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The Transformation of Banking and Finance / Der Wandel des Bank- und Finanzwesens / La transformation du secteur bancaire et financier

Edited by Philip Balsiger and Léna Pellandini-Simanyi

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The Transformation of Banking and Finance. Introduction to Special Issue

Philip Balsiger* and Léna Pellandini-Simanyi**

Abstract: This introduction to the special issue highlights how the challenges from regulation, digitalization, and sustainability transform banking and finance in the 21st century. Following a short review of the sociology of finance and banking within Swiss economic sociology, it presents the main contributions of the articles of the special issue, which examine changing financial elites in Switzerland, digital platforms' and cryptocurrencies' social effects, and the moralization of finance through impact and ethical investing.

Keywords: Economic sociology, banking, finance, Switzerland, digital economy

La transformation du secteur bancaire et financier. Introduction au numéro spécial

Résumé: Cette introduction au numéro spécial met en lumière la façon dont les défis liés à la régulation, à la numérisation et à la durabilité transforment la banque et la finance au XXI^e siècle. Après un bref aperçu de la sociologie des banques et de la finance au sein de la sociologie économique suisse, elle présente les principales contributions des articles du numéro, qui examinent la transformation des élites financières en Suisse, les effets sociaux des plateformes numériques et des cryptomonnaies, ainsi que la moralisation de la finance à travers l'investissement à impact et l'investissement éthique.

Mots-clés: Sociologie économique, banque, finance, Suisse, économie numérique

Der Wandel des Bank- und Finanzwesens. Einführung zum Sonderheft

Zusammenfassung: Diese Einführung in die Sonderausgabe zeigt auf, wie Regulierung, Digitalisierung und Nachhaltigkeit das Bank- und Finanzwesen im 21. Jahrhundert verändern. Nach einem kurzen Überblick über die Soziologie des Banken- und Finanzwesens innerhalb der schweizerischen Wirtschaftssoziologie werden die Hauptbeiträge der Artikel vorgestellt, die den Wandel der Finanzeliten in der Schweiz, die sozialen Auswirkungen digitaler Plattformen und Kryptowährungen sowie die Moralisierung der Finanzwelt durch Impact- und ethisches Investieren untersuchen.

Schlüsselwörter: Wirtschaftssoziologie, Bankenwesen, Finanz, Schweiz, digitale Ökonomie

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1 Banking in the 21st Century: Challenges and Transformations

With the financialization of our societies, banking and finance have become key sectors of capitalism in the late 20th and early 21st centuries. Moving beyond the core activity of holding peoples' savings and giving credit, banks have developed a range of financial instruments and have become more than mere financial actors. Financial markets today play a key role in shaping states' policies, companies' strategies, and they penetrate people's everyday life, whether through mortgage interest rates or the monetization of customer data (Pellandini-Simányi, 2021; van der Zwan, 2014). Reflecting this process, economic sociology has seen the emergence of the sociology of finance (Carruthers & Kim, 2011; Cetina & Preda, 2012; Wosnitzer & Borch, 2021), a thriving subfield which has produced a large body of empirical studies, covering diverse topics from everyday financial practices, the social embeddedness of banking practices and financial elites, to the market devices that shape finance and their social effects.

In recent years, the role of traditional banks in finance has faced several challenges. Three recent developments are of particular interest in this respect and have played an important role in the transformation of banking over the past decades. First, in the aftermath of the financial crisis in 2008, the business models of banks came under increased regulatory pressure. The political reaction to the crisis involved stricter regulation in areas such as capital requirements, consumer protection, anti-money laundering, and tax evasion.

Second, digital platforms and the proliferation of smart devices opened new avenues for the finance industry. Along with the rise of alternative finance and crypto markets, these changes have created opportunities for emerging actors of the financial sector, including fintech companies developing platforms that offer financial services alongside non-financial ones. The new actors of finance rely on different organizational structures and champion new and future-oriented business models. While banks were the archetype of the large, bureaucratic, and hierarchical corporation that nurtured stable and long-term relationships with the state, civil society, and their clients, fintech and crypto firms are more agile, lean, and essentially digital firms that disrupt the traditional functioning of the financial system.

Finally, while previously banks were considered as primarily financial actors serving financial aims, the growing recognition of the impact of banks' (and other investors') investment decisions on climate change and other "grand challenges" has placed them under increasing scrutiny. Central to the sustainable finance debates is that civil society and state regulations are holding banks accountable for the social and environmental consequences of their investments. Responding to such criticism and to the rising demand to incorporate aims beyond finance into their business model, actors from the banking field have integrated sustainability criteria through so-called ESG (environmental, social, governance) indicators and other innovations such as impact investment.

While these developments are evident in public discourse, studies on the sociological processes that shape banking and financial institutions today are still scarce. The lack of empirical studies on the transformation of banking is especially clear when it comes to banking in Switzerland. This is quite astonishing given that Switzerland has one of the largest financial sectors (compared to the country's GDP) in Europe (Statista, 2025) and the highest asset wealth per capita in the world (World Economics, 2025), which is one of the key markers of the financialization of everyday life. The central role of banking in Switzerland was dramatically in play just a couple of weeks before the workshop of the Swiss Sociological Association's Economic Sociology Research Committee in 2023 from which this special issue emanated: the Swiss government brokered a deal for UBS to take over the failing Credit Suisse to prevent a bank run with potential catastrophic consequences for the Swiss economy. The special issue seeks to address this lacune of empirical studies by providing a sociological analysis of the transformation of the financial sector, with special attention paid to Switzerland – both as an important case for larger financial transformations and as an empirical site worthy of analysis on its own right.

2 The Study of Banking Within Swiss Economic Sociology

Up until recently, the sociology of banking and finance did not occupy a very prominent place in Swiss economic sociology. A noteworthy exception to this is an edited book (Honegger et al., 2002) which studied the transformations of the Swiss economy during the economic globalization of the 1990s and its effects on individuals. The book featured a detailed description of the Swiss banking sector at the end of the 20th century. Honegger was later also one of the editors of a book presenting the results of a comparative research project that analyzed the financial crisis of 2008 from the point of view of bankers (Honegger et al., 2010). This work discussed the structural conditions enabling the “irresponsible” practices that led to the financial crisis (see also Magnin, 2012). Other contributions to the sociology of finance in Switzerland concern the point of view of financial subjects, with a special issue of the *Swiss Journal of Sociology* from 2015 that looked at economic socialization and the financial practices of young people (Henchoz et al., 2015).

But over the past few years, a new wave of economic sociology research projects has taken a keen interest in the Swiss banking sector. Indeed, one could say that finance has become one of the main objects studied by current Swiss economic sociology, with projects under way or recently finished at the universities of Lucerne, Zurich, Lugano, Neuchâtel, Fribourg, and Lausanne. All these projects concern recent transformations of banking and finance, whether it is the digitalization of payments and other financial services, the rise of “responsible” banking, or the regulatory challenges and sectoral transformations. One of the goals of this special issue is thus to

take stock of some of this recent work, to critically discuss the transformations of banking in Switzerland and beyond.

3 Overview of the Special Issue

The first part of the special issue looks at financial elites and their transformation. The articles in this part pursue the focus of a few earlier studies on banking elites in 20th century Switzerland (Mach & Araujo, 2018; Araujo et al. 2024), which indicated the importance of family networks in Swiss private banking, as well as the trends of internationalization in the careers of bankers at the end of the past century. The paper by *Ajdacic and Araujo* studies financial elites' networks beyond business. They find that Swiss top managers are connected not only to a handful of core business associations, but also to a vast and highly dispersed web of over 1 600 peripheral organizations, ranging from philanthropic foundations and cultural institutions to political parties, social clubs, and international think tanks. They argue that this dispersed set of ties sustains what they call "capillary power": while core organizations consolidate coordination within finance and across the economy, peripheral organizations serve to diffuse strategic agendas and bolster elites' legitimacy in the broader society.

Meanwhile, *Egli, Rost, and Fritsch* focus on the transformation of Swiss banking elites. They trace a shift from a business and political elite centered in Switzerland to a financial elite socialized in the USA. This shift went hand in hand with a change in the strategies of the big Swiss banks, which became increasingly focused on developing innovative financial products rather than financing the Swiss economy. Their analysis shows that within just 15 years (1985–2000), Swiss-oriented elites were largely displaced by internationally educated finance professionals, particularly with US backgrounds, a shift closely mirrored by the banks' retreat from retail lending and their embrace of investment banking and asset management. One could say that the internationalization of the banking elite accompanied the financialization of the Swiss banking sector.

In the second part, the special issue turns to analyzing the implications of digital disruption in banking for clients. The paper by *Pellandini-Simanyi, Paradiso, and Musil* examines how financial devices and platforms shape social class differences in financial decision-making. Through a detailed analysis of Swiss credit, mortgage, and investment platforms, the authors show that digital interfaces embed distinct "scripts" of economic behavior, which assume and cultivate different subjectivities across social classes. Credit sites targeting lower-income users script passivity, immediacy, and reliance on external expertise, while mortgage and investment sites address middle- and upper-class clients as informed, calculative, and future-oriented decision-makers. In this way, the paper argues, platforms do not simply mediate

financial choices but prefigure and reinforce class-specific patterns of financial subjectivity and inequality.

The contribution by *Mariana Luzzi and María Soledad Sánchez* shifts the focus to Argentina, where macroeconomic instability and high inflation have propelled young people into risky financial practices via digital platforms. Based on survey and interview data, the paper introduces the notion of “rookie investors” to capture how cryptocurrencies serve as a gateway into finance for non-professional, first-time investors. Unlike the crypto-activists of earlier studies, these young Argentines engage with digital assets less out of ideological commitment and more as a pragmatic response to inflation, currency controls, and shrinking opportunities for savings. The study highlights how social networks, online communities, and financial apps function as infrastructures of market entry, supporting both the normalization of risky financial practices and new forms of financial socialization. Together, the two papers illustrate how digital disruption transforms the conditions of financial participation, producing new inequalities but also new repertoires of engagement with finance.

The third and final part of the special issue turns to studies looking at how banking has integrated the moral dimension of its social and environmental impact. *Burnier, Balsiger, and Kabouche* analyze the phenomenon of “impact finance”, which is part of the innovations around the integration of social and environmental dimensions into financial instruments (Balsiger et al., 2025). The field of impact investing has taken hold in the Geneva financial sector over the past two decades (Kabouche, 2025). The analysis in the paper by Burnier et al. looks at the cultural embeddedness of impact finance in Geneva by describing the categories mobilized by its advocates to justify the morality of impact investing. They show that the “moral grounding” of impact investing draws mainly on traditional financial discourses based on the efficiency of finance to allocate resources, the use of metrics to measure impact, and the intention of the investor to make an impact. In addition, advocates also advance a discourse that calls for transcending oppositions between profit and morality and use both deontological and consequentialist reasoning. Overall, their findings support studies interpreting impact investing as financialization (Chiapello & Knoll, 2020) by indicating that the practice is firmly based in the financial field also when it comes to its moral justifications.

The “consumer” perspective of ethical finance is at the core of the contribution by *Schenk, Rössel, and Mashinaga*. With the rise of social investment and ESG funds in particular, individuals increasingly have the option to choose more ethical options when it comes to banking and investing, just like in consumer markets. Based on a survey on the financial practices of people living in Switzerland, they seek to uncover the determinants of ethical finance. Their findings show that while ethical motivations are crucial for both ethical banking and ethical investing, the latter is far more dependent on economic and cultural resources, making it more strongly tied to social inequality. They also demonstrate the lasting role of socialization: early

exposure to sustainability issues in families and schools significantly increases the likelihood of engaging in ethical finance.

Taken together, the contributions to this special issue highlight the multiple ways in which finance and society are mutually entangled. They show, first, how the power and orientation of financial elites have shifted in tandem with broader processes of internationalization and financialization; second, how digitalization reshapes clients' financial practices, reinforcing existing inequalities while also opening up new modes of participation; and third, how the growing moralization of finance is negotiated both at the institutional level of impact investing and at the individual level of ethical consumption. By examining institutional actors and consumers side by side, the special issue underscores that transformations in finance are never purely technical or economic, but are deeply embedded in social structures, cultural categories, and moral claims.

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Freiwilligen- Monitor Schweiz 2025

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Zum fünften Mal seit 2007 präsentiert der Freiwilligen-Monitor Schweiz umfassende Zahlen und Fakten zur Freiwilligenarbeit in der Schweiz. Die Studie zeigt, wie und warum sich Personen freiwillig und unentgeltlich für andere Menschen einsetzen. Sie macht Veränderungen sichtbar und ist ein wichtiger Gradmesser für das Gemeinwohl und den sozialen Zusammenhalt in der Schweizer Gesellschaft. Der Freiwilligen-Monitor ist zu einem unverzichtbaren Nachschlagewerk für alle geworden, die sich mit der Freiwilligenarbeit beschäftigen.

Herausgegeben wird der Freiwilligen-Monitor von der Schweizerischen Gemeinnützigen Gesellschaft (SGG). Diese setzt sich für eine aktive Zivilgesellschaft, den sozialen Zusammenhalt und eine lebendige Demokratiekultur ein. Mitträger des Freiwilligenmonitors sind das Migros-Kulturprozent, die Beisheim Stiftung sowie rund 30 Partnerorganisationen.

Die Autoren **Adrian Fischer**, **Markus Lamprecht** und **Hanspeter Stamm** arbeiten für das Sozialforschungsbüro Lamprecht & Stamm. Dieses führt seit 1993 wissenschaftliche Studien und Evaluationen für Bundesämter, kantonale und lokale Stellen sowie öffentliche und private Organisationen durch.

Capillary Power in Swiss Finance: The Role of Core and Peripheral Organisations in Interest Defence

Lena Ajdacic* and Pedro Araujo**

Abstract: Amid increasing regulatory pressure, we examine how top managers in Swiss finance defend their interests. We analyse ties to interest groups, social clubs, and broader societal organisations with BoardEx data. We find that interest defence relies on highly dispersed affiliations which extend across more than 1685 local, national, and international organisations. Affiliations with peripheral organisations might help top managers spread strategic visions and build legitimacy across society. We conceptualise this as capillary power.

Keywords: Finance, elites, networks

Pouvoir capillaire dans la finance suisse : le rôle des organisations centrales et périphériques dans la défense des intérêts

Résumé: Face à une pression réglementaire croissante, nous examinons comment les dirigeants de la finance suisse défendent leurs intérêts. À partir des données BoardEx, nous analysons leurs liens avec des groupes d'intérêt, des clubs et des organisations sociétales. La défense des intérêts s'appuie sur des affiliations très dispersées, couvrant plus de 1685 organisations locales, nationales et internationales. Les liens périphériques permettent de diffuser des visions stratégiques et renforcer la légitimité. Nous appelons cela le pouvoir capillaire.

Mots-clés: Finance, élites, réseaux

Kapillare Macht im Schweizer Finanzsektor: Die Rolle zentraler und peripherer Organisationen in der Interessenvertretung

Zusammenfassung: Angesichts wachsender Regulierung untersuchen wir wie Topmanager im Schweizer Finanzsektor ihre Interessen verteidigen. Mithilfe von BoardEx Daten analysieren wir Verbindungen zu politischen Verbänden, Clubs und gesellschaftlichen Organisationen. Wir zeigen, dass sich die Interessenvertretung auf über 1685 breit gestreute Verbindungen zu lokalen, nationalen und internationalen Organisationen stützt. Periphere Organisationen können helfen, strategische Visionen zu verbreiten und Legitimität zu fördern. Wir nennen dies kapillare Macht.

Schlüsselwörter: Finanzsektor, Eliten, Netzwerke

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1 Introduction¹

Over the past decades, the finance industry has been exposed to heightened public scrutiny. The 2008 global financial crisis caused reputational damage and led to regulatory restrictions (Fligstein, 2021; Tooze, 2018) and backlash from civil society (Bourgeron & Geiger, 2024). The Swiss financial centre, a leading location in cross-border wealth management (Cassis & Wójcik, 2018) was not exempt from these dynamics, as it hosts financial activities that pose particularly strong reputational issues. The main business model, based on offshore assets management, came under attack internationally (Emmenegger, 2015), which led to disruptions within finance and resulted in new political alliances between financial actors, other sectors, and political forces (Mach et al., 2021).

In light of these transformations, we ask the following questions: How do Swiss financial actors keep defending their interests? More specifically, through which ties and within which organisations are these interests coordinated? Switzerland has been characterised as an “association democracy”, where corporate interests weigh heavily on politics, and are sustained through tight connections between decision makers and various business associations (Daum et al., 2014). Efforts to understand corporate power through the study of networks rest on a long research tradition in sociology (Davis & Mizuchi, 1999; Domhoff, 1975; Useem, 1986). Networks, scholars argue, enable corporate leaders to consolidate their collective political interests. Recent contributions have shown that elite ties can create shared norms (Chalmers & Young, 2020), facilitate lobbying mobilisation, and foster coalitions (Seabrooke & Tsingou, 2021; Young & Pagliari, 2022). This is reflected in the structuration of the Swiss financial sector, where financial elites and federal authorities have worked hand in glove to establish and preserve fiscal attraction practices (Farquet, 2017).

Building on this sociological tradition, we study the broader “social mosaic” (Barnes, 2017) of financial actors as well as their affiliations to organisations outside corporate boardrooms. We use BoardEx, a database of executives and board directors, and analyse so far underexplored information on top managers’ ties to interest groups, political parties and other political entities, social clubs and broader societal organisations, such as philanthropic, environmental, or cultural institutions. Focusing on the Swiss financial sector, we describe the centres of power, namely organisations at the core, and contrast them with organisations at the periphery. With the fragmentation of connections created through the most central organisations

¹ We thank Francisco Ferreira de Melo for the classification work on BoardEx data. We gratefully acknowledge the valuable comments of Felix Bühlmann, François Schoenberger, Johanna Behr, Amal Tawfik, and Sol Doeleman on earlier versions of the paper. We would also like to thank the anonymous reviewers for their valuable feedback as well as the organisers of the special issue, Philip Balsiger and Léna Pellandini-Simányi, for their guidance.

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(Ginalski et al., 2014; Mizruchi, 2013), ties to less central organisations might play a distinct role in interest defence.

First, we examine ties to core organisations. We identify 29 core organisations that are prominently linked to the Swiss finance industry. Using an empirical approach based on entropy scores, we then show which organisations cater to the purpose of bridging finance actors to other economic and political actors, and which organisations cater to the purpose of fostering cohesion within the finance industry.

Second, we look beyond the core and demonstrate that top managers are connected to a vast range of dispersed non-corporate organisations. Our empirical findings show that they maintain ties to over 1685 distinct organisations. Analysing the specificities of these dispersed social and political activities, we find that peripheral organisations operate both more locally and more internationally than core organisations and are highly connected to dispersed interest groups and broad society organisations, such as philanthropic and cultural institutions.

Interest defence by industry actors, we contend, is structured through a network of organisations that sustain a specific form of power, which we refer to as capillary power. In finance, top managers extend their networks beyond the structural centre of power into a web of dispersed organisations. These affiliations likely serve distinct functions. Peripheral interest groups may channel the strategic directions set by core organisations, while other affiliations enhance finance actors' legitimacy in civil society. By outlining the social and political fabric in which top managers are embedded in, we claim that elites should not be seen as decoupled from the society in which they operate.

2 Interest Defence in a Changing Regulatory Environment

The Swiss financial industry is important both at the national and at the international level. From a domestic standpoint, it amounts to around 9.4% of GDP (BAK, 2024), surpassing figures seen in countries like the UK, US, Germany, and France (Culpepper et al., 2023). From an international standpoint, Switzerland is a leading location in cross-border wealth management (Cassis & Wójcik, 2018). The dominant position of Switzerland's finance industry relies on a combination of comparative advantages, including a history of banking secrecy, the country's neutrality and stability, the Swiss franc as a safe-haven currency, and the industries' capacity to defend regulatory advantages (Guex, 2000; Mazbouri et al., 2021).

