls, speaking in public, or taking the risk of being criticized or shot down. He says "Filipinos are getting better at it" but "it is against the natural grain." If there is any weakness he sees among his Filipino analysts, it is in the marketing side of the business. By contrast, he considers it the greatest strength of Westerners. While made matter-of-factly and even sympathetically vis-à-vis his Filipino staff, this expat's observation reveals that the local-global binary is also embedded in a broad and deep discourse of national-cultural-racial hierarchy, which both the expats and the locals assume and articulate, and within which they position themselves.

Expats have also been represented as providing a more regional or global outlook in analysis because of their experience in overseas markets. In the aftermath of the financial crisis which hit the region in 1997, such a global perspective has become even more highly valued. One Filipino equity sales representative, who has lived for some years abroad, says that "while many Filipino analysts are talented, they are so myopic," by which she means the lack of foreign experience makes many local analysts prone to studying the Philippine economy, stock market and companies in isolation from the rest of the world and even the region. An expat analyst for a foreign investment house observes that global clients want to speak with analysts with broad backgrounds, training, and experiences. Unfortunately, he says, the Philippine industry is so small and recruits only from select elite local universities, such that Filipino analysts tend to have homogenous social, academic and professional backgrounds. Western analysts, he notes, usually come from a wider variety of backgrounds, aside from having had experiences in advanced markets. The privileging of expat subjectivities can also be seen in the way their practices are articulated with "more sophisticated" valuation tools and other securities research techniques and methodologies used in the advanced markets. That is the reason why, some informants say, expats have often been asked to train local analysts.

But, as noted earlier, these articulations are not without tensions or free from some forms of contestation. Consequently, a number of Filipino analysts in foreign houses tend to downplay the expats' claim to expertise by pointing out that these advanced techniques of securities analysis can be learned from finance books. But the local analysts' struggle against the expats' presumed superior subject position is done without questioning the broader doxa that development means the closer articulation and response of the local market to the demands and needs of global finance, particularly through sophisticated research. In fact, what they are arguing even through their resistance is that local analysts are in a better position to effect this linkage than the expats who, like them, are also analyzing the Philippine market for foreign investors. The local analysts, they say, have more extensive experience and contacts in, and a superior "reading" of or "feel" for, the local situation, which ultimately is what global investors need. The locals are thus, in this view, more effective cultural intermediaries or translators of the Philippine market for the foreign institutional investors. These local analysts say there is no point hiring expats to analyze the Philippine market, especially because the expats get paid in hard-earned dollars. The local analysts therefore can effect cost savings for their foreign employers.

Interestingly, some local analysts have resented the "arrogance" of some expats who, they perceive, think of Filipinos as inferior. In the same breath, however, these local analysts, in questioning the abilities of their expat colleagues, reproduce the very global-local hierarchy they resent by commenting that the expat analysts who are in the Philippines are probably not the best in the field because otherwise they would be working in New York or London, not in Manila.

The financial crisis in 1997 has only heightened the subordination of local to global subjectivities. Because of the way the crisis unfolded, and particularly because of the way foreign fund managers allocate investment funds (i.e., on a regional basis), analysts believe that they now have to adopt a much more regional and even global approach to analysis than previously. But this is also partly because cost-benefit considerations have led foreign houses to the conclusion that an in-depth focus on country stocks is no longer justified in a situation where individual country markets have shrunk. What has happened is a "streamlining" of brokerage operations that often means the relocation of research functions and, in some cases, entire houses to regional centers.

But even for country and company analysts who have been retained, the situation is interpreted to mean that investors no longer want to look at Philippine companies on a stand-alone basis, but in light of comparable companies in similar industries within the region. In effect, fewer analysts are being asked to study more companies within the same sector and/or region. The need to cover foreign markets has given more premium to analysts with overseas experience and training; they are more likely to be expats or based outside the Philippines.

While some analysts have expressed apprehension over less demand for Filipino analysts as a whole in the wake of the crisis, at the same time the senior Filipino analysts among my informants also believe that the crisis has given a greater premium to "quality" analysis which can reinforce their privileged position in the field. What fund managers are now interested in are more accurate ways of measuring troubled companies. Thus, the even more savvy and demanding global investor becomes much more closely articulated with sophisticated research and experienced analysts.

Rearticulation of the Sales-Research Distinction and the Hybrid Doxa of the Field

We have seen how expat analysts are discursively privileged; they play a crucial sales or marketing function in securing the much sought after investments of the global institutional clientele. This issue leads to a critical topic regarding the dichotomy between research and sales, and how the actors and practices associated with them are differentially constituted and empowered through the articulation and rearticulation of this binary with the past-present and local-global distinctions.

According to my informants, securities research in stock brokerages is traditionally viewed as a "cost center," a staff function that is subordinate to the revenue-generating function of equity sales. The division of labor, as a salesperson puts it, is as follows: research specializes in "product knowledge"—writing reports and making stock recommendations; sales takes care of "client knowledge"—cultivating close relationships with clients and paying attention to their investment needs and strategies and to the overall sentiment and money flows in the market.

In this perspective, analysts regularly provide research input to salespeople but, because it is the sales unit that deals directly with the clients and brings in business volume, it is considered as the "profit center." Salespeople are the ones who most visibly generate commission revenue and are thus compensated for it.

