MARKETS ON TRIAL: THE ECONOMIC SOCIOLOGY OF THE U.S. FINANCIAL CRISIS: PART B

EDITED BY

MICHAEL LOUNSBURY
University of Alberta School of Business and National Institute for Nanotechnology, Edmonton, Alberta, Canada

PAUL M. HIRSCH
Kellogg School of Management, Northwestern University, Evanston, IL, USA
CONTENTS

LIST OF CONTRIBUTORS ix

ADVISORY BOARD xiii

ACKNOWLEDGMENTS xv

PART A

INTRODUCTION TO THE SPECIAL TWO-VOLUME SET

MARKETS ON TRIAL: TOWARD A POLICY-ORIENTED ECONOMIC SOCIOLOGY
Michael Lounsbury and Paul M. Hirsch 5

SECTION I: THE FINANCIAL CRISIS AND ITS UNFOLDING

THE ANATOMY OF THE MORTGAGE SECURITIZATION CRISIS
Neil Fligstein and Adam Goldstein 29

THE STRUCTURE OF CONFIDENCE AND THE COLLAPSE OF LEHMAN BROTHERS
Richard Swedberg 71

THE ROLE OF RATINGS IN THE SUBPRIME MORTGAGE CRISIS: THE ART OF CORPORATE AND THE SCIENCE OF CONSUMER CREDIT RATING
Akos Rona-Tas and Stefanie Hiss 115
KNOWLEDGE AND LIQUIDITY:
INSTITUTIONAL AND COGNITIVE
FOUNDATIONS OF THE SUBPRIME CRISIS

Bruce G. Carruthers 157

TERMINAL ISOMORPHISM AND THE
SELF-DESTRUCTIVE POTENTIAL OF SUCCESS:
LESSONS FROM SUBPRIME MORTGAGE
ORIGINATION AND SECURITIZATION

Jo-Ellen Pozner, Mary Kate Stimmler and Paul M. Hirsch 183

SECTION II: THE NORMAL ACCIDENT PERSPECTIVE

A NORMAL ACCIDENT ANALYSIS
OF THE MORTGAGE MELTDOWN

Donald Palmer and Michael Maker 219

THE GLOBAL CRISIS OF 2007–2009: MARKETS,
POLITICS, AND ORGANIZATIONS

Mauro F. Guillén and Sandra L. Suárez 257

REGULATING OR REDESIGNING FINANCE?
MARKET ARCHITECTURES, NORMAL ACCIDENTS,
AND DILEMMAS OF REGULATORY REFORM

Marc Schneiberg and Tim Bartley 281

THE MELTDOWN WAS NOT AN ACCIDENT

Charles Perrow 309

PART B

INTRODUCTION TO THE SPECIAL TWO-VOLUME SET

MARKETS ON TRIAL: TOWARD A
POLICY-ORIENTED ECONOMIC SOCIOLOGY

Michael Lounsbury and Paul M. Hirsch 5
SECTION III: HISTORICAL ORIGINS OF THE U.S. FINANCIAL CRISIS

THE MISAPPLICATION OF MR. MICHAEL JENSEN: HOW AGENCY THEORY BROUGHT DOWN THE ECONOMY AND WHY IT MIGHT AGAIN
   Frank Dobbin and Jiwook Jung 29

NEOLIBERALISM IN CRISIS: REGULATORY ROOTS OF THE U.S. FINANCIAL MELTDOWN
   John L. Campbell 65

   Mark S. Mizruchi 103

THE POLITICAL ECONOMY OF FINANCIAL EXUBERANCE
   Greta R. Krippner 141

SECTION IV: CRISIS PRODUCTION: SPECULATIVE BUBBLES AND BUSINESS CYCLES

THE INSTITUTIONAL EMBEDDEDNESS OF MARKET FAILURE: WHY SPECULATIVE BUBBLES STILL OCCUR
   Mitchel Y. Abolafia 177

THE SOCIAL CONSTRUCTION OF CAUSALITY: THE EFFECTS OF INSTITUTIONAL MYTHS ON FINANCIAL REGULATION
   Anna Rubtsova, Rich DeJordy, Mary Ann Glynn and Mayer Zald 201
CONTENTS

MESOECONOMICS: BUSINESS CYCLES, ENTREPRENEURSHIP, AND ECONOMIC CRISIS IN COMMERCIAL BUILDING MARKETS
Thomas D. Beamish and Nicole Woolsey Biggart 245

SECTION V: COMPARATIVE INSTITUTIONAL DYNAMICS

THROUGH THE LOOKING GLASS: INEFFICIENT DEREGULATION IN THE UNITED STATES AND EFFICIENT STATE OWNERSHIP IN CHINA
Doug Guthrie and David Slocum 283

PRECEDENCE FOR THE UNPRECEDENTED: A COMPARATIVE INSTITUTIONALIST VIEW OF THE FINANCIAL CRISIS
Gerald A. McDermott 313

SECTION VI: A FUTURE SOCIETY AND ECONOMY

AFTER THE OWNERSHIP SOCIETY: ANOTHER WORLD IS POSSIBLE
Gerald F. Davis 331

SECTION VII: POSTSCRIPTS

WHAT IF WE HAD BEEN IN CHARGE? THE SOCIOLOGIST AS BUILDER OF RATIONAL INSTITUTIONS
Ezra W. Zuckerman 359

THE FUTURE OF ECONOMICS, NEW CIRCUITS FOR CAPITAL, AND RE-ENVISIONING THE RELATION OF STATE AND MARKET
Fred Block 379