While the 2008 financial crisis led to heightened scrutiny of the global financial sector, it also triggered a major crackdown within Switzerland's finance industry. Following the crisis, the US and European countries exerted pressure to curb tax avoidance associated with the banking secrecy (Emmenegger, 2015). This resulted in tensions between small private and large investment banks (Daum et al.,

2014). Over the years that followed, Swiss financial actors engaged in new political alliances (Mach et al., 2021). In this context, we examine the current networks of interest defence, asking: on which organisations do financial actors rely to protect their interests?

There is a long-standing tradition of studying the role of social networks in corporate power (Heemskerk et al., 2016; Mizruchi, 1996; Useem, 1986). Chalmers & Young argue that “network ties” can “help to explain why, in the face of uncertainty and potential conflict, governance practices within finance are not as fractious and divisive as they otherwise might be” (2024, p. 373). With a focus on the financial industry, scholars have investigated ties to government actors (Seabrooke & Tsingou, 2021; Weeks, 2024), to business associations (Chalmers & Young, 2020), and to other business elites (Young & Pagliari, 2022). In the case of Switzerland, scholars have discussed the position and role of financial actors in major Swiss cities (Mach et al., 2024), in mutual board networks (Ginalski et al., 2014; Mach et al., 2021), and in business associations (David et al., 2009).

Importantly, this research tradition draws on understanding ties to *core* organisations, defined as the most important and connected entities. Organisations at the core of a network are essential in fostering business power and, consequently, elite coordination and cohesion. For most of the 20th century, Switzerland had a long tradition as a coordinated market economy composed of dense elite networks, in which top managers in finance occupy central positions (Ginalski et al., 2014; Mach et al., 2021). For instance, Urs Rohner, who in 2021 was chairman of Credit Suisse, simultaneously held key roles across multiple organisations. Rohner was a member of the Foundation board of the largest think tank Avenir Suisse, Vice President of the major industry organisation Swiss Banking, and a director of the Swiss Chamber of Commerce. Understanding these core organisations, and who connects to them, is crucial. The core is not just an exclusive space, it is the structural centre where influence is consolidated through interconnectedness.

Core organisations can have different functions. At one end of the spectrum, they can serve as a bridge between financial actors, the broader economy, and the policy field. Business communities are often characterised by strong divisions in industry interests, with think tanks, interest groups, and other social forums serving to facilitate cross-sectoral coordination. In the case of Switzerland, a case example of a core organisation with a coordination function is *economiesuisse*. Here, the largest banks coordinate their interests with other companies oriented toward international markets, from the pharmaceutical sector, the chemical sector, and other industries (Mach et al., 2021). At the other end of the spectrum, there are core organisations which link financial actors among themselves. These organisations serve the purpose of strengthening power through cohesion within the financial sector. One prominent example is Swiss Banking, which was founded in 1912 and is one of the largest interest groups representing the finance sector. Following the international

pressure after the global crisis, Swiss Banking played a key role in preventing tensions between different finance actors from becoming public, though with limited success (Daum et al., 2014).

Both *economiesuisse* and Swiss Banking are influential organisations that have a high public visibility. In this study we will first provide a picture of the broader range of organisations at the core that either bridge financial actors to the Swiss business community or strengthen internal cohesion within the financial sector. We use an empirically driven approach to outline the structural centre of interest defence in the case of Swiss finance. Our data allows us to study affiliations to various spheres of social and political coordination and to reveal which organisations are at the core of Swiss financial actors' interest defence.

3 Fading Importance of Traditional Spheres of Coordination

Beyond studying the core, we shed light on the periphery. Network scholars have argued that traditional spheres of business coordination have become increasingly fragmented (Mizruchi, 2013). In Switzerland, business-to-business networks among the largest companies have declined since the 1990s (Bühlmann et al., 2012; Rossier et al., 2022). Financial actors played a crucial role in this fragmentation process. Throughout much of the 20th century, bankers had a strong interest in sitting on the boards of industrial firms to which they provided credit. However, with the diminishing importance of the lending business and the disintermediation of corporate finance, the central role of banks in corporate networks has declined (Ginalski et al., 2014).

The fragmentation of networks through mutual board memberships does not necessarily imply the dissolution of central coordination spaces (Domhoff, 2015). According to Domhoff (2015), the coordination of business elites has shifted to other central spheres, particularly policy planning networks. Company boards, he argues, have been supplanted by think tanks and lobby groups as the key sites for coordination. In Switzerland, the role of core organisations in the policy planning field has been studied empirically. Focusing on the five most prominent interest groups, scholars have shown that the importance of these groups has also diminished over the past decades (David et al., 2009). Between 1980 and 2000, corporate actors' connections to these major interest groups declined, and core interest groups lost access to political decision-making spheres (David et al., 2009).

Recent research on the three main cities and economic centers in Switzerland further supports the declining importance of core organisations as sites of business coordination. Examining the connections between business elites and the policy planning sphere, as well as major newspapers, art institutions, and political domains, the study documents a process of radical fragmentation and disembedding within

the business elite of major Swiss cities over the past few decades (Mach et al., 2024). By 2020, managers from the largest financial firms had only a few weak affiliations with core organisations, such as Chamber of Commerce in Zurich or in Geneva.

The compelling evidence for the diminishing significance of central organisations motivates a closer examination of entities beyond the structural centre of power. The periphery of a network is commonly disregarded as less significant, as organisations are assumed to wield limited power (Larsen & Ellersgaard, 2017). While we acknowledge this perspective, we also argue that a better understanding of the periphery – particularly through the diversity of affiliations of top managers in finance – can reveal specific forms of influence. Although elite power is conventionally understood as concentrated within core organisations, elites do not operate solely within these spaces. Their presence in peripheral organisations may serve strategic functions.

In the second part of the article, we study connections that top managers in finance hold to a diverse set of peripheral organisations. These affiliations may include local philanthropic foundations, cultural institutions in cities, think tanks on particular policies, or even niche professional associations. These entities facilitate forms of influence that extend beyond the traditional business elite networks. In other words, while classic scholarship on elites prioritises the most central organisations, here, we take a complementary approach: instead of focusing exclusively on where managers in finance are most concentrated, we explore how they are socially dispersed.

4 Data

We use BoardEx data, downloaded in January 2023. The database provides information on the positions of executive directors and board members, by start and end date of a position. It includes a module labelled “other activities” with information on so called extra-firm activities of individuals in the database. We selected firms based in Switzerland from the European module with the legal form of a partnership, quoted or private firms. Following a “positional approach” on power (Hoffmann-Lange, 2018; Mills, 1956), we restricted the sample to all individuals holding positions from senior management upward (CFO, COO and similar senior managerial positions, CEO, partner, board members). Sectoral information of BoardEx were aggregated into larger sector categories (Finance, Pharma & Biochem, Legal & Business Services, IT, Retailer & Consumer Goods, Engineering, Machinery & Construction, Other Sectors). The finance category includes the BoardEx sectoral classifications Banks, Speciality & Other Finance, Private Equity and Investment Companies (for the list of the top 20 finance firms in the sample see Appendix A). Top managers in finance, as defined here, are thus individuals holding top-level positions in a finance sector firm.

Table 1 Original and Final Sample

	Original Sample 12 995 individuals in 4 521 firms					Final Sample 4 478 individuals (34% of original sample) in 2 180 firms				
	N	Missing (%)	Mean	Min	Max	N	Missing (%)	Mean	Min	Max
Organisation Info Yes	12 995	0	0.36	0	1	4 478	0	1.00	1	1
Woman	12 995	0	0.15	0	1	4 478	0	0.17	0	1
Swiss	12 995	60	0.42	0	1	4 478	48	0.45	0	1
Senior management	12 995	0	0.43	0	1	4 478	0	0.28	0	1
CFO	12 995	0	0.05	0	1	4 478	0	0.02	0	1
Partner	12 995	0	0.10	0	1	4 478	0	0.12	0	1
CEO	12 995	0	0.10	0	1	4 478	0	0.10	0	1
Chairmen	12 995	0	0.10	0	1	4 478	0	0.14	0	1
Board	12 995	0	0.22	0	1	4 478	0	0.33	0	1
Finance	12 995	18.0	0.26	0	1	4 478	10	0.25	0	1
Pharma & Biochem	12 995	18.0	0.16	0	1	4 478	10	0.15	0	1
Legal & Business Services	12 995	18.0	0.10	0	1	4 478	10	0.15	0	1
IT	12 995	18.0	0.11	0	1	4 478	10	0.09	0	1
Retailer & Consumer Goods	12 995	18.0	0.08	0	1	4 478	10	0.07	0	1
Engineering, Machinery & Construction	12 995	18.0	0.07	0	1	4 478	10	0.05	0	1
Other Sectors	12 995	18.0	0.23	0	1	4 478	10	0.24	0	1

We study individuals holding a leadership position in a Swiss firm between 2019 and 2023 (years pooled together). Longitudinal analyses on affiliations are not possible due to data restrictions on affiliation timing. Affiliations in BoardEx are not time-ordered, they can represent connections that have been made in previous years of an individual's career. Firms with missing sectoral classification and more than two individuals (n firms = 634) were manually recoded. We selected individuals with information on affiliations to social and political environments. BoardEx provides information on 12 995 individuals in 4 521 firms across all sectors in Switzerland, among which 4 478 individuals in 2 180 firms have information on organisational affiliations. This final sample represents 34% of individuals of the original sample (see Table 1). Regarding the financial sector, BoardEx provides information on 1 004 individuals in 383 firms with information on affiliations. The comparison between the original and the final sample shows that top managers with information on affiliations are, on average, more in higher level positions (notably more in board positions). The missing data are likely to represent a mix of "true missings", managers without positions in important networks, and "false missings", affiliations that managers have but that do not figure in the BoardEx data. It can be assumed that the false missings are skewed towards less central organisations (being affiliated to a sports club, being member of a local associations), thus leading to an underrepresentation of the tail of organisational affiliations. Also, the data show only publicly displayed affiliations, which means that the data likely underrepresent the total amount of affiliations.

To get a better picture of BoardEx data, a comparison to other data bases is helpful. Orbis, a database with high quality firm level data, estimates the total number of financial institutions in Switzerland to around 41 000 entities. This number is presumed to offer the closest approximation of the total population of all financial entities in Switzerland. However, Orbis also includes units that are registered here solely for tax purposes and do not engage in any real economic activities. Important prior studies focused on a restricted number of financial firms and top decision makers. Araujo & Davoine (2024) relied on 186 individuals within the 28 largest Swiss banks (2020 data). Ginalski et al. (2014) worked with the 25 most important firms in the financial sector, including insurance (data from 2010). A restricted sample allows for high control over the quality of data but confines the scope of study to a partial view on top managers in finance. In comparison to prior studies, our analyses involve a higher number of individuals but come with more noise in the data. Among the largest finance firms in the sample are UBS, CS, Partners Group, Julius Bär, Vontobel, and Banque Cantonale Vaudoise (for more details see Appendix A).

The main information of interest for this article is the diversity of affiliations to social and political environments. In BoardEx, this information is covered in the module "other activities". It combines affiliations to various types of organisations. Affiliations to activities that are not of interest to this study, such as affiliations to

educational organisations, bar associations, and certified accountant memberships, were excluded. The cleaned data contains all relevant non-corporate organisations, namely business interest associations, political entities, clubs and broad society organisations. Top managers of the broad Swiss business community are affiliated to 7 865 distinct organisations. Top managers in finance are affiliated to 1 685 distinct organisations. The most frequent types of affiliations are the general membership (28.8%), board membership (11%), director position (11%), trustee (7.3%), chairman (5.8%), and president (5.2%).

We classified the 1 685 organisations by type of organisation and by geographical anchoring. The geographic anchoring distinguishes between organisations with an international scope, with a national focus on Switzerland, and with a local focus on a Swiss city, canton, or region. The type classification distinguishes affiliations that involve positions on political issues: “interest groups”, including organisations with a policy program, political agenda, or lobbying purpose, such as chambers of commerce, industry councils, industry interest groups or think tanks, and professional associations; “party affiliation”, indicating involvement in the political system by being a member of a party, holding a seat in the local or national government, or being part of an administrative unit (such as being member of a municipal or national council). The classification further distinguishes affiliations to “clubs”, including organisations with an “entre-soi” purpose (such as exclusive golf clubs or peer advisory networks of ultra-high-net-worth individuals); and to “broad society organisations”, including affiliations to foundations (for example with a philanthropic aim), non-profit organisations (for example environmental organisations or health institutions), cultural associations (such as museums, music festivals, orchestras), religious institutions, and non-exclusive sports activities (such as soccer clubs).

A major advantage of the data is the possibility to run bottom-up explorations of organisational embeddedness. Rather than predefining the most important organisations, we study the diversity of the organisational field based on a direct exploration of individuals’ affiliations. The disadvantage is the reliance on the types of organisations and meeting points that are included in the data (publicly displayed affiliations). Affiliations to secretive or less formal organisations, such as confidential clubs will not figure in the data.

5 Analytical Framework

Firstly, in line with traditional elite studies, we focus on most central organisations among top managers in finance. We use a simple frequency approach to rank organisations according to their importance for the finance sector. Core organisations are thus defined as organisations to which multiple managers in finance have a link (being a committee member, a general member, a director, etc.). The threshold is

set to organisations that are linked to more than 6 individuals from the finance sector. This approach allows us to exclude organisations that may be important for the Swiss economy but are not connected to finance (such as the interest group Interpharma or the Swiss Farmers' Union).

We then analyse whether these core organisations bridge actors from various sectors, or if they primarily connect financial actors with one another. To assess the coordination function of core organisations we rank them according to their "sectoral entropy". Entropy measures quantify the diversity of states within a discrete distribution (Widmer & Ritschard, 2009). We use the entropy function from the DescTools package in R to compute the Shannon entropy score for each core organisation (DescTools Team, 2025). The entropy score helps assess the level of diversity in the sectoral origin of the affiliations. High entropy values indicate that the organisation has affiliations of top managers from a broad range of sectors (for example IT, pharma, retail, and consumer goods). In contrast, low entropy scores suggest that the organisation primarily has affiliations with managers from finance-related sectors. In network analysis, bridging functions are often measured by betweenness centrality, which examines an organisation's position between two nodes (e.g., firms). Here, we work with the entropy measure because we are interested in understanding the heterogeneity, or inversely the concentration, of affiliations' sectoral origins.

Secondly, we shed light on the peripheral organisations and the degree of dispersion of connections. We visualise the dispersion by plotting the concentration of affiliations by distinct organisations and quantify it by evaluating the proportion of affiliations with peripheral organisations. We then compare the type and geographic anchoring of peripheral organisations to those of core organisations.

6 Results

6.1 The Structural Centre of Power: Core Organisations

In line with classic inquiries in elite scholarship, we first zoom in on core organisations. Table 2 lists the organisations that we identify as being central for the financial industry in Switzerland. In technical terms we defined core organisations as entities with connections to at least 6 top managers in finance. In addition, the table outlines whether the core organisations serve coordination across the economy, or whether they foster cohesion among finance actors themselves.

Among the core organisations there are the most mediatised and researched organisations, as well as some less expected organisations. Well-known interest groups figure prominently among the listed organisations. *Economiesuisse*, for example, is the most important liberal interest organisation which was created through the

Table 2 Core Organisations Ranked by Sectoral Entropy Scores

	Entropy	# of Individuals		% of Individuals					
		Overall	Finance	Finance	Pharma	Legal	IT	Retailer	Engineering
1 WEF	1.80	106	28	26.4	15.1	8.5	12.3	5.7	5.7
2 Rotary	1.77	40	7	17.5	5.0	22.5	15.0	2.5	7.5
3 YPO	1.75	44	11	25.0	18.2	2.3	13.6	11.4	4.5
4 Swiss-American Chamber of Commerce	1.65	73	16	21.9	11.0	35.6	4.1	4.1	4.1
5 Council on Foreign Relations	1.65	17	6	35.3	11.8		5.9	17.6	11.8
6 Free Democratic Party (FDP)	1.63	30	9	30.0		13.3	6.7	13.3	6.7
7 EconomieSuisse	1.56	54	13	24.1	3.7	7.4	5.6	13.0	1.9
8 Verein swissVR	1.54	15	6	40.0	6.7	6.7		13.3	6.7
9 Aspen Institute	1.40	24	13	54.2	8.3	12.5		4.2	8.3
10 SECA	1.35	41	12	29.3	12.2	39.0	4.9		
11 IMD Foundation	1.31	22	12	54.5	4.5	9.1		4.5	4.5
12 Society of Trust and Estate Practitioners	1.26	23	7	30.4	8.7	39.1		4.3	
13 American-Swiss Foundation	1.19	22	6	27.3	4.5	22.7			
14 Avenir Suisse Foundation	1.16	17	8	47.1	5.9			17.6	
15 Institute of International Finance	1.07	16	7	43.8	6.2		6.2		
16 Invest Europe	1.00	10	6	60.0	10.0	10.0	10.0		
17 Swiss Insurance Ass.	0.92	35	9	25.7	2.9	5.7			

Continuation of Table 2 on the next page.

Continuation of Table 2.

	Entropy	# of Individuals		% of Individuals				
		Overall	Finance	Finance	Pharma	Legal	IT	Retailer Engineering
18 Swiss Finance Institute	0.90	20	15	75.0	5.0	5.0		5.0
19 Swiss Bankiervereinigung	0.74	54	41	75.9	3.7	9.3		
20 UBS Optimus Foundation	0.68	10	7	70.0		10.0		
21 Swiss Funds & Asset Management Ass.	0.67	11	6	54.5		36.4		
22 Verband Schweizerischer Kantonalbanken	0.60	11	9	81.8	9.1			
23 Swiss Financial Analysts Association	0.54	17	11	64.7	5.9	5.9		
24 Fondation Genève Place Financière	0.41	7	6	85.7		14.3		
25 International Financial Risk Institute (IFRI)	0.41	7	6	85.7		14.3		
26 Ass. of Swiss Asset and Wealth Management Banks	0.00	7	7	100.0				
27 Chartered Alternative Investment Analyst Ass.	0.00	7	7	100.0				
28 Credit Suisse Foundation	0.00	6	6	100.0				
29 International Swaps and Derivatives Association	0.00	6	6	100.0				

Note: The list includes all the core organisations with 6 or more affiliations to top managers in finance and is ranked by sectoral entropy. The lower the entropy score, the higher the concentration of all affiliated individuals in one sector. The “# of Individuals” columns show the number of people affiliated with the organization: “Overall” indicates the total across all sectors, while “Finance” shows the total in the finance sector only. The “% of Individuals” columns show the share of people affiliated with the organization across sectors.

merger of two traditional employers' organisations (USCI and Vorort) that have been founded in the 1870s. The Swiss Bankiervereinigung (Swiss Banking), another influential interest group, was founded in 1912 and is catering to all types of banks in Switzerland (local, cantonal, and private banks). Also unsurprisingly, there is the Free Democratic Party (FDP), the leading liberal party. In Switzerland, the relation between right-wing parties and industry leaders has been strong historically, going back to the "bourgeois bloc" in the 19th century (Mach et al., 2021).

Next to these well-known organisations and coalitions, the list of core organisations involves associations with a lower public visibility, such as the SECA (Swiss Private Equity & Corporate Finance Association). In the Swiss context, there is extensive knowledge on banks, which have been dominant actors throughout much of the 20th century. However, other financial actors, notably small wealth management boutiques, private equity and asset managers have gained importance over the past decades, a trend which is reflected in affiliations to associations such as the SECA or the Swiss Financial Analysts Association. The list of core organisations further includes social clubs which are less known, such as the YPO (Young Presidents' Organisation). The organisation serves as a social network connecting executives and board members across the globe. It is aimed at "coaching" executives to "become better presidents", without taking position on national and international issues. The organisation's age restriction, requiring new members to join before age 45, has earned it the nickname "Your Parents' Organisation", as membership tends to be skewed towards those from inherited wealth (Chief Executive Group, 2019).