Research analysts, especially those from foreign houses, have increasingly challenged this demarcation of roles and implied lines of authority. They see this model as dating back to a time when the securities industry was "relationships-driven" rather than "research-driven." What we are seeing, they argue, is a blurring of the lines that traditionally separate research from sales. This development is seen as the result of the clients themselves becoming more analytically sophisticated so that it is not sufficient for them to rely on relationships established with salespeople. They need to talk directly with specialist research analysts to get in-depth information about companies, markets and economies, often evaluating the very models and worksheets used by analysts. The big funds are set up so that they have their own analysts to verify research reports from the brokerages. Fund managers, according to an expat analyst, are "not content with the salesperson blustering about on the surface. They need to get in-depth [analysis] to add any value to their own work. So if they're looking for added value, the research person is now the guy that can do it." He says this is the "Western style" of securities research practice, wherein analysts take on both research and sales functions.

Rather than being viewed as a staff function that feeds ideas to the sales department, research is now considered as the center that not only creates the product that is sold to clients but also does the marketing of that product, because analysts are the ones who are seen to possess the kind of knowledge necessary to sell the stock ideas effectively. The implication is that the traditional sales route is increasingly bypassed, and the stereotypical "stupid salesperson" who only "parrots" research ideas becomes a dying breed.

The "present-global-research" articulation is thus further linked with "marketing" but in a manner that privileges "research-driven" rather than "relationships-driven" equities sales. As a veteran head of sales says, salespeople are then forced to become "more analytical," and, as the managing director with the self-described "street smarts" background puts it, to "hit the books." But the head of research for a foreign house also says that in advanced markets sales departments now only serve as "distribution and execution channels." And even this role is undermined by the growth of electronic stock sales and distribution.

This blurring of roles, however, also means that research analysts are also expected to become more "sales-driven" and "market aware." An expat head of research says: "We can't be just sort of professorial types sitting in some ivory tower." A managing director of a foreign brokerage firm points out that, when he wants to hire somebody for research, he not only looks for analytical abilities but also presentation and marketing skills. Writing a research report is only half of the analyst's work. The other half involves marketing that report to clients.

Another head of research for a foreign house says what is crucial is not the research per se but the ability to communicate that research and get the market to act on it. A junior analyst laid off during the 1997 financial crisis observes: "While it is necessary for you to have all this knowledge about valuation . . . at the end of the day, the idea gets sold by people who are motivated, who take the extra mile to bring their clients out. It is as much an intellectual game as it is a game of public relations." A former head of office, who is considered among the pioneers in setting up research departments in the late 1980s, notes that, ironically, because analysts also have to take on a sales function, what often becomes emphasized and demanded are not (just) their analytical skills but (also) their relationship skills. They all agree that "fund managers are treated like kings" in the industry. Analysts of the present, like the salespeople of the past, are expected to know the special needs and wants of their clients and should tailor their research ideas and approaches accordingly.

What is at the heart of this contradictory articulation of research and sales is the hybrid doxa of the stock market and the processes of symbolic production in the field within which securities research as a particular form of symbolic labor is implicated. Thus, even the privileging of research and its articulation with analytical sophistication and professionalization are embedded in a larger doxa and habitus where the bottom-line is revenue-generation. In a real sense, securities research is subordinated to profit-making and is ultimately judged by whether or not it brings in flows of investment, revenues, fees, and commissions.

For full service investment houses, the emphasis on revenue-generation is not viewed solely from a secondary market perspective. In fact for such investment houses, the main source of income is not from the secondary brokerage business, but from the primary investment banking or corporate finance business. Thus houses make huge investments in high-priced, top-ranked analysts because of their ability to attract corporate finance clients. According to a sales representative who has also worked in research, the high-profile marketing efforts of some research analysts (which include exposure in the business media) are geared not only toward potential institutional clients on the equities side, but also to potential corporate clients on the investment banking side.

> There are these Chinese walls between equities and corporate finance, but if you are high profile, of course the corporates will say, "oh this analyst is always quoted in the market, he is known in the market, everyone follows him. So if I give my IPO to this company, it will be easier for them to sell it, and therefore it will also command a better price."

One of the important tasks of analysts, the head of research for a foreign investment house believes, is to identify potential corporate finance opportunities and clients for the house. Analysts have close relationships with corporate managers and have the deepest knowledge of these companies' prospects. Thus, several informants note that "Chinese walls" are often porous, with analysts providing research input to both sides of the business. This situation raises issues of conflict of interest because analysts' research and stock recommendations are believed to be compromised when their own investment houses have a huge stake in selling the corporate stocks which the houses have underwritten. This conflict becomes particularly stark during times of crisis or bearish markets. As another head of research for a full-service investment house observes:

> If the broking side is dead, you have to look at the investment banking side to provide the business. So it may not be a direct thing, but in your mind you know that you have to find someone to support your high salary and bonus. This is not only in the case of the Philippines. This conflict of interest is present even in advanced markets.

Thus, the symbolic labor of securities research cannot be separated from these conflict of interest dynamics which are at the heart of the global finance doxa.

"Fundamentals" or "Superficials"? Contradictions on the "Buy Side"

Although my informants associated the entry of foreign portfolio investors and investment houses in the 1990s with the rise to prominence and importance of securities research in the Philippine stock market—particularly the use of rigorous valuation tools to determine market and company "fundamentals"—they also admitted that, because these developments took place during a bull market, many investors were making huge profits on the basis of sheer "liquidity" or "money flows." Thus, while both brokers and investors ostensibly based their investment recommendations and decisions on "fundamental analysis," it was in practice often difficult to separate this approach from the "story-telling" that aimed to capitalize on the positive regional sentiment that prevailed in the early to mid-1990s. Their objective was to capture prospective brokerage clients who were already eager to bring their funds to Southeast Asia.