The entropy measure is used to describe the variety of states of the sectoral backgrounds of individuals present within an organisation. The more heterogeneous the composition of affiliations in terms of sectoral backgrounds, the higher the entropy measure. Core organisations with a high entropy are at the top of the list. Examples are the WEF, the Rotary Club, the YPO, and the Swiss-American Chamber of Commerce. These organisations have a cross-sectoral coordination function and offer a platform for financial actors to coordinate and engage with leaders from a variety of other business segments.

Core organisations with a low entropy are at the bottom of the list. An entropy value of 0 indicates that organisations exclusively regroup individuals from finance (from the sample). Examples of organisations which regroup mainly individuals from finance are the International Swaps and Derivatives Association (ISDA), the Credit Suisse foundation, the Chartered Alternative Investment Analyst Association (CAIA), and the Association for Swiss Asset and Wealth Management Banks (AMAS). These organisations have a specific focus on finance related lobbying issues and social functions, such as firm related foundations.

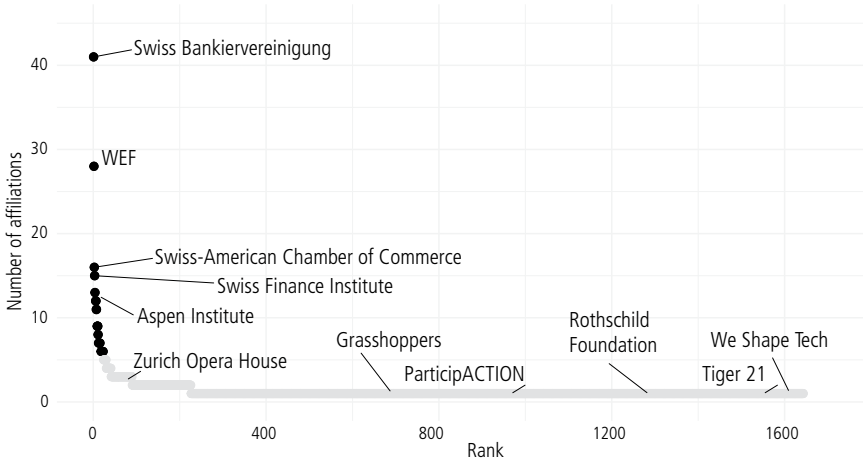
In sum, we show which organisations, concretely, form the structural centre of interest defence of the Swiss finance industry. Our measure for identifying organisations at the core is an approximation, influenced by organisational size and

activity levels. However, it provides an estimate of the relative importance of different organisations. Using the entropy score, we show which organisations integrate top managers in finance into the broader economy and foster coordination with the wider business community, such as the WEF or *economiesuisse*. Additionally, we identify key organisations that play a central role in creating cohesion within the finance sector, such as professional associations for cantonal banks, or for financial analysts. Notably, we demonstrate that the structural defence of interests in Swiss finance is formed through many well-known organisations, but it also involves entities from industry niches, and other less studied social spheres such as social clubs and international think tanks. Even at its core, the interest defence of Swiss finance builds on what Barnes (2017) describes as a “social mosaic” of organisational affiliations.

6.2 The Dispersion of Affiliations: Peripheral Organisations

While in line with the dominant scholarly focus we have explored the most important organisations involved in coordinating business power, we are further interested in understanding what happens beyond the structural centre of interest defence. To illustrate the dispersion of affiliations we shed light on peripheral organisations. In the sample, 1004 top managers in finance have a total of 2253 affiliations to 1685 distinct organisations. They hold a total of 303 affiliations to the 29 core organisa-

Figure 1 Organisations Ranked by Number of Affiliations



Note: The y axis shows the number of affiliations to each organisation. The x axis orders all company by rank running from the organisation with the highest number of affiliations to those with the lowest. The maximum rank number indicates the number of distinct organisations to which individuals from a given sector hold affiliations. Core organisation are coloured black, peripheral organisations are coloured in grey.

tions listed in the previous section. Connections to those core organisations only represent 13.4% of all affiliations of top managers in finance. In turn, over 86.6% of all connections extend to less central organisations.

Figure 1 shows organisations that are connected to at least one person in a leadership position in Swiss finance. Organisations are plotted by count of affiliations and are ranked in consecutive order. Core organisations are marked in black, peripheral organisations are marked in grey. The long tail of organisations in grey shows that most affiliations reach out to organisations at the periphery.

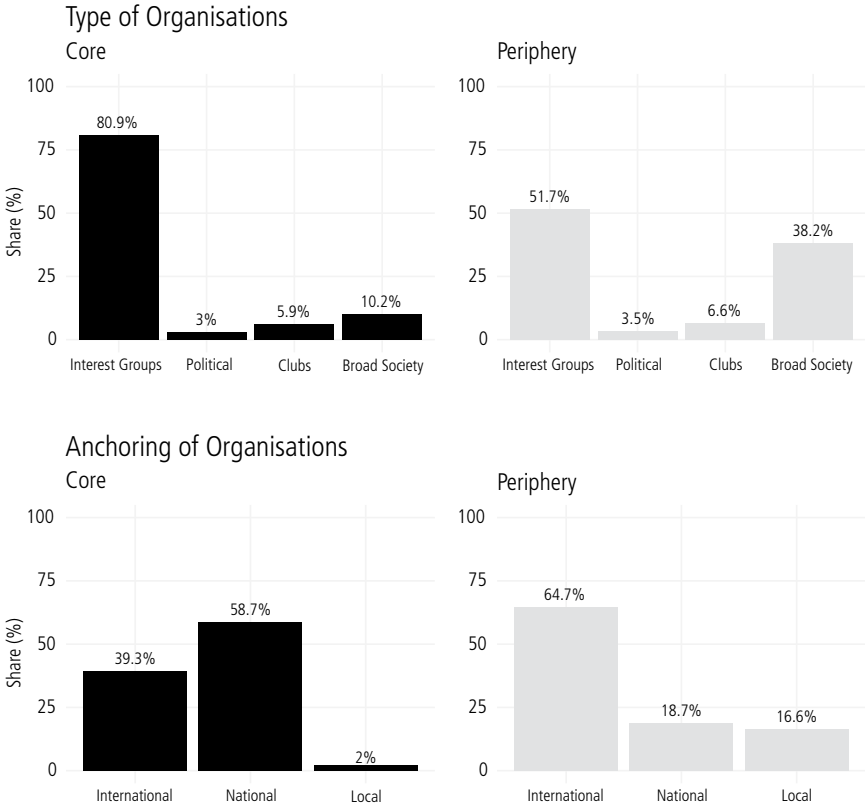
In the figure we highlight several peripheral organisations as examples. The “Zürich Opera House”, for example, is a major cultural institution in Zürich and “Grasshoppers”, is one of the prominent local soccer clubs. “ParticipAction” is an NGO advocating for health activity among young Canadians; “Rothschild Foundation” is an international philanthropic organisation tied to a banking family; “Tiger 21” is an exclusive peer network for ultra-high-net-worth individuals; and “We Shape Tech” is a global platform dedicated to promoting diversity in technology. Overall, the graph highlights the extent of dispersion in affiliations by making the number of peripheral organisations apparent. The examples illustrate the broad range of organisations to which top managers in Swiss finance are affiliated, both in terms of organisational types and geographical scope. In the next step, we systematically compare the organisations in the periphery with those at the core.

6.3 Type and Scope of Organisations in the Core and the Periphery

The low concentration of top managers within core organisations suggests a high dispersion of affiliations across a diverse array of organisations. In this context, we aim to better understand the nature of these dispersed social and political activities. What types of activities do they involve? At what geographic levels do they operate? We hypothesise that affiliations with peripheral organisations serve a distinct function – they complement the roles of those organisations at the structural centre of interest defence.

To better characterise the peripheral organisations, we compare them with those at the core. Figure 2 shows the shares by type of organisation and by geographic anchoring. Regarding the type of affiliation and geographic location of organisations in the core, the majority (58.7%) operate at the national level in Switzerland. This indicates that the core primarily facilitates national coordination. When compared with organisations at the periphery, two key differences emerge. First, the share of international affiliations is much higher among peripheral organisations, constituting over two-thirds of all affiliations. This highlights the strong international presence of top managers in finance, though it is notably more fragmented. Second, there is a significantly higher proportion of local organisations among peripheral affiliations – 16.6%, compared to just 2% of core organisations.

Figure 2 Comparison of Organisational Type and Geographic Anchoring for the Core and Periphery



Note: The bars represent the share of affiliations in each category, with core organisations shown in black (n = 303 affiliations) and peripheral organisations in grey (n = 1950 affiliations). Affiliations to organisational types are categorised into interest groups (e.g., professional associations, think tanks, and lobby groups), political affiliations (e.g., party membership and mandates in administrative units), ties to clubs (e.g., women’s networks, high status clubs), and affiliations with broad societal organisations (e.g., philanthropic, public health, environmental, or religious organisations). The geographic anchoring distinguishes between affiliations to organisations with an international scope, national organisations operating at the Swiss national level, and local organisations that operate within a city, canton, or region.

In terms of the types of affiliations within core organisations, 80.9% are classified as interest groups, 10.2% as broad societal entities, and the remaining share consists of political affiliations or clubs. Among peripheral organisations, the share of interest groups is lower, though still substantial, comprising 51.7% of affiliations.

These interest groups create an expansive network of connections surrounding the structural centre of power. Notably, many of these groups are dedicated to advocating for specific positions. Their mission statements often feature terms like “change”, “shape”, or “promote”. Peripheral interest groups advocate for a range of causes including digitalisation, specific economic policies, diversity and inclusion, liberal ideologies, or particular scientific prioritisations. For instance, StrategieDialog21 is a think tank based in Bern and illustrative of these peripheral reflection groups where financial investors, top managers, and other philanthropists gather to promote a liberal vision of the Swiss economy.

In addition, a closer examination of ties to peripheral organisations categorised as “broad society” organisations is of particular interest. The share of these affiliations is significantly higher in the periphery than in the core, accounting for 38.2% of all affiliations, compared to just 10.2% in the core. Within this category, many organisations focus on philanthropic goals and engage with NGOs working in areas such as climate, development, and health. In Zürich, top managers in finance are for example connected to the Kunsthau Zürich Kunstgesellschaft, the Wildnispark, or the Tonhalle-Gesellschaft. In Basel they are part of the local chapter of the Lions Club or the Offiziersgesellschaft Beider Basel. In Geneva, there are affiliations to philanthropic institutions, such as La Fondation pour Genève, or to local initiatives to expand cycling paths in the city, Genèveroule.

The involvement of even the most prominent financiers in peripheral organisations supports the idea that these affiliations play a role. Philipp Hildebrand, for example, the former President of the Swiss National Bank and current Vice Chairman at the world’s largest asset manager, BlackRock, was elected president of the Zürcher Kunstgesellschaft, an important cultural institution, but peripheral organisation in terms of network position. Urs Rohner, a high-ranking financier and Chairman of Credit Suisse from 2011 to 2021, served on the board of directors of the Zürich Opera House and was, in addition to his connections to several core organisations, a member of the advisory board of the Institute for Economics at the University of Zürich. Moreover, Rohner was a member of one of the oldest Zürich guilds, the *Zunft zur Meisen*.

Overall, we demonstrate that peripheral organisations differ from core organisations by being less engaged at the national level, but more at the international and the local levels. Furthermore, there are high shares of peripheral interest groups and broad society associations. The exploratory investigation of interest groups at the periphery suggests that they function as dissemination channels or testing grounds for positions established at the core. Moreover, the disproportionately high number of affiliations with foundations and civil society associations hints at a legitimising role of peripheral organisations.

7 Discussion

Since the 2008 global financial crisis, the finance industry has been under intensified public criticism and regulatory scrutiny. Amid growing international pressure on the Swiss banking secrecy and changes in the regulatory environment, new tensions have emerged within the finance industry in Switzerland resulting in shifts in political alliances and the emergence of new political mobilisations (Mach et al., 2021).

In this context, we examine how top managers in finance organise their interest defence. Building on a long tradition of scholarship exploring the role of networks and elite ties in corporate power (Chalmers & Young, 2024; Davis & Mizruchi, 1999; Useem, 1986), we investigate affiliation patterns to core and peripheral organisations. Networks play a pivotal role “in designing and stabilising the rules of the game and the socioeconomic institutions central to the functioning of an economy” (Mach et al., 2021, p. 18).

It is widely recognised that core organisations have diminished in importance when it comes to coordinating business interests over recent decades (Mach et al., 2021; Mizruchi, 2013). Company boards, even those of the largest firms, have become less influential in fostering cohesion within the business community. Contrary to Domhoff's (2015) thesis, organisations within the policy planning network have, at least in Switzerland, not increased in importance as a compensatory mechanism (David et al., 2009). We take these observations as an opportunity to look beyond the core organisations. If the most central organisations are becoming less significant, might there be more to uncover in the periphery?

The most striking insights from this study emerge from an exploration of the network's periphery. Our study highlights a crucial characteristic of the social ties of top executives and board directors in the Swiss finance sector: their connections extend to a broad and diverse range of dispersed organisations. We find that Swiss finance actors maintain ties to 1685 distinct organisations, with 86.6% of all affiliations being linked to peripheral organisations. The networks thus span across hundreds of organisations, reaching into the most trivial parts of social activity. Top managers in Swiss finance are involved in Basel's and Zürich's arts institutions, hold memberships in local foundations that offer stipends, and engage with international health initiatives.

We argue that the periphery plays a distinct but complementary role to core organisations. While interest groups at the periphery may channel the strategic directions set by core organisations, ties to broad society organisations can strengthen the legitimacy of financial actors within civil society. A closer look at peripheral *interest groups* helps clarify their function within the broader network. What we observe is that the multitude of interest groups in the periphery forms expansive connections that surrounds the structural centre of power. While entities such as Swiss Banking, *economiesuisse*, and *Avenir Suisse* set agendas, define

policy issues, and coordinate common interests at the national level, these ideas may be reflected in the *local* periphery through interest groups like the Lugano Commodity Trading Association, StrategieDialog21, or the Stiftung Finanzplatz Basel and into the *international* periphery through affiliations with interest groups such as the Milken Institute, the CIO Forum, or the Institutional Investors Group on Climate Change. We hypothesise that the role of this dispersed periphery is to act as conduits, or capillaries, for disseminating the visions and strategic directions established at the core. In this sense, they may function as “dissemination channels” for core organisations. This hierarchical division of interest defence between core organisations and those at the periphery may offer more diffuse and agile means of shaping agendas and discourse.

A closer look at affiliations to peripheral *broad society* organisations then indicates that the periphery additionally seems to play an important role in inserting top managers in a broader societal context, potentially fostering a more positive public perception of financial elites. In fact, we find a high proportion of organisations that are regrouped under the term “broad society” in the periphery. Top managers in Swiss finance engage with a wide array of organisations that create links to civil society through connections with charitable and philanthropic organisations, religious, environmental or health related associations and ties into theatres, museums, and other cultural institutions.

Financial actors have been observed engaging in “performative stewardship” and other marketing activities to cultivate a positive public perception (Braun & Christophers, 2024) as well as incentivising employees through payroll deductions and formalised volunteer programs to participate in philanthropic efforts (Barman, 2017). Serving on the board of a philanthropic organisation or actively supporting philanthropic causes is a crucial tool for signalling legitimacy to the broader public (Barman, 2017; McGoey, 2022).

The affiliations to dispersed organisations, we argue, lead to a specific form of corporate power, namely *capillary power*. The metaphor of capillars to describe power has been used by Foucault, who argued that power was enacted through everyday influences and micropractices (Foucault, 1994; Foucault, 1980). We argue that emphasising decentralisation and focusing on the “trivial extremities” should be further examined to understand sources of power of business actors.

It is particularly meaningful to discuss what happens to these affiliations when top managers become embroiled in personal or corporate scandals, mismanagement, or bankruptcies. Urs Rohner’s affiliation with one of the oldest Zürich guilds, the *Zunft zur Meisen*, was mediated in 2023 after the collapse of Credit Suisse. His guild reportedly urged him to avoid the *Sechseläuteumzug*, the guild’s key event where members parade through the city of Zürich (Wirth, 2024). The engagement with the peripheral structure of guilds served Rohner to embed him within the economic elite in Zürich, while also showcasing the legitimacy of its

members through events like the Sechseläuteumzug. The symbolic exclusion of Rohner from this public display of the guild is revealing about the legitimacy role of these peripheral affiliations to broad societal organisations.

Another example of how these legitimacy mechanisms operate is the case of Konrad Hummler of Wegelin Bank. The private bank was one of the most heavily targeted by the US Department of Justice in its crackdown on Swiss banking secrecy. Wegelin Bank had enabled US citizens to commit tax evasion. When Hummler was forced to close down the bank, the financial industry tried to portray him as a scapegoat. To prevent further damage to the reputation of the financial sector, he was isolated, which ultimately led to his forced resignation as chairman of the NZZ's board of directors, one of the largest conservative newspapers in the German speaking part of the country. "When people who used to greet you warmly now cross to the other side of the street, this, of course, draws your attention", he said in an interview with a public finance podcaster (Canetg, 2024). Despite multiple crises and recessions in the Swiss financial centre over the past decade, the notion of a stable and financially prudent industry continues to prevail (Giddey & Mazbouri, 2022).

These cases highlight how peripheral organisations serve the maintenance of public legitimacy in the financial sector. In line with classic questions in network sociology, we do however acknowledge the persisting importance of core organisations. Even if their relative importance has declined, they remain the structural centre of power. In our analyses we show that among core organisations coordinating industry defence for finance actors, there are traditionally powerful organisations, such as *EconomieSuisse* or *Swiss Banking*. There are also organisations which operate more in the background, such as the *Young Presidents Organisation (YPO)* or the *SECA*, representing the interests of the less visible private equity industry. With an entropy measure we revealed which organisations bridge and place finance actors in the larger economy and policy fields, and which core organisations create cohesion within the finance industry.

This contribution remains primarily descriptive, allowing us to point out organisations that appear to constitute the structural centre of interest defence. Complementing other studies that have employed in-depth archival research on specific core organisations (Eichenberger et al., 2023) or historical analyses of corporate coordination (Mach et al., 2021) our approach offers the advantage of empirically identifying core organisations, including those that have previously remained outside the scope of research. In other words, rather than pre-defining core organisations, we determine them based on affiliation patterns. Moreover, by leveraging *BoardEx* – an underexplored data resource – future research could extend this approach to other sectors and countries, further enhancing our understanding of interest defence networks on a broader scale.

Given the descriptive, macro-level perspective of this study, one limitation is that we are unable to empirically examine how affiliations are formed and function

in practice. Our interpretations are based on prior research and anecdotal evidence. Understanding the intentions behind these affiliations and their precise consequences for interest defence would require further investigation using more diverse methodological approaches, including in-depth qualitative research.

A notable strength of the BoardEx database is its extensive coverage across sectors and countries. Future research could explore whether the dispersion of affiliations differs by sector within Switzerland. For instance, it would be interesting to investigate whether managers in industries traditionally subject to less public scrutiny, such as the IT sector until recently, maintain ties to arts, cultural, or philanthropic institutions at similar levels as those in more regulated sectors. Cross-country comparisons would also be valuable to determine whether the affiliational dispersion observed among Swiss business leaders represents a national peculiarity. This dispersion might be shaped by Switzerland's federal political structure, which is mirrored in its decentralised economic organisation, or by its system of direct democracy, which may incentivise elites to sustain broader legitimising networks. Lastly, it would be important to examine how the increasing presence of women in business leadership is reshaping these networks. Although Switzerland has been relatively slow to address gender issues, recent years have seen a notable rise in women's representation in managerial positions (Ginalski, 2022). It would be worth exploring whether women tend to engage with different types of organisations, potentially transforming traditional "old boys" networks.

Overall, our study offers insights into the "social mosaic" (Barnes, 2017) within which top managers in finance are embedded in. We argue that to foster societal and political support for their interests, they rely not only on core organisations, but also on an extensive web of affiliations to peripheral organisations. The interest defence of top managers in finance, we argue, is based on an organisational infrastructure that sustains capillary power.