This contradiction surfaced when I asked my informants how critical research was to their operations. A managing director of a foreign investment house replied that it was very important; their clients (mostly foreign institutional investors) ranked houses and allocated business volume primarily on the basis of research output. Thus, emphasis on research and expertise was articulated with "sophisticated" (and mostly foreign) investors. But during the interview, he also said: "Frankly, what drives our market are flows, nothing else, pure flows," which was inconsistent with the supposed research-driven orientation and strategy of their clients.

In the 1990s, an expat head of research says, the Philippines was a relatively new market to foreign fund managers:

> So people didn't know a great deal about the market. *They were very reliant on people on the ground for information and any kind of information would do*. It obviously helped also that 1993 was a phenomenal bull market, and the Philippines was the third best performing stock market in the world. *So you could get people to buy stocks, anything could get people to buy. You could say, "Well, I think it's going to go up," and that would get people to buy . . .* [3] (Emphasis added)

An overseas-based analyst notes it was very easy to move a thin market. "One could buy anything and it would move up. There was analysis, but it wasn't so much quality analysis as the ability to spin a story that investors buy into."

My informants generally articulate the emphasis on "stories" and "money flows" with local retail and institutional investors who are represented as relying on good relationships with their brokers to be able to monitor and anticipate the movement of foreign funds, rather than basing their decisions on fundamental research. But it seems that foreign institutional investors have not been immune from relying on sentiment, flows, and stories. A long-time Philippine stock market practitioner says:

> Even *sophisticated investors* think like *retail investors*. *Foreign institutional investors act in groups* because they are assessed relative to their competition. They do not want to lag behind others. They follow one another. They exchange information. *And you would be surprised at how gullible they can be*. (Emphasis added)

This statement clearly introduces a contradiction in the dominant discourse because it removes the assumed distinction between sophisticated-institutional-foreign investors and unsophisticated-retail-local investors (or "traders"). The global institutional investors are seen as being as much driven by sentiment and the bandwagon as the latter. Thus, the discursive binary between "gossip"/"stories" and "fundamental" research also becomes problematic, with serious implications on the

socially constructed identities of research analysts and how they are positioned relative to other actors in the industry (e.g., salespeople who specialize in "relationships" rather than "knowledge") and among themselves (e.g., in terms of who are the "high quality" as opposed to "low quality" analysts).

Earlier, I discussed the contradictory construction of globally-oriented research analysts as market-aware and market-oriented and how such articulation both privileges and subordinates them in the dominant discourse of profit-making. One way to get a glimpse of this tension is to view the representations of top-rated analysts in the Philippine stock market of the 1990s. One analyst particularly stands out because of the strong opinions field actors have of him, both positive and negative. An admiring managing director says of him:

> He capitalized on market psychology. *He knew that most funds were like herds*—they moved together. In order to create that situation, *he knew he had to have a strong following—those who would follow him blindly*. He capitalized on this in order to create momentum, to get stocks moving. *If you're a fund manager, and you see stocks moving, you would conclude that he must be right*. (Emphasis added)

On the other hand, a more critical senior analyst also says:

> Foreign institutional investors knew that his stories needed to be discounted by 20–25 percent but still bought the stocks that he recommended. The locals knew the foreigners would follow him. Foreigners assumed the locals would also follow. *People knew the story was incorrect but no one wanted to be left out. That was how one made money*. This is also a function of how fund managers are evaluated (i.e., by relative performance). One cannot afford to miss the boat. But hands down, *he was probably the best story-teller in the industry ever*. Even though you know that the stories he tells are lopsided, *grudgingly you have to say that he pulls in the investment, which makes it even more frustrating for those of us who are trying to build a different way of doing the business*. It's frustrating because you work so hard at getting things right rather than just telling a good story. *You want to be able to tell a good story, but you want to be able to tell the true story. And then in the face of that, people will invest in him whom they know is patently wrong. It gets very frustrating*. (Emphasis added)

It is interesting to see what *Institutional Investor* itself said of this star analyst, during the year when his unit was named to the "first team" of its annual "All-Asia Research Team" by a wide margin. First, the magazine said the foreign investors were "delighted" when four stocks he recommended "outpaced the market by some 70 percent." Second, the survey noted that in a "cliquish market" he is "further valued for his ties with corporate and government leaders"—his "very good reach into boardrooms and other high places" as one unnamed foreign investor put it.[4]

What is important about these narratives, whether admiring or critical, is less what they say about this particular research analyst per se, than what they reveal about the profit-making doxa of the field and the practices of "research-driven" global institutional investors who apparently would welcome "stories" from "high places." They will not hesitate to reward their brokers and analysts with huge business volumes and high survey ratings, as long as their bottom lines are protected by following the research recommendations that they in fact can help make self-fulfilling through their sheer size relative to the market.