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Appendix

Table A.1 Number of Individuals in Firms in BoardEx

Finance		Pharma & Biochem	
company	# ind.	company	# ind.
1 UBS	60	Novartis	36
2 Credit Suisse	53	Lonza Group AG	15
3 Partners Group	25	Alcon	13
4 Julius Baer	24	Roche Holding AG	13
5 Vontobel	15	CRISPR Therapeutics AG	12
6 Banque Cantonale Vaudoise	14	Syngenta AG	11
7 Capital Dynamics	12	AC Immune SA	9
8 CIS Group Holdings AG	12	Quotient Ltd.	9
9 EFG International AG	12	Vifor Pharma AG	9
10 GAM Holding AG	12	Eurochem Group AG	8
11 Zürcher Kantonalbank	12	Ferring International Center SA	8
12 Banque Cantonale de Genève	11	Givaudan SA	8
13 LGT Capital Partners Ltd.	11	Sonova Holding AG	8
14 Berner Kantonalbank	10	Clariant AG	7
15 Raiffeisen	10	F. Hoffmann-La Roche AG	7
16 Six Group Ltd.	10	Firmenich SA	7
17 St. Galler Kantonalbank AG	10	Idorsia Ltd.	7
18 Symbiotics SA	10	Molecular Partners AG	7
19 Walliser Kantonalbank AG	10	Straumann Holding AG	7
20 Banque Cantonale du Jura SA	9	University Hospital Zurich	6

Continuation of Table A.1 on the next page.

Continuation of Table A1.

Legal & Business Services		Retail & Consumer Goods	
company	# ind.	company	# ind.
1 Bär & Karrer AG	40	Nestle	26
2 Lenz & Staehelin	30	Compagnie Financiere Richemont SA	14
3 Walder Wyss Ltd.	30	Migros-Genossenschafts-Bund	13
4 KPMG International Cooperative	22	Coca-Cola	11
5 CMS von Erlach	21	Swatch Group Ltd.	11
6 Baker & McKenzie	20	Aryzta	10
7 Vischer AG	20	Barry Callebaut	10
8 Homburger AG	17	Coop Group	9
9 Adecco Group AG	14	Dufry AG	9
10 Eversheds Sutherland AG	11	Oriflame Holding AG	8
11 DKSH Holding AG	10	Galenica AG	7
12 KennedyFitch GmbH	9	Emmi AG	6
13 Egon Zehnder International AG	7	Geberit AG	6
14 Schellenberg Wittmer Ltd.	7	Hochdorf Holding AG	6
15 SGS SA	7	Hero AG	5
16 Streichenberg und Partner	7	Groupe Minoteries SA	4
17 MCH Group AG	6	Japan Tobacco International SA	4
18 PricewaterhouseCoopers AG	6	Lindt & Sprüngli AG	4
19 IWG plc	5	Selecta AG	4
20 Loyens & Loeff Switzerland LLC	5	V-Zug AG	4

Continuation of Table A.1 on the next page.

Continuation of Table A1.

IT		Engineering, Machinery & Construction	
company	# ind.	company	# ind.
1 Te Connectivity Ltd.	15	ABB	19
2 Dormakaba Holding AG	8	Holcim Ltd.	15
3 STMicroelectronics NV	8	Schindler Holding AG	10
4 Temenos AG	8	Cavotec SA	7
5 Bestmile SA	6	Belimo Holding AG	5
6 Humanstate Sarl	6	Garrett Motion Inc.	5
7 Nexthink SA	6	OC Oerlikon Corporation AG	5
8 AWK Group AG	5	Sulzer AG	5
9 Beekeeper AG	5	Mikron Holding AG	4
10 Comet	5	Rieter Holding AG	4
11 Garmin Ltd.	5	VAT Group AG	4
12 Huber & Suhner AG	5	Zippsafe AG	4
13 IQ International AG	5	Agta Record AG	3
14 Kudelski SA	5	Anybotics AG	3
15 Landis+Gyr Group AG	5	Bossard Holding AG	3
16 SoftwareOne Holding AG	5	Forbo Holding AG	3
17 Sportradar Group AG	5	Schweiter Technologies AG	3
18 BC Platforms AG	4	SFS Group AG	3
19 Crealogix Holding AG	4	Starrag Group Holding AG	3
20 Diem Association	4	Weatherford International plc	3

Continuation of Table A.1 on the next page.

Continuation of Table A1.

Other Sectors	
company	# ind.
1 Swiss Re	46
2 Zurich Insurance	40
3 Chubb Ltd.	36
4 Baloise	17
5 Swisscom AG	16
6 Glencore plc	14
7 Services Industriels de Genève	14
8 Die Schweizerische Post AG	13
9 Implenia AG	12
10 Ringier AG	11
11 Helvetia Holding AG	10
12 Swissgrid AG	10
13 Vaudoise Assurances Holding SA	10
14 Kuehne & Nagel International AG	9
15 Swiss Life Holding AG	9
16 Transocean Ltd.	9
17 Alpiq	8
18 BKW	8
19 CEVA Logistics	8
20 Flughafen Zurich AG	8

Note: 20 Firms with largest coverage of senior managers and higher. Reading example: The final sample includes 60 individuals who hold a position at UBS.



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Observatoire du bénévolat en Suisse 2025

Collection Bénévolat

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Pour la cinquième fois depuis 2007, l'Observatoire du bénévolat en Suisse présente des faits et chiffres complets sur le travail bénévolat en Suisse. L'étude montre comment et pourquoi des personnes s'engagent bénévolement et gratuitement pour d'autres personnes. Elle rend les changements visibles et constitue un indicateur important du bien commun et de la cohésion sociale au sein de la société suisse. L'Observatoire du bénévolat est devenu un ouvrage de référence incontournable pour toutes les personnes qui s'occupent du bénévolat.

L'Observatoire du bénévolat est publié par la Société suisse d'utilité publique (SSUP). Celle-ci s'engage en faveur d'une société civile active, de la cohésion sociale et d'une culture démocratique vivante. L'Observatoire du bénévolat est porté conjointement par le Pourcent culturel Migros, la fondation Beisheim et une trentaine d'organisations partenaires.

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From Financing Production to Producing Finance. The Transformation of Banking Elites and Changes in Banking Strategy of Large Swiss Banks from 1945 to 2020

Simon Egli*, Katja Rost*, and Larissa Fritsch*

Abstract: This paper studies the evolution of banking elites and banking strategy of the largest Swiss banks since 1945. Between 1985 and 2000, an elite transformation occurred within the large Swiss banks. A Swiss-oriented business and political elite was replaced by a US-socialized financial elite. The displacement Swiss-oriented business and political elite closely preceded the decline of retail banking and the shift of loan volumes from production to finance.

Keywords: Banks, elites, elite transformation, institutional change, Switzerland

Du financement de la production à la production de la finance. La transformation des élites bancaires et les changements de stratégie des grandes banques suisses de 1945 à 2020

Résumé: Cet article étudie l'évolution des élites bancaires et la stratégie des grandes banques suisses depuis 1945. Entre 1985 et 2000, une transformation des élites s'est produite dans ces banques. Une élite économique et politique orientée vers la Suisse a été remplacée par une élite financière socialisée aux États-Unis. Le déplacement de l'élite orientée vers la Confédération a précédé le déclin de la banque de détail et le déplacement des volumes de prêts de la production vers la finance.

Mots-clés: Banques, élites, transformation des élites, changement institutionnel, Suisse

Von der Finanzierung der Produktion zur Finanzproduktion. Die Transformation der Bankelite und Veränderungen in der Bankstrategie grosser Schweizer Banken von 1945 bis 2020

Zusammenfassung: Diese Studie untersucht die Entwicklung von Bankaneliten und Bankstrategien der Schweizer Grossbanken seit 1945. Zwischen 1985 und 2000 vollzog sich innerhalb der Grossbanken ein Elitewandel. Eine schweizerisch orientierte wirtschaftlich-politische Elite wurde durch eine US-sozialisierte Finanzelite ersetzt. Die Verdrängung der schweizerisch orientierten Elite ging dem Rückgang des Retail-Bankings und der Verlagerung des Kreditvolumens von der Produktion hin zur Finanzwirtschaft voraus.

Schlüsselwörter: Banken, Eliten, Elitentransformation, institutioneller Wandel, Schweiz

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1 Introduction

Who controls the corporation is an important question in capitalist societies because institutional change is often reflected in changes in corporate control. The balance of power among key economic actors can shift over time, reshaping the landscape of corporate governance. In Switzerland, it was primarily the large banks that grew in importance vis-à-vis other businesses (Tanner, 2015), at least until the financial crisis of 2008. The troubles of the biggest Swiss bank, Union Bank of Switzerland (UBS), during that crisis meant that the benefits of having a large banking sector with large banking institutions was suddenly questioned. The two big banks, UBS and *Crédit Suisse* (CS), were the most visible product of large-scale institutional changes in the Swiss banking sector, which included the exit of a high number of banks and the consolidation of the four big banks into two (Herger, 2023). These changes also reflected the growing internationalization of banking markets, which made Swiss banks with Swiss “virtues” into international banks with Anglo-Saxon “vices” (Schmid, 2012). The composition of management and the board of directors responsible for business strategies that focused on strong growth, high leverage, and high profitability became a political issue.

Despite their growing importance, who leads financial corporations has still received scant attention (Savage & Williams, 2008). Studies on financial elites proliferated after the financial crisis, but they tended not to focus on the top personnel or to take a longitudinal approach (for some examples, see Godechot, 2017; Harrington, 2016; Ho, 2005; Zaloom, 2016). Some studies that are concerned with changes in leadership over time are a study of German banking elites over the 20th century (Berghoff & Köhler, 2007) and a study of Scottish banking elites over multiple periods in the late 20th century and the beginning of the 21st century (Kerr & Robinson, 2012). Araujo, Davoine, and Donzé (2023) recently published a study specifically on Swiss Banking elites over time. In that study, they analyze changes in the social and educational backgrounds of the CEO and board president of Swiss banks at seven benchmark years between 1890 and 2020. In contrast to Araujo, Davoine, and Donzé, we extend aspects of elite transformations and link them with banking strategy. In other words, we ask how changes in banking elites’ educational, occupational, geographical, and political backgrounds relate to changes in how banks generate income and to whom they direct finance. The background of this question is the co-integration between banks and industry that has historically been the institutional basis of the bank-based finance models of continental Europe. Representatives of banks and industry sat on each other’s boards, and career paths across industries were common (Bühlmann et al., 2012). However, the internationalization of the big banks starting in the 1980s meant that these links largely disappeared. A second reason for this disappearance was that interlinkages between banks and industry became a threat to banks’ credibility (Ginalski et al., 2014). As

banks focused more on investment banking and asset management, the traditional role of providing maturity transformation to the nonfinancial public lost importance.

We assume that changes in banking strategy and elite transformation are closely linked. Drawing on resource dependence theory, we assume that corporations select leadership that increases its power relative to other corporations in the same field. The reinternationalization of the financial system after the restrictive Bretton Woods period provided internationally active financial institutions with new business opportunities and growth potential. Instead of focusing on domestic financing of nonfinancial businesses, large banks expanded abroad and engaged in trading activities, investment banking, and asset management. These changes required new leader profiles with different skillsets that prioritized specialized finance knowledge over knowledge about nonfinancial industries and different social capital in specialized international networks in finance rather than national, cross-industry networks.

We test this linkage with data from the largest Swiss banks from 1945 to 2020. The committees of the large banks, the board of directors and the executive board, represent the commanding heights of the Swiss economy, whose decisions have an outsized impact on the Swiss economy and polity. The large Swiss banks were the spearheads of the golden age of Swiss capitalism in the post-World-War-II era (Giddey, 2013), and even more so in the age of globalization that followed it. We find that both members of management and the board of directors are today far more likely to be educated in a non-Swiss top university with a finance or business degree rather than a Swiss university with a law degree, as was typical for the old career paths of Swiss elites before the 1980s. We also find that board and management members are today less likely to have had a career in a nonfinance field and are far more likely to have had careers exclusively in the financial and insurance sectors. This elite transformation happened within 15 years, roughly from 1985 to 2000. We speak of an elite replacement at the top of the large banks in Switzerland that coincided with a consolidation of the banking sector. Top personnel went from primarily Swiss and Swiss educated with a law degree to non-Swiss, often US American, and educated in a top foreign, mostly US American, university with a finance degree. Management and board members were also far less likely to have had a career stint in production before being appointed and much less likely to be politically active in Swiss society. Elite change is closely correlated with changes in the business strategy of the large banks. The importance of retail banking declined sharply, and a shift of loan volumes is noticeable from production to finance, confirming disinvestment from industrial corporations by Swiss banks towards the end of the 20th century (Ginalski et al., 2014).

We refrain from any statements about causality and emphasize that changes in elite composition and business practices are part of the same endogenous processes that led to the internationalization of the financial system and reinforced lower-level processes such as bank consolidations that enabled the development of too-big-to-

fail banks. The recent failure of *Crédit Suisse* (CS) and its acquisition by UBS leaves one big Swiss bank surviving. We argue that this “superbank” is the end-product of a process that started in the 1980s and should be seen as an unfortunate development. Fundamentally, banks exist to provide financial intermediation to individuals and firms and a payment infrastructure. When banks stray too far from these central functions, trouble eventually follows.

2 The Transformation of Elites and Banking Strategy Since 1945

2.1 The Rise of Finance and Shareholder Value in Switzerland

The 1980s and 1990s were a time of rapid institutional changes in markets and large corporations. Some of these changes affected all advanced countries to some extent, but most of them originated in the Anglophone sphere, the US in particular, and propagated from there. Among these changes was the growing importance of financial institutions in the economy and the emergence of corporate governance. The conception of corporate control emphasizing diversification and growth gave way to the shareholder-value conception of corporate governance focusing on maximizing share prices (Fligstein, 1993; Fligstein & Goldstein, 2022). In Switzerland, these changes were resisted until the late 1980s by the shareholder-centered corporate governance by the “insiders,” the tightly-knit network of Swiss business elites that dominated the boards and directorates of the large Swiss firms (David et al., 2015). The dominance of these elites was gradually weakened, and the best practices of corporate governance, devised in the Anglosphere, slowly became standard among Swiss firms. The most powerful business association in Switzerland, *economiesuisse* (formerly *Vorort*), published the “Swiss Code of Best Practice for Corporate Governance” in 2003, which reflected the new international norms. Financial firms and their leaders played a major role in furthering these practices in both Switzerland and the US. Important agents in both cases included corporate raiders, who wanted to impose shareholder rights. Unlike in the US, where the idea of shareholder power was seen as a form of market control of corporations, in Switzerland the establishment fought corporate raiders such as Martin Ebner and his BZ bank tooth and nail. However, by the end of the 1990s, such raiders were successful in boosting the rights of shareholders, not least at UBS, where Ebner sought to force the bank into cutting personnel and increasing return on equity (ROE), which eventually happened (David et al., 2015).

One consequence of changes in corporate governance was the replacement of directors with managers that had experience in the financial sector and a degree from a finance or business school. The proliferation of such manager profiles had measurable effects on corporations. For example, having bankers on boards of directors changes the financing habits of large corporations (Mizruchi & Stearns, 1994),

and managers with a business degree are less likely to share profits with workers (Acemoglu et al., 2022). In finance and business schools, corporate governance centered around shareholder value played a major role in the curricula (Bennis & O'Toole, 2005), and new cohorts of managers and board members were consequently more likely to focus on metrics such as ROE and stock prices, particularly in banking (Alessandri & Haldane, 2009). This new approach to governing firms was spearheaded by financial institutions and finance personnel. In Switzerland in the 1980s, it was predominantly finance personnel in banks and institutional funds who bought industrial corporations, split them up, and sold them to foreign investors (David et al., 2015; Fahrni, 2014). By the end of the century, both Swiss financial and nonfinancial corporations had been reorganized around the principles of shareholder value (Ginalski et al., 2014).

2.2 Theoretical Implications of Elite Transformations

The rise of finance personnel and the shift towards shareholder value in both industrial and financial firms is one of the central developments within the larger process of financialization (Davis & Kim, 2015; Epstein, 2005; Krippner, 2011). Financialization involves both the increasing focus on financial activities by industrial firms and the relative dominance of financial firms in the economy. The former implies a knowledge transfer between the economic sectors: business practices that originated in financial companies were increasingly adopted in industrial companies. Financial firms were thus at the forefront of these institutional changes. In the Anglosphere, banks and other financial firms started to expand internationally with the fall of the post-World-War-II international financial architecture and, by the 1970s, the financial regulations that had largely restricted them to their domestic markets (Helleiner, 1996). Expanding financial activities such as securitization and merger facilitation required new knowledge and new managers (Philippon & Reshef, 2012). Maturity transformation, the unexciting element of banking that is nonetheless integral to the functioning of an economy, lost importance. In Switzerland, these changes were driven less by domestic legislation than by adaptation to a changing environment, most notably the accelerating development of international financial markets such as the Eurodollar market in London and the loosening of capital controls after the end of fixed exchange rates. Swiss banks, like other European banks, started to emulate the pioneer institutions in the US that had been quickest to take advantage of the new opportunities (Beck, 2022).

Pinpointing the origins of institutional changes that are broad in both scope and geographical reach is difficult because of the inherent endogeneity of historical processes (Streeck & Thelen, 2005). For the sake of simplicity, we focus less on macro developments and more on the micro level. Fligstein (2018) emphasizes the role of managers in changing the strategies of corporations. At the same time, he acknowledges that the expectations about how a corporation should be managed are

cultural constructions and that all economic actors are always influenced by their political-economic contexts. This view combines a neo-institutionalist account that emphasizes the role of the institutional environment with an actor-centered perspective, and is very much in line with the influential resource dependence theory (Salancik & Pfeffer, 1978). Resource dependence theory posits that actors within organizations constantly try to minimize uncertainty and maximize their scope of action inside and outside the organization. It has implications for the executive board and the board of directors, for example in a decision to merge with or acquire other firms. Well-connected, resourceful, and knowledgeable corporate elites are effective in increasing the relative power of their firms in markets. The theory has been useful in explaining board appointments and merger and acquisition decisions (Hillman et al., 2009). Resource dependence theory can also be easily situated within the neo-institutionalist framework established by DiMaggio and Powell (1983), which emphasizes context dependency and mimetic adaptation: the process by which organizations copy from other organizations. In a market environment, mimetic adaptation could mean, for example, adapting new business strategies that have brought competitors success. Firms would then try to acquire the know-how in their leadership teams to implement the same successful strategies.

Here, we assume that changes in the corporate elite of large Swiss banks can be explained by resource dependence theory and mimetic processes. The new opportunities in banking opened by the internationalization of the financial system required new know-how and business strategies. The new business in investment banking and asset management was exploited by pioneer financial institutions, primarily from the US and the UK. The scramble by UBS to become the number 1 among investment banks in the world, initiated by CEO Marcel Ospel, is a good example of copying business strategies to surpass the pioneer organizations in the field, initiated by the purchase of US banks. For three reasons, we refrain from attempting to establish causality: whether the new business context required new elites or whether the new banking elites changed the banks' businesses. First, our sample is too small, and our empirical approach does not allow natural field experiments to answer questions about causality. Second, identifying the factors that cause institutional change is always a difficult task because of the large number of possible confounding factors and the endogeneity of historical processes. Thirdly, from a theoretical point of view, it is to be expected that the processes reinforce each other: the market environment affects the selection of elites, and actions by these elites reinforce the market environment.

We proceed from an evolutionary institutionalist perspective (Hodgson, 2007; Streeck, 2018). According to this perspective, individual action is not the starting point of institutional change. Instead, change is endogenous and continuous and follows the logic of path dependency. New institutions grow from inherited ones. The individual is not an isolated agent that acts in a predictable manner. Variation

in behavior is delimited by the institutional context and socially selected. We assume that new institutional environments develop as the result of the factors that cause institutional change. One such salient process is the trajectory of international capitalism, to which all economic agents need to respond. New institutional environments select for new courses of action and for agents that implement these courses. Changing contexts offer new paths that are advantageous for organizations. Within these organizations, these opportunities lead to a higher probability that agents who implement new strategies are selected. If the new strategies are successful in the new institutional environment, the likelihood of selecting agents with the newly demanded characteristics will increase again. Elites and organization trajectories thus co-evolve and reinforce each other.

2.3 Institutional Change in the Swiss Banking System Since 1945

The context in which financial elites operate is essential to understanding their business decisions. The context in which Swiss banking elites have found themselves has changed drastically in the 20th and 21st centuries. We focus on the period between 1945, which marks the start of an “extraordinary growth of the Swiss financial sector (1945–1975)” (Giddey, 2013, p. 451), and 2020, shortly before the acquisition of CS by UBS. Generally, the history of the Swiss banking sector is notoriously under-researched, particularly the post-World-War-II era (Guex, 2009). This is surprising given the uniqueness and relative importance of the Swiss banking system. By the beginning of our investigation period, the Swiss banking sector punched far above its country’s weight. Not only did Switzerland have extraordinarily high bank density, but it also had financial centers in Zurich and Geneva that could rival those of Berlin and Paris (Guex, 2009; Mazbouri et al., 2021; Straumann, 2018). These centers were dominated by four large Swiss banks, Schweizerische Kreditanstalt (SKA), Schweizerischer Bankverein (SBV), Schweizerische Bankgesellschaft (SBG), and Schweizerische Volksbank (SVB).¹ These large banks had been building an internationally dominant position in wealth management, aided by Switzerland’s privileged position during the two world wars, low inflation rates, the free convertibility of the Swiss Franc, and crucially, a discretion culture that culminated in a strict bank secrecy law (Guex, 2000).

The trajectory of the Swiss banking and financial sector since 1945 differs in two points from that of the US and the UK, on which most of the institutional change literature is focused (see Blyth, 2002; Helleiner, 1996): internationalization of the large banks and legislative changes. With relatively low foreign claims and liabilities on Swiss banks’ balance sheets, the Swiss banking sector lagged behind the globalization of the banking sector (Herger, 2023). Only in the 1990s and the 2000s did the

1 Bank Leu AG, until its absorption through *Crédit Suisse*, was also considered a large bank. However, its balance sheet was substantially lower than that of the other four.

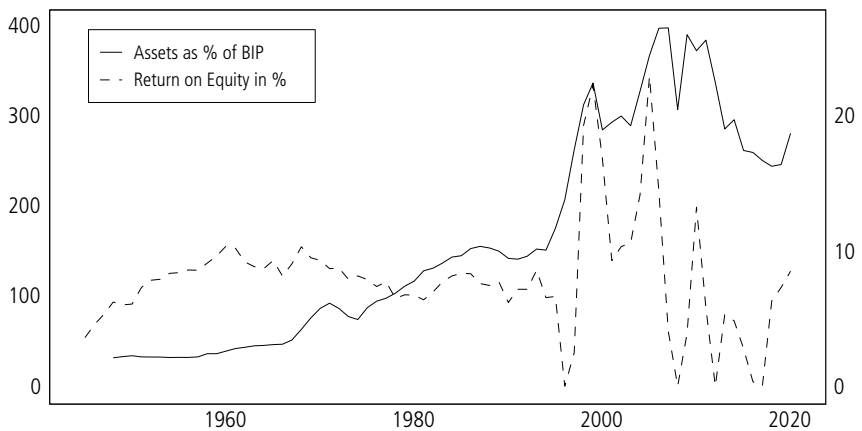
large Swiss banks recover this delay. The internationalization of large Swiss banks was achieved by the purchase of US and/or UK banks and the corresponding foray into investment banking, the most notable of which was the purchase by CS of the US investment bank First Boston in 1988. From the 1990s until the financial crisis, UBS and CS became part of a small number of global superbanks (Vitali et al., 2011).

Another major difference from the trajectory of the US and the UK was the lack of deregulation, in fact, no large-scale deregulation was possible. In Switzerland, banking regulation was historically based on self-regulation (Busch, 2003; Giddey, 2019). Most restrictions on Swiss banks since at least World War II came through the monetary policy of the Swiss National Bank (SNB). The policy aims of the SNB until the end of fixed exchange rates were to keep inflation in check and maintain fixed exchange rates at the expense of free capital flows (Bernholz, 2007). This usually meant curbing capital inflows, which would have benefited Swiss banks, but also outflows as the SNB was committed to preventing the internationalization of the Swiss Franc (Boller, 2007). The SNB also at times entered into so-called Gentlemen's Agreements (GAs) with banks to reduce loan volumes and thereby curb inflation at the end of the 1960s and beginning of the 1970s. By the early 1980s, however, credit control via GAs was a thing of the past, and capital imports were fully liberalized (Boller, 2007). The actions of the SNB can be viewed as responses to a changing international order that were driven primarily by the end of fixed exchange rates and liberalization in important financial centers such as the US and UK. Not all legislative changes involved deregulation. After several high-profile cases such as the *Chiasso* scandal in 1977, banking became highly politicized in the late 1970s and the 1980s (for an in depth historical account, see Tobler, 2021). Eventually, this politicization led to regulatory tightening with the *Geldwäschegesetz* (money-laundering law) in 1997, which represented a departure from the tradition of self-regulation in the banking sector (Busch, 2003). However, with the help of center-right political parties, the big banks invoked the liberalization of foreign financial centers to lower taxes such as the *Stempelsteuer*, a financial transaction tax (Busch, 2003, 2009). It was thus primarily monetary policy, and only to a lesser extent the legislative environment, that produced a shift of political priorities from the industrial sector, focused on export, to the financial sector and created a rift between *Werkplatz Schweiz*, the production sector, and the *Finanzplatz Schweiz*, the financial sector (Tanner, 2015).

The 1990s was a watershed period of this change in the Swiss banking sector. After the real estate crisis in the early 1990s, a wave of consolidations reduced the number of banks by about 20% (Giddey & Mazbouri, 2022). Most notably, the SVB and Bank Leu AG were taken over by the Crédit Suisse group, and the SBV and SBG merged to form UBS in 1997. Many of the smaller banks were also taken over by one of the two big banks. Swiss banks were largely unconstrained by capital controls and benefitted from comparatively lax regulation through both the SNB and the

Eidgenössische Bankenkommision, the federal banking commission, by the end of the 1990s (Busch, 2003). The strong growth of the financial sector vis-à-vis the rest of the economy meant that finance as a proportion of the Swiss economy doubled from 6% in 1950 to 12% in 2005 (HSSO, 2012). Most of this growth came from the large Swiss banks, which grew disproportionately to the rest of the banking sector (Giddey, 2013). Most profits and growth for the two large banks came now from overseas, in particular the investment banking branch in the US. Even though most growth was off the balance sheet, there was still a strong increase in assets relative to GDP until 2008. Figure 1 shows both assets of the big banks relative to Swiss GDP and the return on equity. Assets more than doubled relative to GDP between 1990 and 2000. Moreover, profitability measured by return on equity is marked after 1995 by both strong growth and high volatility. This illustrates the orientation towards a riskier business strategy, driven by investment banking and higher leverage.

Figure 1 Assets to GDP and Return on Equity of the Large Swiss Banks from 1945–2020



Source: Bank data (profits, assets, capital) from SNB (2023b, 2023a). GDP (BIP) data from BfS (2023a). Own calculations.

Growth in both assets and profitability stopped with the financial crisis of 2008. This year marked the end of strong growth of the big Swiss banks, whereafter a period of retrenchment followed. UBS scaled down its investment bank and stabilized as a lower-tier international bank. CS did not, and its investment bank repeatedly incurred heavy losses, which would eventually lead to bankruptcy for the entire bank in 2023 (Walker & Morris, 2023). On the regulatory side, capital requirements were increased after the financial crisis through Basel III and the domestic

too-big-to-fail amendment to the banking law (Busch, 2009). The two big banks lost market shares domestically and internationally (BfS, 2023b). At the outbreak of the COVID-19 crisis, the share price of UBS was only a fifth of what it had been at its peak in 2007, those of CS a quarter. The Swiss financial sector, and the banking sector in particular, exhibited strong growth in the three decades before the financial crisis but again lost relevance in the post-crisis period.

2.4 The Transformation of Banking Elites in Switzerland Since 1945

The historical context of the Swiss financial system is important to understanding the changes in corporate elites of the largest Swiss banks. In Switzerland, economic and political elites were traditionally highly intertwined, and political decision-making was influenced by a tightly knit network of business associations (Mäder, 2015; Tschäni, 1985; Wittmann, 2003). This tightness was fostered by similar socialization, including a stint as military officer and an education in a Swiss university. The Swiss tradition of a *Milizparlament*, a nonprofessional parliament, meant that politicians were often managers or board members of businesses. Policy-making was strongly influenced by a corporatist business structure in which businesses were affiliated within economic associations (Franc, 2013; Katzenstein, 1987). The business association Vorort was so powerful that its president was unofficially described as the eighth federal councilor.

For much of the 20th century, the integration between economic sectors was strong. Members from nonfinancial enterprises sat on the board of banks and vice versa (Mach et al., 2016). This integration was the foundation of corporate finance. In Switzerland, as in Germany, firms financed themselves primarily with bank credit. The bank-based model, in contrast to the Anglophone market-based model of capital investment, requires a synergetic relationship between banks and nonfinancial corporations (Demirgüç-Kunt & Levine, 2001; Levine, 2002). This strong relationship with interlocking directorates was weakened during the internationalization phase of the Swiss financial system and banks have become less central in the Swiss company system as a result of “disinvestment” from the industrial sector (Ginalski et al., 2014). This was particularly true for the big banks, which after the consolidation wave in the 1990s shifted their focus to foreign markets and investment banking and were accused of restrictive lending to SMEs (Schallberger, 2003).²

The internationalization of the large Swiss banks has meant moving the focus away from domestic retail banking to investment banking and asset management.

2 This dissociation from the Swiss economy and diverging interests between the big banks and Swiss industry was causing rifts within the corporate landscape. Tensions in the successor business associations of the Swiss Trade and Industry Association Vorort (renamed *economiesuisse* in 2000), grew to such a point that the biggest subassociation *swissmem*, representing the metal industry, threatened to exit because its leaders felt that the association came to only represent the financial industry (NZZ, 2006).

This change in business strategy primarily involved acquisitions and mergers. From a resource dependence view, it is logical for banks to acquire or merge with new banks that serve as a springboard to new markets. Both UBS and CS gained access to UK and US investment banking by acquisitions. SKA had already cooperated with the US investment bank First Boston since 1978 before acquiring a controlling stake in 1988 to form *Crédit Suisse First Boston (CSFB)* as the investment bank subsidiary of *Crédit Suisse* group.³ The predecessor to UBS, *Schweizer Bankverein (SBV)*, acquired two US investment banks, *O'Connors and Associates* and *Dillon, Read & Co.*, and a UK bank, *S.G. Warburg & Co.*, within five years (1992–1997). Through acquisitions, non-Swiss personnel would join the executive boards of the large Swiss banks. The US-American Gary P. Brinson, for example, became the head of global asset management for UBS after UBS bought his firm *Brinson Partners*. Others came in through recruitment: John Mack was recruited from *Morgan Stanley* to first become the head of CSFB and then CEO of CS in 2003. The resource dependence view extends to recruitment: resources acquired by the organization can include skills and social capital. In the case of the large Swiss banks, they needed US Americans with experience in the US financial sector to make the right strategic decisions in the US market. Appointments depend on which business area is most important to a bank and reflect the know-how and network of an appointee. Before the internationalization of the large Swiss banks, know-how about the national economy, society, and law were important, as were connections with important politicians and leaders from large industrial corporations. These connections were often made at Swiss universities, the military, clubs, and associations. In particular, universities are important not only to acquiring skills but also to creating a network with other students likely to achieve an elite position in economy, politics, or culture (Bourdieu, 1996; Mills, 1956; Tholen et al., 2013; Zimmerman, 2019). In Switzerland, the most common degree of the elite was a law degree (Wittmann, 2003) and the same was true of banking elites (Cassis & Debrunner, 1990). This type of education is emblematic of a nationally oriented elite structure because it is mostly useless for a career abroad but useful in many domestic economic sectors as well as in politics. Occupational background is similarly important in assessing skills and social capital. Before internationalization, a stint in a nonfinancial corporation was likely advantageous because implicit and explicit knowledge gained there was helpful in deciding credit policy towards that specific firm or industry because Swiss banks were the house banks and main source of finance of nonfinancial Swiss firms. To our knowledge, occupational background has largely been overlooked as a changing characteristic of elite composition. Both educational and occupational background are good indicators of the levels of skills and social capital a person possesses.

With the internationalization of the financial system that gave banks large growth potential outside their home markets, the resources desired of the corpo-

3 For a history on the genesis of the *Crédit Suisse* Group, see Jung (2000).

rate elites changed. International networks became more important, as did more specialized skills specific to investment banking and asset management. An obvious implication of this change was a higher proportion of foreign board members and managers recruited to Swiss banks. Switzerland is a small country with a disproportionately high number of large multinationals. Switzerland also has a comparatively high proportion of foreign managers in large firms (Davoine & Schmid, 2022). Analyses of longitudinal Swiss elite trajectories indicate that the Swiss business elite underwent strong internationalization between 1980 and 2010 (Bühlmann et al., 2013). International managers and Swiss managers with international careers and networks grew strongly in number (Bühlmann et al., 2012). This is particularly true for the large banks, where international careers became the norm among the top personnel (Araujo & Davoine, 2024). As a consequence, the tightly-knit Swiss corporate network dissolved over the same period (Rossier et al., 2022). Bühlmann, David, and March (2012) ascribe this process to the influx of foreign managers, the managerialization of industrial leaders, and the marginalization of law degree holders. Education at foreign top universities became more important for their careers, most often completed with a MBA or finance degree (Davoine & Schmid, 2022). In Germany, for example, the proportion of banking elites with a MBA degree almost tripled between 1980 to 2001, increasing from 15.6% to 41.5% (Berghoff & Köhler, 2007). The advent of US-style managerialism (Carroll, 2009) meant that elite bankers began to think of themselves less as bankers and more as managers (Kerr & Robinson, 2012). This also applies to Swiss banking elites. A longitudinal analysis on Swiss banking elites by Araujo et al. (2023) showed that, compared to 1980, there are more banking elites with university degrees, education, and working experience outside Switzerland, and fewer elites with an officer rank in the Swiss army.

2.5 Elite Transformation, Banking Strategy, and Social Welfare

The banking elite replacement amid the relative ascendancy of financial institutions is usually seen in a negative light, particularly in Switzerland where one of two large banks had to be bailed out and another absorbed by the other within the span of 15 years. Beyond the dangers of high leverage and high-risk business strategies, the shift to investment banking and asset management of the large Swiss banks crowded out potentially beneficial but less profitable banking activities such as retail banking. The history of the Schweizerische Kreditanstalt, from which *Crédit Suisse* would later emerge, serves as a good illustration. It played a large part in the modernization of Switzerland by financing railroad projects and industrial corporations such as ABB. The large Swiss banks would continue to finance Swiss industry throughout the 20th century and are still important partners for larger, internationally oriented Swiss firms. However, the reorientation towards foreign markets, most notably the US financial market, and towards investment banking at the end of the 20th century

compromised these traditional functions of large banks. Generally, a healthy banking sector is a prerequisite for economic development because it directs finance to productive enterprises (King & Levine, 1993; Rajan & Zingales, 1996). However, several studies have shown that, after a certain point, larger financial sectors are associated with worse economic performance (Arcand et al., 2015; Cecchetti & Kharroubi, 2019; Law & Singh, 2014), largely because they tend to load an economy with unproductive debt. Providing finance to businesses that raise productivity increases social welfare, whereas securitizing subprime mortgage loans does not, to use an extreme example. In Switzerland, critical observers noted that lending practices by the large banks had become more restrictive as they invested more in their higher-margin investment banks (Schallberger, 2003). The new business opportunities in investment banking and the trading business led capital allocation away from the loan business: a shift from retail banking to investment banking and asset management. On the income statement, this shows as a shift from interest income towards income from commission and fees as well as trading income (Krippner, 2011). Besides income composition, changing loan volumes to different economic sectors is another aspect of a banking strategy prioritizing the financial sector over the non-financial sectors (Turner, 2017).

In summary: bank failures are the most obvious example of costs to social welfare for which leadership of banks are potentially responsible. However, the potential of banks to provide social welfare is decreased not only by undertaking “bad” activities but also by neglecting “good” activities. Various characteristics of banking elites may hold explanatory power for changes in banking strategy that reveal a decline in the banks’ contribution to social welfare.

Unlike pure elite studies, we link banking elite transformation with banking strategy. We expect the displacement of the Swiss-oriented business and political elite of Swiss nationals with a Swiss university education in such fields as law, careers outside the financial sector, for instance in production, and involved in Swiss politics by a US-socialized, financial elite characterized by a high share of US Americans, education in elite US institutions with degrees in finance or an MBA, and with occupational experience in the financial sector. We also expect this change to be associated with a change in banking strategy that potentially implies a decrease in social welfare: a decrease in the relative importance of income from retail banking and lending volumes to industry and the financial, insurance, and real estate sectors. To be precise, we should expect a lower proportion of interest income and a shift of loan volumes away from production and to financial firms. Even if we cannot test causality, it seems plausible to assume that this shift in business strategy is linked to the shift in banking elites. Banking boards with representatives from Swiss industry may inform the strategic motives of the bank to supply credit to industrial firms. Boards composed primarily of financial industry professionals are more likely to consider purely business motives.

3 Empirical Findings on the Transformation of Swiss Banking Elites and Banking Strategy

3.1 Sample and Measurements

This analysis uses a dataset of the largest Swiss banks from 1945 to 2020 compiled by the first and third authors. The dataset includes the four large banks until the 1990s: Schweizer Bankverein (SBV), Schweizerische Kreditanstalt (SKA), Schweizerische Bankgesellschaft (SBG), and Schweizerische Volksbank (SVB). After consolidation, only the consolidated CS and UBS remained. As of March 2023, only one of these banks, UBS, still exists. The dataset comprises both banking elite variables, denoting elite characteristics, and bank variables, denoting banking strategy. Banking elites were identified from the annual reports. We define the elite as the members of the board of directors and the executive board/directorate⁴. Information about the elites was collected from the Swiss elite database OBELIS (l'observatoire des élites suisses), created and maintained by the Social Science Department of the University of Lausanne. Bank practice variables were collected directly from the annual reports. Almost all information had to be recorded manually. Table 1 lists the banks included, the yearly observations available for each bank, the year of merger with other banks in the sample, the number of executive team members and members of the board of directors observed for each bank, and the person–year observations for each bank.

For the banking elites, we coded the CV of each person for demographic data such as age, gender, length of stay, educational background, professional career, political functions, and party membership. Code lists were created to enable unambiguous coding, and the sample was double-coded to ensure data quality. All variables were measured in binary form. We then created aggregated variables at the level of each bank and each year. We construct three composites: the total elite, the board of directors only, and the executive board only. The aggregated measurements are therefore on a range from 0 (no one on the committee has the characteristic) to 1 (all on the committee have the characteristic). Table 2 lists the descriptive statistics of the measurements included. The list of recorded variables and their measurements are derived from literature on upper echelons theory, which empirically analyzes the effects of demographic board composition (for an overview see Hambrick, 2007).

The proportions of US and Swiss citizens are aggregated from information about the nationalities of committee members. Multiple citizenship was taken into account. The proportion of elites with university education in the US and/or in Switzerland records how many of the members have completed their studies in the USA and/or Switzerland. Cross-border degree programs and multiple programs in different countries were considered. To capture elite education, we recorded how

4 In Switzerland, board of directors are by law not required to appoint an executive board and cannot assign the control over the corporation to an executive. However, having an executive board or directorate was the norm for large Swiss corporations and banks. The directorates used to be less powerful and composed of fewer members than they are today (David et al., 2015).