One former analyst says that one of his main problems and biggest frustrations is with the investment horizon of clients. "The biggest funds say that they have a three to five-year view. In reality, they are traders. Because fund managers are evaluated every quarter, it is necessary for them to act like traders." A veteran equities market professional, who has worked both in research and brokerage management, has also made a statement that is inconsistent with the usual articulations of "foreign institutions" with the "long-term," and of "local retail punters" with the "short-term":

> Global investment styles are evolving rapidly to a point where momentum and volume are taking 40 to 70 percent of stock direction. This was only 20 to 40 percent in the 1980s. Fund managers are becoming even more short-term oriented. In the 1980s, the long term was 5 to 20 years and there were no hedge funds. Now the long term is 1 to 3 years.

The implication is that research analysts are increasingly under pressure from their clients to write reports and make recommendations with a short-term investment horizon, which are bound to be based more on market "flows" or "sentiment" than "fundamentals."

The initial response of many analysts in the Philippines (whether local or expat) both in foreign and locally-owned brokerages to the onset of the crisis in 1997 was to try to differentiate the Philippine economy, stock market, and listed companies from those hardest hit in the region. This analytical approach came under heavy criticism from institutional investors, and was eventually accepted by many of my informants in 1998 as representing their failure to adopt a "regional" or "global" perspective in their research. When I asked an expat head of research about this kind of criticism, he replied:

> When we said [Philippine banks were] "not too bad" we thought that for the big banks which we cover, the sort of top 15 listed banks, non-performing loans will not get so bad that there will be any erosion to book value . . . I think banks are in reasonable shape . . . and they look pretty cheap on that basis. So that was basically what we said. *The only problem with that, all of which I think was right fundamentally, was when we initially said that, the timing was wrong*. . . . That's another thing about markets. When things are going up, everybody is like leap-frogging each other upwards to be the most bullish person. . . . *Here and in Asia, in general, post the crisis, there was massive leap-frogging downwards. Everybody couldn't wait to be the most bearish person out there*. . . . There was this macho competition to be the most bearish analyst. . . . *And we were saying, "the Philippines is just not that bad."* But partly colored by the fact that our clients also look at Thailand, Indonesia, Malaysia and Korea where non-performing loans are going to be significantly higher than here, they're going, "We don't believe you. You are not bearish enough. You are not being realistic." . . . *So we did get a bit of criticism which I think was a little bit unfair. It was really just our fault perhaps for not understanding the strength of sentiment rather than anything else*. (Emphasis added)

Note that there are overlapping discourses in the above statement. On the one hand, my informant underscores his adherence to fundamental analysis which he understands and accepts as the global standard for high quality securities research. That is why he thinks it was "unfair" that his research unit's report was criticized by clients. At the same time, he admits to a shortcoming "for not understanding the strength of sentiment" and for "wrong timing." But in making these statements, he voices what amounts to an alternative construction of stock markets and of supposedly sophisticated institutional investors as being prone to excesses, swings in sentiment, and tendencies toward "leap-frogging"—whether on the bullish or bearish side.[5]

The crucial issue is not a lack of transparency, available information or research capacity in emerging markets per se. What is critical is that the socially shared parameters, rules and stakes of the competitive game, or what Bourdieu simply calls the doxa of the field, encourage strategic myopia among stock market players, particularly the global institutional investors, whose subject positions in the field are defined according to taken-for-granted standards of relative short-term performance (the *illusio* of the actors in this field).

Part of the irony of the situation in which securities analysts find themselves is that, during a bull market when investors are euphoric, there is really less demand for "quality" analysis because "everything is going up, everything is a 'buy'" as one of my informants puts it. Investors are looking for "stories" that would confirm the positive sentiment and create further excitement. Analysts' salaries are going up and they are considered "stars" because their forecasts take on a self-fulfilling quality as stock prices are carried by momentum. By contrast, during a bear market when clients become more skeptical and demanding, and when analysts are challenged to become more rigorous and creative in their analyses, there is little interest in the market. As one stock market veteran has observed of analysts in 1998: "Nobody listens to these guys now." Or as a relatively junior securities analyst, laid off from a foreign house during the crisis, has said of analysts' predicament in a bad market: "You can't convince anyone. Anything you print is going to waste."

Thus, it is debatable whether the existence of "Western" standards of accounting, transparency, and prudential regulation in emerging markets would have changed the way institutional investors acted in the 1990s—both during the boom and the crisis. Indeed, the relatively recent mandate from fund managers to research analysts to focus on corporate balance sheets means that they knew where to get information on debt

exposure if this was a major concern to them and if it figured as a central component of their risk valuations prior to the crisis. Apparently, the problem is one of "selective perception rather than imperfect information" (Griffith-Jones and Pfaffenzeller 1998; Wade and Veneroso 1998). One of my analyst informants notes that the call for "greater transparency" is actually a double-edged sword for foreign investors because "the reason they are here in the first place is because of market inefficiency . . . they can make larger returns." On the issue of prudential regulations, one expat head of research makes this revealing comment regarding the criticism of the Philippine stock market as being an "old boys' club":

> For us, the big ones, the big foreign brokers, these are all pretty much irrelevant apart from the fact that just possibly, foreign institutions would rather invest in a country which is up to Western standards in terms of protection against conflicts of interest and things that run on the right guidelines. *But to be honest, there's not one foreign firm that has ever mentioned to me or asked me a question about the regulation of the market and whether I think it's ethical, which is quite interesting. I think they are just more concerned about making money*. I think that if they felt that they were really getting legged over, really getting the raw end of the deal, then it might be an issue. But although I personally think that to some extent that is the case, in some stocks, some of the time, *I just don't think that it is a big enough issue. It's not like it's a real tin pot for organizations.* (Emphasis added)

Thus, one could very well reverse the argument and say that, if there is a need for prudential regulation, it should be of institutional investors from advanced markets as much as, if not more than, corporations and other actors and institutions in emerging markets (see Fitzgerald 1998).