Table 1 Description of the Sample of the Large Swiss Banks and Their Banking Elites

Large Swiss Bank	Converted into	Time of observation	N years of observation	N elite individuals	N person-year observation
CS	2023: UBS	1997–2020	23	105	576
UBS		1998–2020	22	98	480
SBV	1998: UBS	1945–1997	53	169	1825
SBG	1998: UBS	1945–1997	52	130	1616
SKA	1997: CS	1945–1996	51	161	1713
Volksbank	1997: CS	1945–1996	51	132	1231
Overall			252	795	7441

Source: Compiled data – data sources (annual reports, OBELIS, etc.).

Table 2 Descriptive Statistics

Variable	Obs	Mean	SD	Min	Max
Overall elite					
Share of US citizens	258	0.04	0.10	0.00	0.45
Share of education in the US	258	0.11	0.16	0.00	0.62
Share of education in top elite institutions	258	0.09	0.13	0.00	0.50
Share of career in finance and insurance	258	0.45	0.19	0.11	0.96
Share of finance education	258	0.36	0.22	0.00	0.88
Share of MBA education	258	0.05	0.08	0.00	0.30
Share of Swiss citizens	258	0.90	0.20	0.27	1.00
Share of education in Switzerland	258	0.88	0.20	0.27	1.00
Share of career outside the financial sector	258	0.71	0.15	0.36	1.00
Share of career in production	258	0.58	0.23	0.04	1.00
Share of law education	258	0.44	0.17	0.04	0.89
Share of political representatives	258	0.12	0.07	0.00	0.30

Continuation of Table 2 on the next page.

Continuation of Table 2.

Variable	Obs	Mean	SD	Min	Max
Board of directors					
Share of US citizens	258	0.03	0.08	0.00	0.36
Share of education in the US	258	0.09	0.15	0.00	0.63
Share of education in top elite institutions	258	0.08	0.12	0.00	0.50
Share of career in finance and insurance	258	0.42	0.17	0.00	0.91
Share of finance education	258	0.33	0.22	0.00	0.92
Share of MBA education	258	0.05	0.09	0.00	0.42
Share of Swiss citizens	258	0.90	0.19	0.27	1.00
Share of education in Switzerland	258	0.89	0.21	0.18	1.00
Share of career outside the financial sector	258	0.74	0.15	0.33	1.00
Share of career in production	258	0.63	0.21	0.08	1.00
Share of law education	258	0.43	0.17	0.00	1.00
Share of political representatives	258	0.17	0.09	0.00	0.38
Executive Board					
Share of US citizens	258	0.05	0.13	0.00	0.64
Share of education in the US	258	0.16	0.23	0.00	1.00
Share of education in top elite institutions	258	0.10	0.20	0.00	1.00
Share of career in finance and insurance	258	0.49	0.34	0.00	1.00
Share of finance education	258	0.45	0.35	0.00	1.00
Share of MBA education	258	0.07	0.16	0.00	1.00
Share of Swiss citizens	258	0.89	0.22	0.17	1.00
Share of education in Switzerland	258	0.80	0.32	0.00	1.00
Share of career outside the financial sector	258	0.60	0.31	0.00	1.00
Share of career in production	258	0.48	0.36	0.00	1.00
Share of law education	258	0.51	0.34	0.00	1.00
Share of political representatives	258	0.00	0.02	0.00	0.22

Source: Compiled data – data sources (annual reports, OBELIS, etc.).

many members studied at elite universities. To classify a university as elite, we used the top 100 universities in the QS World University Rankings for accounting and finance in the year 2018. Additionally, we ascertained what type of studies or vocational training the people on the committee had completed: whether they had a degree in finance and/or an MBA. To capture the occupational background, we recorded the career paths of the committee members after they had completed their education. Based on previous employment, we ascertained whether the members had any professional experience outside the financial sector generally and how many members had experience in production specifically. The occupational classifications are derived from the sectors of the companies listed in the CV. Finally, we recorded whether the elite member holds a political office.

For the bank practices indicators, we collected data from the income statement and extended balance sheet information in annual reports. The proportion of interest income is calculated from income composites. The corresponding figure shows the importance of interest income as the ratio of interest income to the total operating income, consisting of interest income, fee and commission income, trading income, and other income. This roughly corresponds to the importance of retail banking compared to other branches such as wealth management, asset management, and investment banking. The relative credit volume for industry and the financial sector comes from extended balance sheet information. The measures are loans to each sector over total business loans. Industry corresponds to the secondary sector, which includes both industry and construction. Because of changing accounting practices over time and across banks, the financial sector includes insurance and real estate to ensure comparability. This is identical to the US classification of the finance, insurance, and real estate (FIRE) sector.

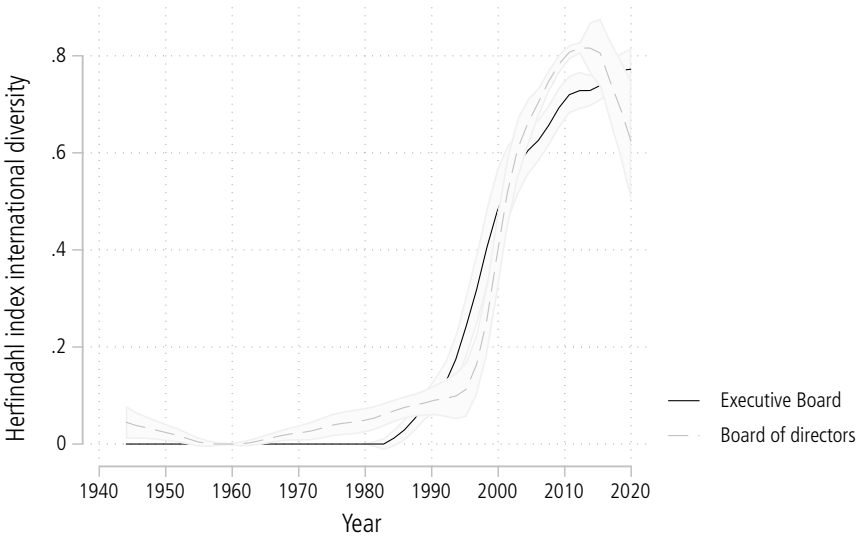
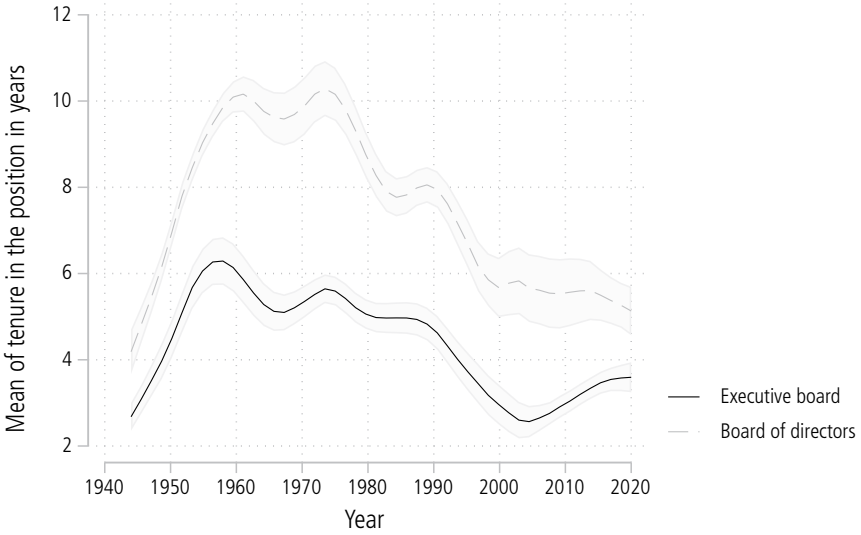
3.2 The Transformation of Banking Elites in Switzerland Since 1945

Figure 2⁵ illustrates the development of the tenure of the banking elites since 1945 and the internalization of the boards and management teams.

The length of time spent in office initially increases from 1945 from 3–4 years to 6–10 years, which is partly because the committees were replaced in the post-war period. This is followed by a long period until around 1975 during which the length of service remains fairly constant. From then onwards, the length of stay begins to fall slowly at first and then dramatically from 1990 onwards. In the 2000s, the minimum is reached with a retention period of 3–6 years and then stabilizes within this range. Careers such as those of Swiss chairman Rainer Gut at SKA and later *Crédit Suisse*, who stayed 23 years with the company both on the executive board and as chairman, become rarer. Careers like those of the US-American John Mack, who stayed with the company for four years, become more common. Figure 2 also shows a dramatic change in internationalization of the committees. It shows a reversed Herfindahl index, which

5 All confidence intervals in this and subsequent figures are 95%.

Figure 2 Tenure and Internationalization of the Swiss Banking Elites from 1945–2000



is the sum of the squares of the population fractions belonging to each nationality.⁶ Although the committees were comprised almost exclusively of Swiss nationals until the 1980s, there was an explosion in the international composition of the committees from the late 1980s. Within 15 years (1985–2000), the elites of the banks had become largely international as the proportion of Swiss members drops to 40%.

Figures 3 and 4 show the development of the various indicators of Table 2 relating to the educational background of the banking elite. We sorted the indicators according to two groupings, which we label the Swiss-oriented business and political elite and the US-socialized financial elite. This categorization follows content-related considerations and is empirically confirmed by factor analyses and reliability tests (see Table 3). We first present the developments of the underlying individual indicators and then continue working with the composite indices.

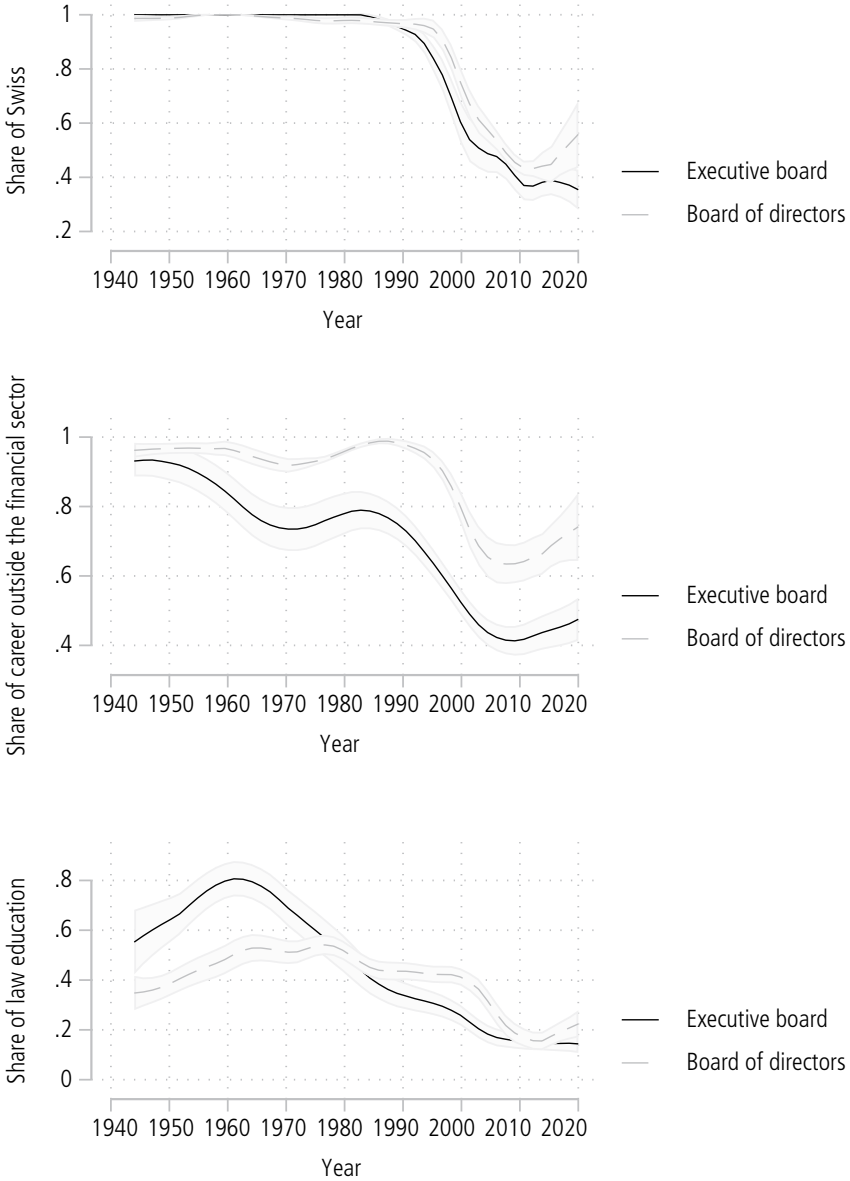
Table 3 Reliability of the Constructs

Variable	Factor loadings
US-socialized financial elite	
Share of Americans	0.8007
Share of education in the US	0.9465
Share of education in top elite institutions	0.8372
Share of career in finance and insurance	0.6379
Share of finance education	0.7360
Share of MBA education	0.8008
Cronbach's alpha	0.8693
Swiss-oriented business and political elite	
Share of Swiss	0.8502
Share of education in Switzerland	0.6583
Share of career outside the financial sector	0.6523
Share of career in production	0.6330
Share of law education	0.6820
Share of political representatives	0.4720
Cronbach's alpha	0.7868

Note: Bank elite indicators are included as the mean value of the overall elite (N = 258) and as the mean values of the Board of directors (N = 258) and the Executive Board (N = 258).

6 The index can be interpreted as the probability that two randomly selected committee members have different nationalities.

Figure 3 Displacement of the Swiss-Oriented Business and Political Banking Elite



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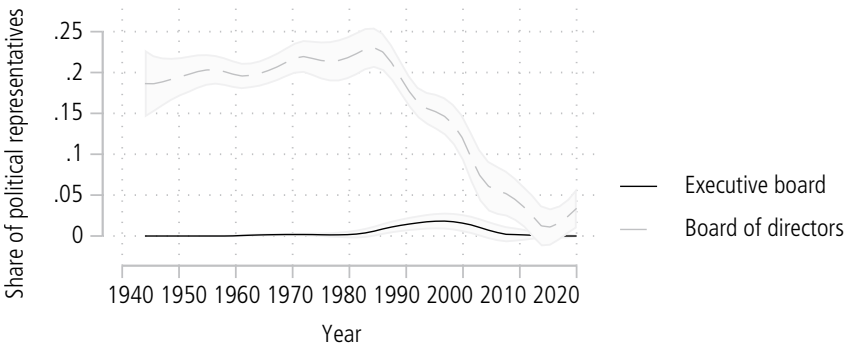
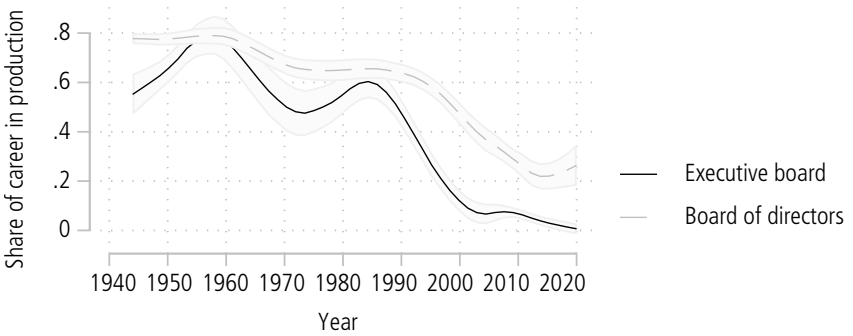
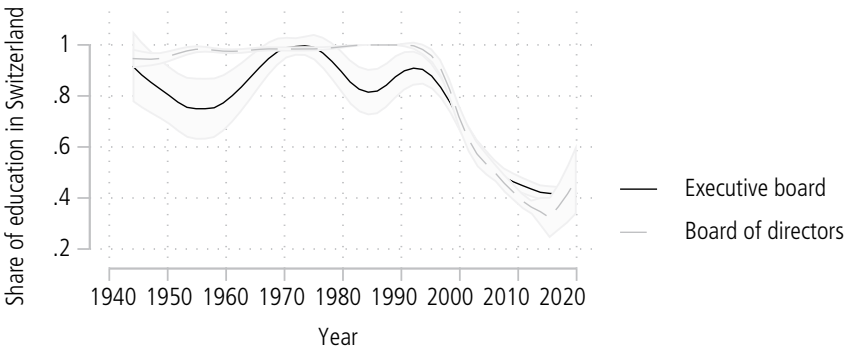
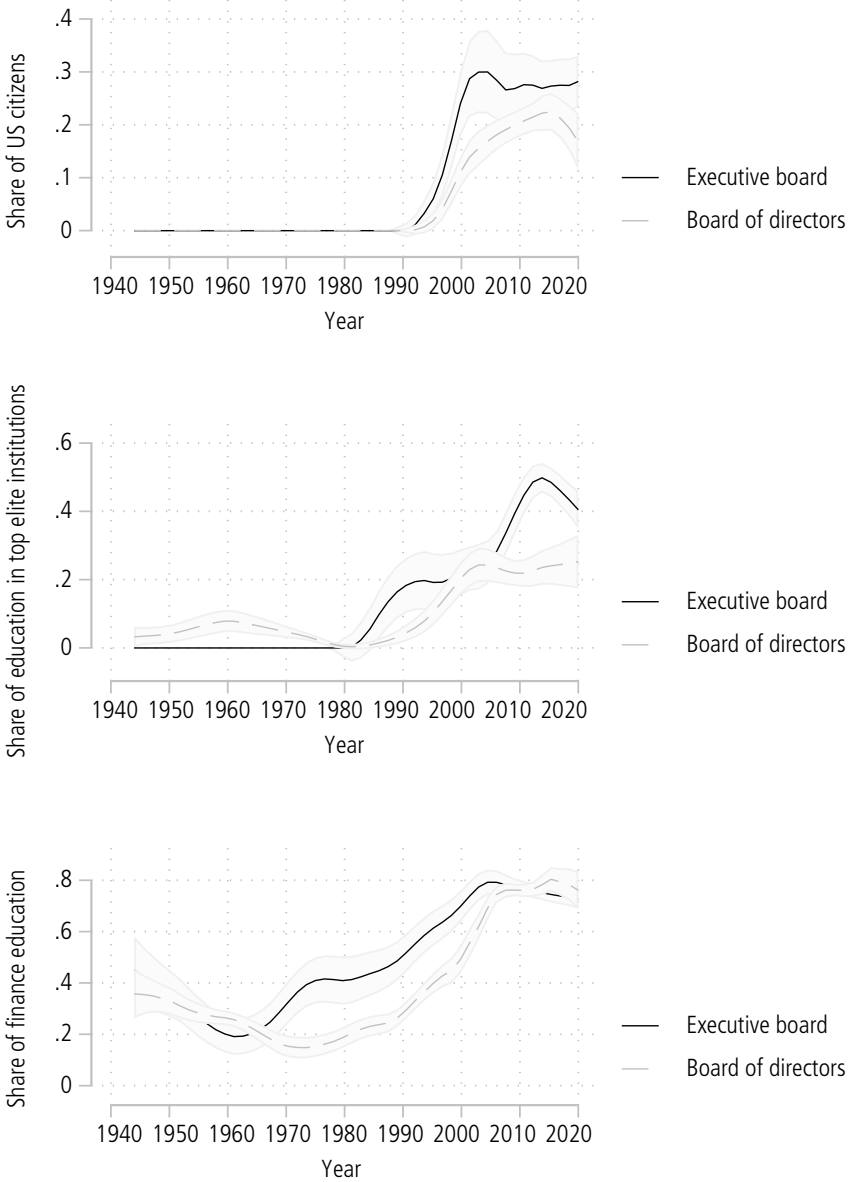


Figure 4 Transformation to an US-Socialized Financial Banking Elite



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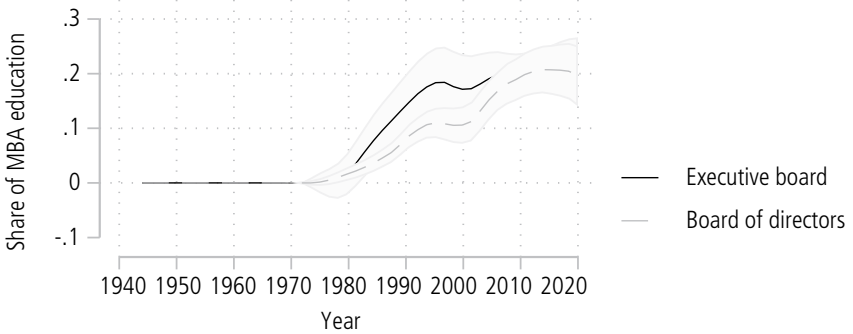
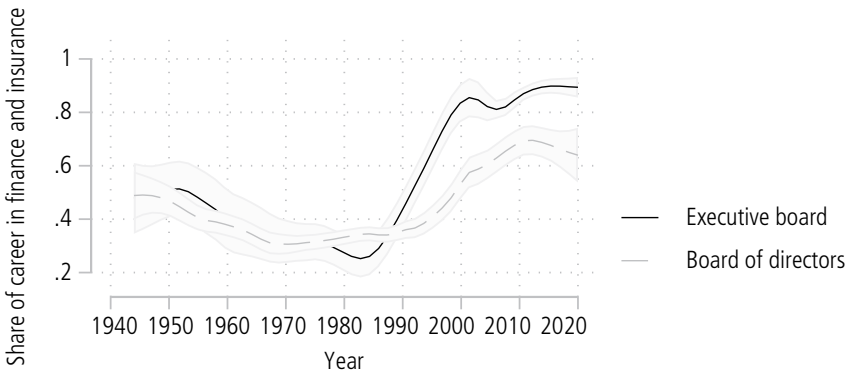
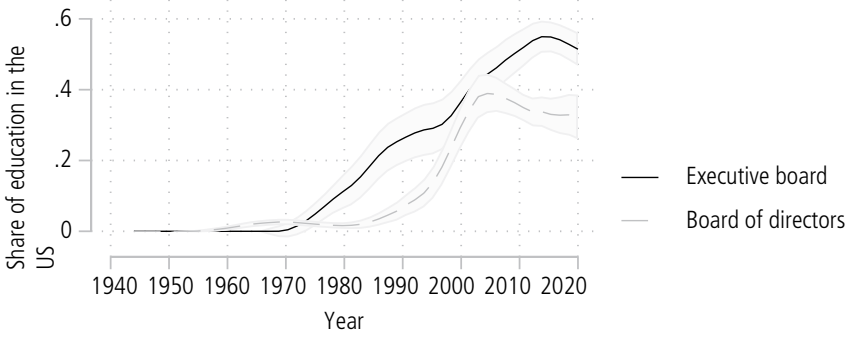


Figure 3 shows the rapid displacement of the Swiss-oriented business and political banking elite, which begins slowly in the 1980s and gains momentum in the 1990s. For a long time, the proportion of Swiss nationals or people who underwent training in Switzerland remains close to 100%. This proportion fell to 40% within 15 years. This development affects the executive board and the board of directors in the same way. The trend is somewhat more nuanced among the experience of people outside the financial sector, particularly in production. The loss of outside experience is particularly drastic for the board of directors: here the proportion falls from almost 100% to 40% for experience outside the financial sector and from 60% to nearly 0% for experience in production. In management, we observe a drop from almost 100% to 70% for experience outside the financial sector and from 80% to 20% for experience in production. The decline in legal education also affects the executive board more than the board of directors. In the former, the proportion of elites with a law degree falls from 80% in the 1960s to around 20% in 2010. For a long time, elites with a law degree account for 40% of the members of the executive board, but by 2020 they only comprise around 20%. No trend in political involvement is apparent among the executive boards: these comprise nonpolitical representatives over the entire period. In contrast, there is a clear trend in the board of directors. Politicians initially comprise 20% of these bodies and by 2020 are hardly to be found.

Figure 4 illustrates the transformation of the banking elite into a US-socialized financial elite. As expected, the picture here is exactly the opposite to that in Figure 3. From the 1990s onwards, we see a significant increase in US citizens in the executive board and the board of directors to 30% and 20% respectively. This trend is even more pronounced for education. At the end of the observation period in 2020, almost 60% of board members and almost 40% of executive management have an education at US universities. Moreover, education at top elite institutions, such as Ivy League universities, gain in importance in the committees. Whereas for much of the observation period recruitment does not require a degree from an international top university, that factor is more important by 2020: the proportion of executives with a top elite education is 40% and that of directors at least 20%. The occupational background also changed drastically. Financial experience, whether through a career in the financial sector or specialized training, becomes highly important. At the beginning of the study period in 1945, 50% of committee members have no real experience in the financial sector. By 2020, the picture is vastly different. Almost no member of the executive board and only 30% of the directors have a nonfinancial background. Similarly, in 1985, around 40% have an education in finance. By 2020, that figure has doubled to roughly 80%. Finally, MBA training gains importance among the banking elite. One in five members in 2020 have such an additional qualification.

Figure 5 shows a summary of the individual indicators in aggregate indices. The aggregated indices are calculated as the sum of the variables included to measure

a Swiss-oriented business elite and a US-socialized financial elite divided by their number (see Table 3). They thus indicate the proportion of members in the committees with these characteristics and can range between 0 (no one on the committee has these characteristics) and 1 (all on the committee has these characteristics). As the figure indicates, the proportion of Swiss business-oriented top personnel in the banks fell from 60% to 25% between 1985 and 2020, while the proportion of non-Swiss financially oriented top personnel increased from 15% to 45%. These results suggest a strong transformation of Swiss banking elites. Most of this change occurred in just 15 years between 1985 and 2000. The magnitude of the change amounts to a displacement of the Swiss political and business-oriented elite with a US-socialized financial elite.

Figure 5 Displacement of the Swiss-Oriented Business and Political Elite by an US-Socialized Financial Elite

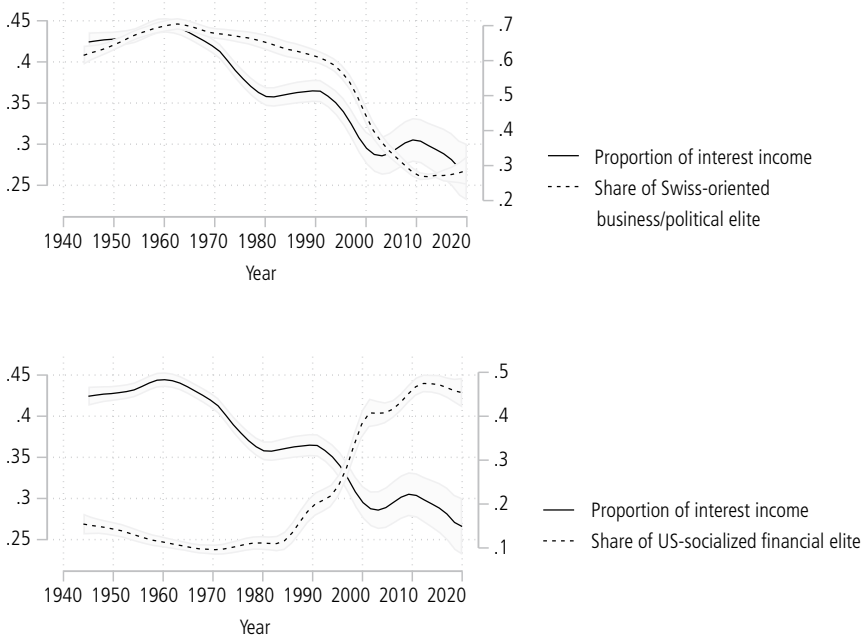


Note: Sum scores calculated from the indicator variables in Figures 2 and 3 with a possible minimum of 0 and maximum of 1.

3.3 Elite Transformation and Banking Strategy

Here, we relate changes in elite composition to two changes in banking strategy: shifts in relative interest income and credit volumes to the financial sector and to industry. As already noted, we do not attempt to establish any causality. However,

Figure 6 Development of the Transformation of Banking Elites and Proportion of Interest Income



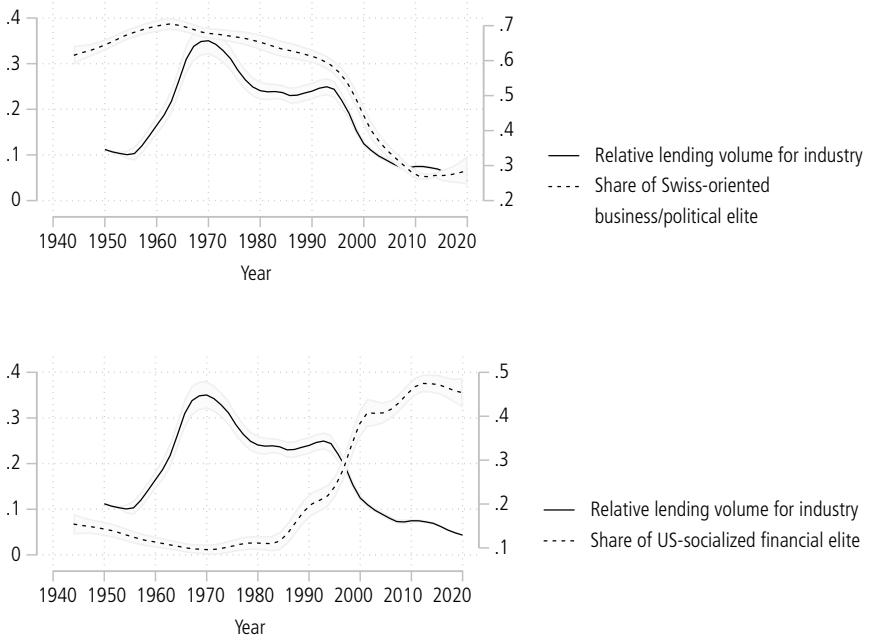
Note: Bank elite indicators are included as the mean value of the overall elite (N = 258) and as the mean values of the board of directors (N = 258) and the executive board (N = 258).

we assume that they are highly interrelated. The strong link between the two is confirmed in the following figures.

Figures 6 illustrate banks' proportion of interest income over the period. It can be roughly interpreted as the importance of retail banking or financial intermediation. We find a roughly parallel development between the decline in interest income and the decline of the old Swiss elite from 1970 onwards. Moreover, the decline in interest income and the increase in the new US-socialized financial elite are broadly concurrent. This finding confirms the reorientation towards the US financial markets and corresponding prioritization of investment banking. Interestingly, the trend is downwards after the financial crisis and more closely tracks the trend of the US-socialized financial elite. We do not see any reorientation towards retail banking.

Figures 7 and 8 show the relative allocations of business loans granted to industry and construction and to the financial sector (denoted as FIRE) in relation to the transformation of banking elites over the period. We find a close association

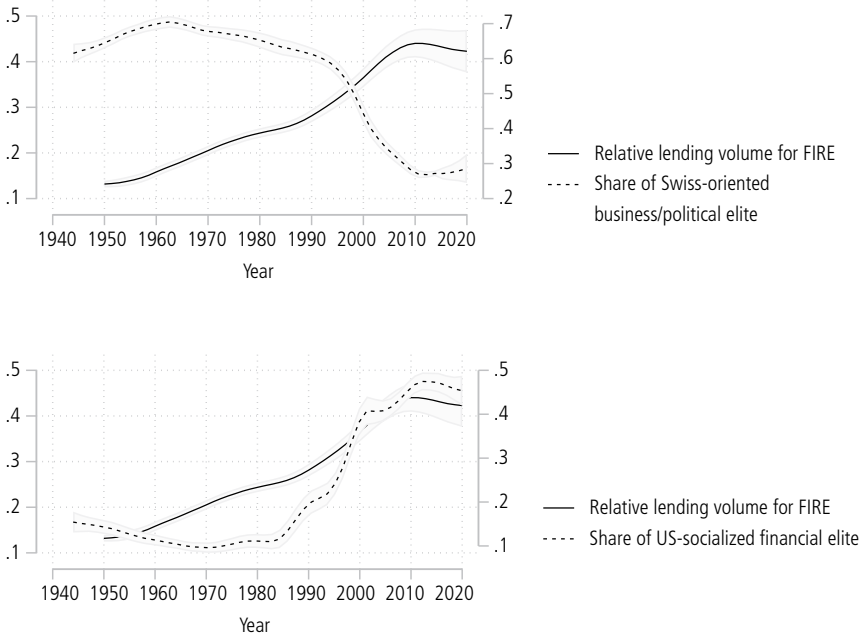
Figure 7 Development of the Transformation of Banking Elites and Relative Lending Volume to Industry



Note: Bank elite indicators are included as the mean value of the overall elite (N = 258) and as the mean values of the board of directors (N = 258) and the executive board (N = 258).

between the decline in loans to industry and the decline of the old Swiss elite from 1970 onwards. We find an even closer association between relative loan volume to the financial sector and the rise of the US-socialized financial elite, where the development is broadly parallel. Notably, changes in relative loans seem to precede elite replacement. This suggests that banks first react to changes in demand and respond with recruitment rather than the other way round. However, it is implausible that these changes are simply responses to changes in the market for business loans. The proportion of industrial loans from the big banks decreased from 25% in the mid-1990s to less than 10% ten years later. In contrast, industry’s proportion of total value added to the Swiss economy remained stable at around 30% (HSSO, 2012). Closer inspection of the data reveals not only a relative change in loans to industry but also an absolute change. We argue that it is not simply lower demand for loans by industrial firms but restrictive lending practices by the large banks that drive the decline in loans to industry and, inversely, the rise in loans to the financial sector.

Figure 8 Development of the Transformation of Banking Elites and Relative Lending Volume to the Financial Sector



Note: Bank elite indicators are included as the mean value of the overall elite (N=258) and as the mean values of the board of directors (N=258) and the executive board (N=258).

4 Discussion

The findings largely confirm our assumptions. What is remarkable is the speed of elite replacement and changing business practice observed. The shift from a Swiss, Swiss-educated, and occupationally varied banking elite to an international, US-educated, and financially specialized one mostly occurred in just 15 years, roughly between 1985 and 2000. This period was a watershed for the Swiss banking sector, marked by the consolidation from which CS and UBS emerged. This change also coincided with an equally marked decline in the importance of retail banking and redirection of loan volumes from production to finance. The composition of Swiss banking elites is closely related to changing business practice at the banks. Superficially, this is unsurprising: different personnel are going to mean different business strategies. It is nonetheless remarkable how closely business practice and elite composition relate to each other. The findings lend support to the resource dependence

perspective according to which the human and social resources of top personnel in organizations are applied to maximize the power of organizations.

Our findings lend further support to the idea of elites as windows into organizations. Leader selection indicates the strategies that organizations want to pursue. In some instances, the impact of leaders can be quantified. For example, having CEOs with MBAs can lower employees' wages (Acemoglu et al., 2022). However, our contribution goes beyond assessing the relation between the characteristics of top personnel and firm indicators. We situate changes in the human and social capital of Swiss banks' top personnel within wider institutional change. The institutional change in question is the rise of finance within the global economy. This rise was enabled by the internationalization of the financial system after the decline of the Bretton-Woods fixed exchange rates, which had required countries to use capital controls and other means to curtail international financial flows.

The rise of the financial sector is often appraised critically, noting the pernicious effects of high indebtedness (Schularick & Taylor, 2012), inefficient human capital allocation (Murphy et al., 1991), and socially unproductive business strategies such as speculative activities and high leverage (Pistor, 2019; Tooze, 2019). At its most extreme, criticism has painted finance as outright parasitical (Bezemer & Hudson, 2016). A major concern about banks has always been that socially useful projects are neglected in favor of less socially useful ones. Banks' credit policies focus on mortgage loans to individuals and loans to the financial sector, which leads to worse economic outcomes (Bezemer et al., 2023; Cecchetti & Kharroubi, 2019). Consequently, the business practices that banking elites implement are highly relevant to social welfare. The financial crisis ended the worst excesses of the precrisis era and lessened the importance of investment banking. Nonetheless, even 15 years after UBS needed to be bailed out during the crisis, it was the investment bank branch of *Crédit Suisse* that proved to be its undoing. Even so, the partial withdrawal from investment banking has not resulted in a return to retail banking and industrial investment nor led to a renationalization of banking elites. Our data only offer slight signs of the return of a Swiss-oriented business and political elite. Since the financial crisis, a few more Swiss and Swiss-educated board members and managers have appeared among the top personnel of Swiss big banks. This rebound should not be exaggerated. It is unlikely that Switzerland will return to the closely-knit elite network characteristic of the preglobalization era. That said, the increasing politicization of the two large banks, and from March 2023 one big bank, has had an unmistakable impact on the discourse around banks that will likely have implications for UBS business strategy and personnel decisions. It is perhaps no accident that Sergio Ermotti, a Swiss who started his career with a bank apprenticeship, was re-appointed as CEO. Furthermore, the loss of *Crédit Suisse* as an important source of finance for export-oriented SMEs is a topic of critical commentary and increases pressure on UBS to maintain good financing conditions

(Müller, 2024).⁷ The competitive pressure of an internationalized financial system and the scramble for market shares outside Switzerland mean that UBS will still be committed to being a global bank. Besides some stronger regulations on capital ratios, there are no real changes in the business environment for Swiss banks, and drastic changes to the international financial architecture are not on the horizon.

5 Conclusion

Institutional change involves more than just the transformation of organizations over time. Peter Hall (1986, p. 19) defined institutions as “the formal rules, compliance procedures, and standard operating practices that structure the relationships between individuals in various units of the polity and economy.” Changes within top personnel and the business practice of large Swiss banks mirror an international institutional change involving the rise of financial institutions in the global economy. In Switzerland, this rise primarily led to the emergence of two superbanks, UBS and Crédit Suisse. This emergence was accompanied by a decoupling from the rest of the economy, visible in the skills and social capital required by banks’ top personnel. Our contribution has been to empirically confirm the close relationship between requirements of leadership and business strategy, to provide a view of this relationship in banks, and to provide new insights into changes in the Swiss banking system and Swiss bank elites since 1945.

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7 As of 2024, the pressure does not appear to be working, as export-oriented enterprises complain about worsening credit conditions (Schätti, 2024).

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Scripting the Habitus: How Financial Devices Prefigure Class Differences

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Abstract: Prior research explains socioeconomic differences in financial decisions by the habitus, preferences, and constraints. Yet financial decisions are increasingly shaped by platforms, which prefigure subjectivities and behaviours. Analysing scripts of financial platforms targeted at different classes, we suggest that the scripts of the platforms used by diverse classes become central to fostering class differences in financial decisions. Contributions to the sociology of finance, class-formation, and the performativity of marketing are discussed.

Keywords: Digital devices, financial decisions, social class, inequality, scripts

Scénariser l'habitus : comment les dispositifs financiers préfigurent les différences de classe

Résumé : Des recherches antérieures expliquent les différences socio-économiques dans les décisions financières par l'habitus, les préférences et les contraintes. Cependant, les décisions financières sont de plus en plus façonnées par les plateformes, qui préfigurent les subjectivités et les comportements. En analysant les scripts de plateformes financières ciblant différentes classes, nous suggérons que les scripts des plateformes utilisées par diverses classes deviennent centraux pour favoriser les différences de classe dans les décisions financières. Les contributions à la sociologie de la finance, à la formation des classes et à la performativité du marketing sont discutées.

Mots-clés : Appareils numériques, décisions financières, classe sociale, inégalités, scénarios

Scripting the Habitus: Wie Finanz-Apparaturen Klassenunterschiede vorwegnehmen

Zusammenfassung: Frühere Forschungen erklären sozioökonomische Unterschiede in finanziellen Entscheidungen durch den Habitus, Präferenzen und Beschränkungen. Jedoch werden finanzielle Entscheidungen zunehmend von Plattformen geprägt, die Subjektivitäten und Verhaltensweisen vorwegnehmen. Der Analyse von Skripten von Finanzplattformen, die auf verschiedene Klassen ausgerichtet sind, folgend, schlagen wir vor, dass die Skripte der von verschiedenen Klassen verwendeten Plattformen von zentraler Bedeutung dabei sind, Klassenunterschiede bei finanziellen Entscheidungen zu fördern. Diskutiert werden Beiträge zur Finanzsoziologie, zur Klassenbildung und zur Performativität des Marketings.