Tensions and Dilemmas on the "Sell Side"

While the literature on the capital flows to emerging markets in the 1990s argues that "push" factors were more important in determining the total volume of portfolio flows from institutional investors, the literature also notes that "pull" factors were significant in affecting the distribution of flows to individual country stock markets (see Haley 1999; Manzocchi 1999). In this sense one can understand the view among my informants in the brokerages or those on the "sell side" of the Philippine stock market that, as mediators of these flows, it was critical for them to be able to "speak the language" (i.e., of fundamental research) of foreign institutional investors. Thus, locally-based research analysts respond as symbolic laborers to the perceived needs of global clients and act as cultural intermediaries between the global investors and the local economy/corporate sector—as translators and spokespersons. As one member of a top-ranked research team from one of the foreign houses that entered the Philippine market in the early 1990s describes their unique role at that time:

> Because foreign fund managers knew little about the Philippines and in fact were not looking at the country as a place to invest, we made it our crusade to educate them, to change their perception of the Philippines—that we were in Asia, not in Latin America—by providing them more details, more angles. We gave them true blue research, good quality research. So they have to take you seriously, and they remember the Philippines.

But as noted earlier, even though my informants generally do not find this problematic, there is a real tension between the representation of securities research as "professional, independent and rigorous analysis," and its articulation as "market-oriented" or "sales-driven" to be considered as a "profit center" rather than as a "cost-center" within its own house. This tension can be seen in the frequent articulation of "top analyst" with "excellent communication, presentation, and marketing skills" that effectively blurs the line between research and sales. As I have noted, it was in their supposed contributions to the "marketing" of stocks that the hiring of expats over local research analysts was often justified.

One informant who was among the first Filipino professionals to set up a research unit for a foreign house in the 1980s says that the main tendency for analysts is to be optimistic or to think of the business environment as safe for investors. The implicit mandate to market

equities or to convince potential clients to "buy" stocks often makes the call to "sell" a "dreaded word" in the business.

Moreover, because it is important for analysts to maintain ready access to the corporations they analyze, which are their main sources of research data, they are careful not to antagonize company managers who may take "sell" recommendations personally and blacklist them. As a head of research for a top foreign house has said, analysts often use euphemisms like "long-term buy," "speculative buy," or "hold" to avoid recommending an outright "sell." So when analysts really mean a "buy," they say "strong buy." The research director justifies the practice: "It doesn't hurt your relationship with the corporations, but it also gives a semblance of independence when you present it to your investors."

A former analyst, highly rated in his industry in the mid-1990s, recalls:

> It takes guts to call a "sell." The president of the company will call you himself. They take a "sell" recommendation personally because many are family-owned companies or because officers have stocks in the companies they manage. So their net worth is directly affected by a "sell" call.

Another kind of pressure on securities analysts to provide favorable research reports comes from corporate finance departments in big full service investment houses. These units are concerned with maintaining good relationships with corporations so that the house can generate revenue through "primary business" or investment banking deals (e.g., initial public offerings, debt offerings, and mergers and acquisitions) which usually provide much larger fees than brokerage commissions or revenues from the "secondary business." One former analyst, whose previous house aggressively pursued investment banking deals, remembers the time when she called a "sell" on a company. This company immediately rang up her firm's corporate finance department to say, "no more deals," which in turn got back to her to say, "you've just lost business for us." This pressure is particularly strong if the house is already committed to undertake the capital offerings or mergers and acquisitions of a company, in which case the brokerage unit effectively becomes a distribution arm of the equities being sold in the market. A junior analyst, who used to work for a foreign investment house which was engaged in many underwriting projects, reveals:

> When your house has too many relationships to take care of, they impede the kind of work that analysts can do. There are things you want to say but can't say because the corporate finance side is nurturing relationships. *There were companies I really hated, but I couldn't say anything bad. You have to temper everything. And it is worse when you are forced to say the opposite of what you really want to say*. You can give out all the information but you always highlight what is good and gloss over the negatives. (Emphasis added)

He adds that the problem is compounded because those in corporate finance often have seniority in the firm or have a bigger representation in top management. Thus, junior analysts are unable to resist pressure. He claims that, in over half of the "buy" reports issued by the house he worked for, the analysts themselves were not in favor of the recommendation. A senior analyst makes a similar point: "In the big houses, you can tell based on how analysts write extremely bullish reports which companies they have investment banking deals with." Every deal is often huge and immediately quantifiable and results in banking revenues that in theory can pay the salaries and bonuses of the entire research unit for a year.

But the paradox is: Why are the big full service foreign houses always ranked at the top of yearly surveys of fund managers if there are doubts about the independence of their analyses? One answer I received is that it is not necessarily the analysis per se that results in high ratings, but often the quickness with which the houses are able to get and convey corporate information to their clients who are then able to act in a timely manner in the market. This easy access to information results from the close relationship between the listed companies and the investment houses that have helped raise money for these corporations.

The narrative above implicitly raises the issue not only of the objectivity of securities research but also its overall quality. This problem has often been attributed to the "immature" nature of emerging markets. In an article titled "Impaired Intelligence," the magazine *Euromoney* disparages Asian equity research from Bombay to Bangkok:

> Investors in Asian equities have learnt the hard way that the stocks they purchase often bear little resemblance to the stories they are sold. This is by no means unique to Asia, and as the markets mature, disclosure will no doubt improve. But it might improve sooner, critics say, were brokers' research better . . .
>
> There are several reasons why Asia, more than most regions, needs unbiased research. In North America and Europe, the regulatory framework generally ensures a high degree of transparency. In Asia, by contrast, the rules seem constantly to be trying to catch up with the infractions. Accounting standards, which vary greatly from market to market, are also inadequate in the view of many investors. Then there is the corporate culture itself. Deals are often cut behind closed doors and many firms, particularly family-owned ones, plan to keep it that way. (Steinberger 1997, 85)

The magazine asked: "What's wrong with the Asian research that's published?" The reply of a Hong Kong-based British investment expert was sarcastic: "The quality of the paper is high . . . The colors are very bright and the reports are very heavy. It's what's inside that is a problem" (ibid.). These perspectives are consistent with the local-global binary and the overall discourse on good governance that calls for the modernization and professionalization of emerging markets, according to "advanced" or "mature" market standards. But these are not only "Westerners' views"; my informants also share such representations that locate these problems in the underdeveloped nature of the Philippine economy, business and finance. For example, the tendency to issue favorable recommendations and resort to euphemisms is justified by the research head of a foreign house. He says Filipino corporations are *still* sensitive to negative analyses.

A former analyst for a rival foreign house makes a similar point: "Many companies are not *yet* professionally run. A sell article is viewed as a 'sell' on the owners instead of a 'sell' on the quality of the company" (emphasis added). Their statements imply that this tension is less pronounced in advanced markets where corporations and their managers are purportedly more professional and objective and less likely to take analysts' recommendations personally. Likewise, the absence or porous nature of the "Chinese walls" (which should separate investment banking from brokerage research, according to advanced market standards) is articulated with the underdeveloped Philippine securities industry, where norms and regulations governing conflicts of interest are not well-established, where there are no internal compliance officers, or where such personnel, if they exist, have vague roles.

Finally, the lack of originality and overall poor quality of securities research in the Philippines is articulated with the "youth" and "lack of seasoning" of the local analysts, most of whom joined the industry in the mid-1990s, when the sudden infusion of portfolio capital and entry of new investment houses created a huge demand for brokerage analysts. The earlier cited *Euromoney* article has observed: "More often than not the research is done by twenty-somethings with minimal experience and limited skills . . . The dearth of experience breeds lemming-like behavior" (ibid., 86). It quoted a U.S.-trained analyst based in Hong Kong: "There is a bandwagon mentality out here . . . For a young analyst with maybe a year's experience, it's very tough to stick your neck out and go against the prevailing wisdom" (ibid.). But again, these representations are shared by my local informants. An investor relations officer whom I interviewed even cites a pejorative term commonly used in the industry to refer to young analysts: "JASS (junior analysts [who are] saying something)." But the implication is also that, as the Philippine stock market matures, especially as it goes through several bull and bear cycles, as in advanced markets, and with continuing exposure to the demands and practices of foreign investors and houses, the quality of local analysts and analysis will also improve.

Finance Literature on Securities Research in the United States

What is often overlooked in the "young/emerging" vs. "mature/advanced" market binary is the fact that the finance literature in the U.S. (academic, practitioner, and popular) has made the same kind of observations about the tensions, conflicts, and dilemmas in sell-side securities research in the U.S. and other developed equities markets.

A former executive of the International Finance Corporation, the World Bank's private sector arm, who has had broad experience

evaluating securities in advanced and emerging markets as a fund manager and investment banker, has this to say about Wall Street securities research:

> [B]rokerage research reports are a good resource. They contain basic information and provide financial projections, along with a reasonably cogent rationale for buying or selling a specific stock. The industry knowledge displayed in these reports is generally impressive, and the authors demonstrate, in many cases, a keen understanding of the potential pitfalls awaiting a business. Nevertheless, in reading this material, the serious investor must be aware of the sell-side analyst's nettlesome proclivities: (1) to generate commissions for his employer; (2) to protect his employer's investment banking business by withholding sell recommendations; (3) to cover his backside with vague recommendations that cannot be definitively linked to a result; and (4) to avoid being left alone, especially when the consensus is recommending something else. Such advice, to say the least, is hardly disinterested, but the analyst's financial review can be insightful and semiobjective. No matter, much of the sell-side research is said today and forgotten tomorrow. That part that remains a permanent record is usually too hedged with reservations to pin down the analyst's record in picking winners. (Hooke 1998, 61)

There is, in fact, a body of empirical studies in the field of finance that investigates how the very work environment of securities analysts in the U.S. puts them in the middle of conflicts of interest pressures, leading to less than objective forecasts and analyses of companies and stock recommendations. Researchers have documented analyst over-optimism and described incentives that lead to this tendency (Carleton, Chen, and Steiner 1998). Some have found that analysts tend to issue favorable reports to cultivate good relations with corporate management who provide them with company-specific information necessary for their analyses (Francis and Philbrick 1993; Das, Levine, and Sivaramakrishnan 1998). Others have studied the influence of investment banking and underwriting relations on analyst recommendations and noted that analysts employed by houses that have investment banking relationships with a company issue more favorable stock market recommendations for that company than unaffiliated analysts (Dugar and Nathan 1995; Lin and McNichols 1998; Michaely and Womack 1999). Because analysts are driven to maximize trading commissions, they also tend to initiate coverage and gather information on stocks that they expect to perform well, since trading volume on a poorly performing stock is limited to the investor's initial holdings of that stock (McNichols and O'Brien 1997; Hayes 1998). There is also research that shows analysts exhibiting herding behavior, whereby they issue forecasts similar to those previously announced by other analysts even when this is not justified by their information. They engage in such practices to reduce the downside risks of unique opinions and preserve positive investor perceptions of their relative forecasting abilities (Trueman 1994; Cote and Goldstein 1999).

The popular and practitioner finance media that regularly cover the activities and views of Wall Street actors and institutions likewise provide plenty of anecdotal evidence of how securities analysts find themselves in the very center of the conflicting interests and struggles that characterize the contemporary full service financial conglomerate. *Fortune* magazine cited one analyst as saying: "An analyst's job today is to keep all his constituents happy," then quickly added:

> That's no mean feat, since these constituents—the sales force at his firm, the buy-side clients, the companies he follows, and (not least) the firm's investment bankers—all have differing motives. The only thing they have in common is that they want stock prices to go up. (Nocera 1997, 85)

A crucial space of position-taking and struggle in the field involves the relations between research analysts and the companies that are the subjects of their analysis. In the context of a dominant financial discourse of "promoting shareholder value" and given the analysts' clout with institutional investors, companies have also sought to control attempts to put them under critical financial scrutiny with their own strategies to manage information and with efforts to exercise their own form of sanctioning power. For example, in recent years, the corporate position of director or manager of "investor relations" has been created and has taken on increasing importance as companies seek to give

"guidance" to the research analysts who monitor them regularly. According to the *Fortune* article, "guidance is one of those odd Wall Street conventions that may make perfect sense to an insider but seem a little nuts to anyone not steeped in the culture of the Street" (ibid., 80). What it means is that during quarterly conference calls with analysts, designated company spokespersons "give a vague set of projections designed to help analysts come up with their earnings estimates for the next quarter" (ibid.). While analysts usually press for more information, they usually do not get them, which indicates that the investor relations manager is doing a good job. The *Fortune* article said "guidance" has become the primary form of communication between companies and analysts for a number of reasons:

> It keeps the playing field even which the SEC demands. It helps prevent lawsuits. And it helps keep analysts' estimates within a fairly narrow range—which, in turn, helps keep the consensus where the company wants it. What guidance doesn't do, though, is tell the analysts much about what's going on inside the company. (Ibid., 80–81)

But sometimes, corporations simply hire additional investor relations managers to provide "guidance" directly to the institutional investors to undercut the mediating role and power of analysts.

Moreover, corporations do retain considerable power of sanction over the analysts who monitor them. For example, *Institutional Investor* reported a survey it made of members of its "All-America Research Team" which showed no less than 61 percent of the respondents saying that they have been pressured to moderate negative reports at least once in their careers, with the threats coming in the form of losing access to the offended company, a discontinuation of investment banking business with the analyst's house, a potential lawsuit, and even of getting fired (Galant 1990). A recent *Wall Street Journal* article described similar forms of "retribution" for negative ratings: "Analysts are excluded from meetings, outings and conference calls with top company executives. Analysts' firms are put in the 'penalty box'—that is, bounced from trading and underwriting deals for a period of time" (Siconolfi 1995). A *Forbes* magazine article, "See no Evil, Speak no Evil," reported on the deterioration and lack of independence of Wall Street research. It quoted a fund manager thus: "Analysts have become reporters for the company. If management says everything's okay, everything's okay" (Morgenson 1997).

The reason given for this lack of independence is that positive research reports often make a difference in whether an investment bank gets lead underwriter status or whether it participates in any corporate underwriting projects at all. Moreover, the *Forbes* article said that analysts' compensation has increasingly come from investment banking revenues. Note that corporate finance typically accounts for four times more of investment bank revenues than equity sales commissions (see Hayward and Boeker 1998). Because analysts know companies inside-out, they know which companies are considering an initial public offering, in need of additional financing, or exploring mergers. In turn, companies which are thinking of these options are likely to get in touch with analysts as their first point of contact with the investment bank.

Analysts also provide implicit (sometimes explicit) assurance, depending on how good their reputations are in the market, that any prospective stock offerings that the house supports will have a ready and wide audience among big institutional investors. "The primary function of research analysts at top investment banking houses is to promote the firm's investment banking product," a *Wall Street Journal* article quoted a securities industry veteran. But its author qualified: "Rigorous research isn't always conducive to snaring investment banking work" (Raghavan 1997).

What is critical for investment banking clients, however, is for analysts on the full service firm's brokerage side to have clout and loyal following among the big investors that allow them to influence investment decisions and eventually stock prices.

> When a company is choosing a firm to take it public, it is also choosing an analyst who will follow the stock once it is listed. It wants a respected analyst, one who will have credibility when he begins his coverage (as he must) with a "buy" recommendation. This, obviously, gives the analyst the power to nix any investment banking deal. But it also means that analysts are sometimes tempted (or pressured) to recommend shaky companies so the firm can reap lucrative investment banking fees. (Nocera 1997, 86)

As an associate director of research at a Wall Street brokerage has told *Fortune* magazine: "The fact that XYZ Co. makes a certain number of widgets a year in a plant is utterly useless unless it affects an opinion on a stock" (Fisher 1984).

At the same time, however, the domination of the market by mutual funds, pension funds, and other institutional investors actually increases the power of top-ranked analysts from well-known full service houses. "Now, if they can land an order from, say, Fidelity, they can move the market with a single sale" (Morgenson 1997). As many of my informants have also noted, it is often difficult to distinguish between "analytical power" and "placing power." Analysts from big houses have the backing of their sales force and their own investment funds. Their recommendations therefore have a self-fulfilling quality which further serves to enhance the reputations and rankings of the analysts and their houses. These high survey ratings only increase their "placing power" even more. A managing director of a foreign house, for example, recalls how his client list jumped from 200 to 2,000 when he moved from the research department of a mid-sized Asian house to a big European house. He quotes a top executive of a British house as saying: "Whoever you put there, even if you put monkeys, it will operate. The house will deliver commissions because of its brand recall and product line."

Conclusion

The representations of the Philippine stock market and securities research and their articulations with broader discourses of professionalization, development, and governance serve as windows to understand processes of global financial governance. Governance can be understood not simply in the narrow sense of the promulgation by official public agencies and other organizations of codified rules, incentives, principles, and procedures that aim to constrain or regulate economic behavior. In the broad sense of steering or guiding conduct, govern*ance* need not be based on formal statutory authority or govern*ment* (Rosenau 1992). Thus, it can be viewed as regularization: the production of socially-shared and increasingly taken-for-granted political-economic meanings, identities, and hierarchies.

> This most pervasive of all sorts of governance emerges as if from the bottom up . . . from altering horizons of identification in patterns of "global life" . . . [It] suggests that globalization is not just extensive, forming interconnections across space, but also intensive, reaching into the level of personal conduct. (Hewson and Sinclair 1999, 6–7)

What gives global governance particular efficacy and legitimacy is its presumed neutral, apolitical and natural quality.

This essay has argued, however, that financial regularization is not fully achieved or complete. Securities actors themselves negotiate and struggle with the representations, articulations and identifications in their field. Thus, the fixing of meanings and subjectivities in the discourses of the stock market and of securities research is only partial and unstable. These representations and the identities and interests that are privileged in their articulations are permeated with conflicts and contradictions. In the case of securities research, I have noted the tension in the way the practice is both privileged and subordinated vis-à-vis marketing and profit-making. Professional expertise and independence are valued but also subjected to the bottom line of revenue-generation. Such tensions in the stock market field and securities research, in particular, point to the contradictory dynamics of global financial regularization.

Securities analysts, as examples of finance professionals, occupy the contradictory position of "dominated dominant" symbolic laborers—as both objects and subjects of financial power, whether in emerging or developed markets. They are producers and legitimators of the discursively constructed hierarchies, but also potential agents for "leveling the playing field" because of their identification with discourses and practices of transparency, accountability, and professionalization. This tension is a crucial analytic point because it goes to the heart of the instability and contradictions of the discourse of "good governance" and the process of global financial regularization, and the conditions of possibility for their contestation and reconstitution.

Accounts of both "sell-side" and "buy-side" practices in the stock market are not completely subsumed in the dominant discourse, and

such representations find support in alternative narratives of the field that are made even with respect to the U.S. stock market, as has now become plain in the wake of the scandals. Thus, they open up discursive and political spaces for challenges and rearticulations. Alternative discourses coexist and overlap with the prevailing and dominant discourses that articulate events, practices, meanings, and subjectivities in different ways. For example, the discourse of "shareholder value" has been deployed by small investors to make transparent and accountable not only corporations and financial services professionals like accountants and securities analysts but also fund managers, who are often empowered to act on behalf of investors, and government regulators themselves whose mandate is to safeguard the public interest.

Thus, an analysis of processes of symbolic production opens us to an understanding of the conditions for rearticulation and reregularization. If "symbolic systems are social products that contribute to making the world, that they do not simply mirror social relations but help *constitute* them, then one can, within limits, transform the world by transforming its representation" (Wacquant 1992, 14).

Notes

This essay is part of the author's larger book project titled, *Calling to Account: Corporate Governance, Global Financial Regularization and the Symbolic Labor of Securities Research*, to be published by the Ateneo de Manila University Press.

1. *Institutional Investor* started naming its annual "All-Asia Research Team" in April 1994. *Asiamoney* began publishing its yearly poll of Asia's best stockbrokers, with separate categories for research, sales, and execution, in October 1990.

2. In Filipino, this phrase is pronounced the same way as "Dow Theory;" the use of *daw* in conversation roughly means "someone said" or "I heard" and implies hearsay.

3. This phrase is almost identical to what a Filipino informant called "*Daw* Theory" to describe the stock market practices of local investors. But the statement "I think it's going up," comes from an expat head of research of a foreign house, and is being relayed to global fund managers.

4. I will not cite the specific issue of the *Institutional Investor* to conceal the research analyst's identity.

5. Such characterizations of financial markets and actors that deviate from the dominant discourse have had a long history. Griffith-Jones (1998) builds on the

literature on the systemic tendencies of financial markets and cited, among others, the classic works of Keynes (1936) and Kindleberger (1978) as providing valuable insights into the dynamics of capital flows, the decision-making processes of investors, and the systemic risks involved. She argued that what is often more crucial is not the availability of more and better information but how the information is processed and acted on (see also Griffith-Jones 2000).

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