Schlüsselwörter: Digitale Geräte, finanzielle Entscheidungen, soziale Klasse, Ungleichheit, Skripte

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1 Introduction¹

Socioeconomic differences in financial decision-making are well documented (Bourdieu, 2005; Friedman & Savage, 1948; Henry & Caldwell, 2008; Mulinathan & Shafir, 2009; Pintelon et al., 2013). Bourdieusian sociology explains these differences by the different social conditions during upbringing, resulting in different economic habituses across social classes (Bourdieu, 1984; 2005), while the Foucauldian literature points to the class-specific resistance and domestication processes of financializing discourses (e.g., Verdouw, 2017). In the age of digital financial devices, however, the human decision-maker central to these theories fades more and more into the background. A large part of our financial decision-making is carried out with the help of apps and websites, which prefigure specific time horizons, risks, and financial preferences as well as decision-making models – often customized to the user. Drawing on the social studies of finance (Hayes, 2019), the sociology of algorithms (Airoldi, 2022), and the performativity of devices and marketing (Callon, 1998; Callon & Muniesa, 2005), this paper asks how financial devices may contribute to the shaping of class differences in economic decisions through the different economic subjectivities and behaviours prefigured by the scripts of the apps/websites targeted at different classes. To do that, it provides an in-depth analysis, using the walk-through method (Light et al., 2018), of three Swiss digital financial products, targeted at different classes: a credit site, an investment site, and a mortgage site. It shows the differences in the financial subjects assumed and encouraged by the websites and theorizes the role of devices in classed patterns of economic action.

The paper begins with a review of the literature on class differences in financial decision-making and subjectivities and explains the potential role of devices using a Callonian framework. We then outline our methodology and proceed with the comparison of the financial subjects assumed and prefigured by financial devices targeted at different social classes. We conclude by a Discussion and Conclusion, situating the contributions to the literature on class differences in financial decisions, the Callonian study of rationality and the performative role of market devices.

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2 Literature Review

2.1 Class Differences in Financial Decisions

Financial decisions involve financial behaviours, such as taking out a mortgage or choosing a stock to invest in. Financial decisions rely on cognitive processes (such as specific calculations, comparisons, or the lack thereof – see Pellandini-Simányi & Barnhart, 2024), which draw on financial preferences (such as time-preference, debt-tolerance, risk-tolerance, green values, and so on) and evoke various emotions (Henry, 2005). In this paper, we refer these under the umbrella term of financial subjectivities.

Sociology (e.g., Bourdieu, 2005), consumer behaviour (e.g., Henry, 2005), and economics (e.g., Vissing-Jorgensen, 2003) have documented socioeconomic differences in financial decision-making and subjectivities. For example, working class people tend to be more risk averse in investments, short-termist in their financial goals, more focused on daily budgeting (Henry, 2005), and more likely to engage in financial behaviour promising immediate rewards, such as lotteries (Beckert & Lutter, 2013); while the upper class is more risk tolerant in investments, more focused on long-term financial goals and on accumulating financial assets (Fligstein & Goldstein, 2015; Henry, 2005).

The question of why different social classes make different financial choices is relevant, first, from the point of view of the broader theoretical question of the effects of social structure on economic behaviour (Beckert & Lutter, 2013; Bourdieu, 1990; Henry & Caldwell, 2008). Second, given that financial choices have an impact on people's economic outcomes, class differences in financial choices are also relevant for the question of how economic inequalities are reproduced and deepened (Fligstein & Goldstein, 2015; Fourcade & Healy, 2013). For example, in the United States, the increasing credit consumption by the lower and middle classes has deteriorated their financial position, while the investments made by the upper classes allowed them to improve their financial position (Fligstein & Goldstein, 2015; Montgomerie, 2009). This angle has become all the more pertinent in the context of neoliberal responsabilization, where people are expected to make individual provisions for their consumption, pensions, healthcare, and housing through financial choices of investments, credit, and mortgages.

Theories drawing on the economics framework of rational choice attribute class differences in financial choices to the constraints and to the different levels of utility that different classes derive from specific choices, such as from investing or taking risks (Friedman & Savage, 1948; Mullainathan & Shafir, 2009; Pintelon, et al., 2013). Additional explanations include class differences in risk-perception (Makkulau & Hajar, 2024), macroeconomic expectations (Das et al., 2020), financial literacy (Asmara & Wiagustini, 2021; Raut, 2020), and behavioural biases (Laajaj, 2017).

Sociological analysis of why individuals of different socioeconomic positions may present different financial subjectivities and behaviours have been largely informed by Foucauldian analysis of financialization and Bourdieu's work on the habitus. In particular, the "Financialization of Everyday Life" literature has discussed the often conflicting discourses of neoliberal responsabilization, which call forth investorial, entrepreneurial, and consumer subjects (Langley, 2007). In the Foucauldian framework, financial subjectivities result from the internalization of discourses into subjectivities and related "technologies of the self" of self-governance. These discourses, in turn, reflect the interest of neoliberal policies which require subjects that willingly provide for their own retirement, entrepreneurially invest, yet also participate as consumers in the economy. This literature notes that discourses are not always internalized fully: according to arguments of "variegated financial subjectivities" (Lai, 2017) the "domestication of finance" (Pellandini-Simányi et al., 2015), or "layered performativity" (Agunsoye, 2024), people incorporate them differently into their everyday life and are able to engage in various degrees of counter conduct (Agunsoye, 2021; Agunsoye & James, 2024; Lai, 2017). This is partly because financial considerations enter into a web of cultural and social concerns (Pellandini-Simányi et al. 2015), and partly because what is considered a rational financial decision depends on situational constraints that people experience in their daily lives (Agunsoye 2021; Agunsoye & James, 2024).

Verdouw's (2017) study is one of the few works in this tradition that focuses on class difference. She suggests that participation and resistance to the adoption of neoliberal financial discourse varies by class due to the different "life values, life goals, monetary boundaries and future understandings" into which these discourses are incorporated. Other studies also provide hints to the sources of class differences. Lazzarato (2012), for example, argues that class relations are replaced by relations between debtors and creditors. This power relation, in turn, leads to different subjectivities: debtors are subjectivated through the morality of repayment obligation, ensuring their subordination. Other studies examine governmental discourses directed at specific classes – such as financial literacy programs for low and moderate income people in the US (Loomis, 2018) or governmental discourses of asset-based safety aimed at middle-class homeowners (Hillig, 2019) – which, read comparatively, suggest that differences in financial subjectivities and behaviours may stem from the different discourses and neoliberal constraints to which different classes are subjected.

The second main tradition, informed by Bourdieu, suggests that class constraints get ingrained in people's habitus, unconsciously through practices during childhood socialization (Bourdieu, 1984; 1990). The habitus shapes their economic choices even in later life when these constrains may no longer apply. For Bourdieu, this mechanism explains not only class differences but also their persistence, modelling a mechanism through which classes reproduce themselves through seemingly agentic choices.

In both economic and sociological theories, the individual mind is central: explanation for class differences in economic choices lies in the differences in conscious rational choice, appropriation of discourse or the less conscious habitus. (This does not mean that these literatures consider choices as fully agentic: in the Foucauldian literature, they reflect societal discourses, while Bourdieu's habitus reflects socioeconomic differences.)

Bourdieu's later work on banks and their clients complemented this focus with the institutional level of banks: banks address different clients differently, which adds a further layer of explanation to observed class differences in financial subjectivity and behaviour (Bourdieu, 2005; Bourdieu et al., 1963; Lazarus, 2012). This insight is consistent with explanations that suggests that financial choices across classes are also caused by the different constraints people face in financial markets, unequal access, and exclusion (see Dwyer, 2018; Fourcade & Healy, 2013; 2017). Bourdieu reflects on how these constraints are not only external barriers but also enter into people's subjectivity, reinforcing and deepening their existing habitus through relational interactions with institutions.

2.2 Devices and Class Differences

What has received less attention in these literatures is the role devices play in shaping class differences in financial decision-making and subjectivity. Why are devices important? Financial decision-making rarely takes place in a vacuum, as an abstract thought process. Rather, people make financial choices with the help of various tools: they take out credit via a credit website, manage their investments via e-banking, and compare mortgages online. These tools are not neutral: they have specific "scripts" (Akrich, 1992), which refer to the intended uses, actions, and mindsets that their designers encoded into them intentionally or unintentionally.

According to Callon's (1998) influential arguments on the performativity of economics, rational decision-making is not an innate skill. Rather, it is produced through specific devices, "prosthesis" that allow, or may even force, actors to act according to the economics textbook *homo economicus* model. Indeed, digital financial devices are exactly what Callon describes as "prostheses" for economic choices: we are able to borrow, save, and invest with a few clicks because they aid calculation by offering default amounts and terms, calculate affordability and different options and give us financial solutions, which we can choose to simply accept. Even if we choose a different solution suggested to us by the platform, it is still the platform that makes the calculations and decides what elements of the offers should be calculated in the first place. For example, roboadvisors decide the portfolio allocation based on the user's goals and preferences (Hayes, 2019), mortgage platforms create ready offers, and consumer credit sites require us to choose only the amount and

the length of the repayment. We are not required to decide on more than a handful of parameters, depending on the site.

Indeed, recent research unveiled a wide array of economic subjects, preferences, and actions scripted into financial devices for lay people. For example, roboadvisors encourage passivity in order to maximize long-term returns (Hayes, 2019; 2020), while trading platforms encourage frequent trading actions and quick reactions to the immediate fluctuations of prices (van der Heide & Želinský, 2021). Moreover, as the recently exploding literature on algorithmic customization suggests, choices, options, and nudges shaping the decisions are often customized in real time, depending on the user in front of the screen (Airoldi, 2021; Deville & van der Velden, 2016). Albeit class is often considered outdated as a category for predicting consumption – and has been replaced by lifestyles, milieus and, more recently, by behavioural segmentation in many business areas – class indicators, such as wealth and income, are still used in the segmentation and targeting of financial products (Bailey et al., 2010). This is because income and wealth largely impacts what kind of financial product – for example, a payday loan or a mortgage – one needs and is eligible for (Fourcade & Healy, 2013).

If financial choices are shaped by financial devices, then observed class differences in financial choices may stem, beyond the existing explanations focused on the human subjectivity, from the fact that (1) different financial products, with different decision-making scripts are offered to different social classes and that (2) they are actually used according to these script by different social classes. This paper develops this argument by focussing empirically on the first condition of this proposition.

3 Methods

To understand the financial subjectivities and behaviours encouraged by financial apps used by individuals of different class backgrounds, we conducted an in-depth analysis of three financial platforms targeted at upper-class, middle-class, and lower-class individuals, respectively. The study was conducted in Switzerland. Class is a multifaceted concept, typically encompassing income, wealth, education, and occupation. However, for the purposes of this research, we only focused on the income/wealth aspect because this is the only aspect of the class, targeted by the app/website, for which data was available. To establish which products are targeted at which classes, we used existing statistics on product use and the minimum financial requirements set by the platforms, such as the minimum investment amount for the investment site, and minimum salary and equity for the mortgage site.

Representative studies found that wealth-management services are used significantly more often by high income people; mortgages by high and middle income; and consumer credit by middle and low income ones (Brown & Graf, 2012;

Moneyland, 2019a; 2019b). Based on this, we choose a credit platform, a mortgage platform and a wealth management investment platform, which were the most likely to be targeted at low, middle/high, and high-income segments respectively. The platforms belong to financial institutions and allow individuals to choose and apply for financial products. Other parts of the research involved interviews with the developers of these sites, therefore we used pseudonyms for the sites (Credit Site, Mortgage Site and Investment Site) to protect the interviewees' anonymity. Here we do not analyse these interviews; only note that they confirmed that the sites were targeted at the low, middle/upper, and the upper income segments, respectively.

We chose to analyse the websites instead of the apps because they provided fuller functionalities. The study used digital observation, focusing on the comparative analysis of the kind of subjectivities the websites called forth and on the actions that they prescribed or encouraged. In the first step, we used the websites as regular users (up until the final application step) and recorded our observations. In the second step, we analysed the websites in detail, using the "walk-through method" (Light et al., 2018), which involves a "step-by-step observation and documentation of an app's screens, features and flows of activity – slowing down the mundane actions and interactions that form part of normal app use in order to make them salient and therefore available for critical analysis" (Light et al., 2018, p. 882). The analysis produced over 148 screenshots, 24 screen videos, and 115 pages of written observations.

An epistemological challenge to analysing digital platforms is that what one can see (e.g. the suggested default amounts) is not always uniform, but may be customized based on prior cookies, screen resolution, geolocation and so on (Deville & van der Velden, 2016). To avoid this problem, we used the Virtual Machine software, which is a "clean" browser, free from cookies and user information.

We analysed the data in two ways. First, we looked at discursive elements, that is, the images and the discourses of the sites through which ideal users are signalled and called forth. In this step, we analysed the texts of websites, focusing on their assumptions about users' goals, risk tolerance, budgeting preferences, planning time horizons, and financial literacy. Second, we analysed the behavioural scripts of the sites: default settings and other nudges, the decision-making route encouraged or enforced by the site, and analysed what kind of goals, rationalities they entail. The analysis was done by three members of the research team, triangulating between the analysis methods and findings.

4 Findings

In this section, we compare the financial subjectivities and behaviours assumed and encouraged by the different sites targeted at different social classes. As we discuss in detail in the Discussion, our analysis does not look at the *causes* of these differ-

ences (which may lie in the very nature of the products, regulatory requirements, technical constraints, marketing decisions and so on). Its focuses on documenting the differences across sites that are likely to be used by different classes; potentially shaping their subjectivity and behaviour through these interactions.

We will first compare the *discourses* of each site, which serves to identify their assumed ideal user, then we turn to their *behavioural* scripts. Table 1 provides an overview of the main points that we will develop.

Table 1 Differences in the Ideal Subject and Behaviour Scripted Into Financial Websites Targeted at Different Social Classes

Lower class	Upper/middle class
Not willing, nor interested in information and calculation	Keen on calculation and interested in information
Less information provided; prevents calculation and independent decision-making	Scripts enforce calculation, decisions, and formulating financial preferences
The website/app takes over more decisions and helps with decision-making	The website/app takes over less decisions; mainly helps with the execution of the decision
Risk-averse choices as default	High-risk/high-gain options available, subject to choice
Present-orientation and debt-tolerance	Future-orientation and investorial logic
Short-term planning horizon	Long-term planning horizon

4.1 Scripting Subjectivity Through Discourse

The *Consumer Credit* website, targeted at lower class individuals, promotes credit as a “solution to everyday problems”. The site’s discourse focuses on the user’s tangible needs: “Has your TV stopped working? Do you need a new washing machine? Or another expensive purchase on the way? We’ll help you solve it”. The subpages address different everyday needs, such as the need for a washing machine or extra money during one’s studies and promise a cheap and easy solution for them. The site’s language is plain, no technical financial terms are used, suited to a user with minimal financial expertise.

The assumed user would like to go about her everyday life expenses without being involved in complex financial choices. Financial choices are presented as a burden and the website’s main promise is to take over some of this burden: “Our

goal is to make your life as easy as possible with our online products. We not only know our way in all financial matters, but we are also always there for you: online or in person". This text is consistent with the visuals of the credit website, which picture young people in casual clothes, laughing, with the company's mascot on their shoulder. The mascot is a friendly figure; however, unlike the users, it wears a tie, conveying a sense of expertise. The mascot, being more knowledgeable than the user, holds the financial competencies. It suggests that the user received active support from the mascot, a symbol of reliance and competence.

Already these images – which will later be confirmed by our analysis of the behavioural scripts – suggest the externalization of the user's agency: the decision-making process and calculative power is entrusted to the company, symbolized by the mascot. The goal is to reassure potential users that their credit needs will be handled by an expert, thanks to whom they will obtain "financial freedom". Users' lack of financial expertise is not considered a problem; digital devices make up for the lack of competence of the user, acting as a supportive external source of expertise.

The layout and setup of the website focuses on the user's assumed core need: to obtain credit quickly and easily. As opposed to the thoughtful users depicted, for example, on the Mortgage Site (reflecting the assumed thoughtful decision-process), Credit Site pictures laughing users, which is likely to refer to the joy they feel when they receive the money, shifting the focus from decision-making to the end result. Consistent with this, the information provided is limited and is focused on the necessary requirements to apply for credit. Comparisons between different products, calculations, or explanations are not provided. Rather, the emphasis is on the speed of getting the credit request approved so that everyday life can go on smoothly: "Consumer credit gives you budget flexibility when your cash runs out. That's when you need things to happen quickly. [...] At Credit Site, we understand – and do everything we can to process your credit application quickly".

In contrast to the consumer credit website, the *mortgage website*, targeted at middle- and upper-class users, assumes a user who is already somewhat financially literate and who is willing and eager to increase her financial literacy to make an informed, active financial choice. The site uses more technical terms and, unlike the credit site, includes educational parts. For example, a section explains the main differences between a fixed and the variable interest rate mortgages and another section explains how the Saron, the Swiss reference rate, works.

Whereas the consumer credit site's main promise was to free users from the burden of financial choices, here users are invited to choose between products with different conditions, engage in a self-assessment, and view themselves as subjects with financial preferences. For example, they are encouraged to reflect on how risk-averse they are and for how long they plan to have a mortgage. While credit users were assumed to be worried about ordinary life problems, such as their washing machine breaking down, mortgage clients are addressed as subjects concerned about

finding the product that matches their *financial preferences*. They thus are assumed to use a financial logic, to think about long-term fluctuations in interest rates and their own financial conditions.

For example, the fixed rate mortgage promises “budgetary and planning security, whether you want to protect yourself against rising market rates or set a long-term interest rate”, suggesting that users would want to plan for the long-term, understand the effects of changing interest rates, and would want to make active steps to fend off these risks. The texts on the site suggest that users make calculations, investigate the numbers (“The numbers add up”). In line with this assumed need, the mortgage site provides more information about the terms and conditions, in contrast to the consumer credit website that steered users towards the quickest possible decision.

Turning to the images of the Mortgage Site, targeted at the middle and upper class, we see people at different stages of the house acquisition and building process. For example, a man (who seems to be the owner of the house) and a worker, a couple looking at their future house, or a woman applying for a mortgage using a laptop. People are pictured with a thoughtful expression on their face, rather than laughing as on the credit website, which suggests that users are expected to make a cognitive effort. Other images show them with a content expression, suggesting the owners’ satisfaction of having achieved an objective with an effort. The emphasis is on the personal ability to evaluate and, as a result, choose the best option. This is reinforced by the text that suggests that the bank gives users the tools to evaluate their options and to make the best, responsible financial choices: “Choose the mortgage model that suits you best [...] Choose according to your flexibility or the level of security you want”.

Turning to the *investment website*, targeting upper class users, we notice that references in the text to everyday concerns – a washing machine or a home – are completely absent. Users are assumed to be driven by purely financial aims: to invest, to manage one’s wealth, and to create profit (“reliably grow your wealth”). The website assumes a competent user who is looking to invest at a lower cost than traditional investment services: “Do you want to make sound investments without excessive fees? Open an Investment Site account today and never look back”.

The website contains much more information both in terms of text and visual illustration than the Credit and the Mortgage Site, suggesting that the assumed user would like to have an in-depth understanding of what happens with his/her money and to take control over every aspect of the portfolio. The ideal users of the site are people who “want wealth management – anytime, anywhere [...] real-time reporting [...] values independence [...] looking for diversification [...] insist on security”. The language used by the site is much more technical than the two other analysed sites. It takes for granted that users are familiar with the technical terms, and it only explains – in equally technical terms – highly complex products (for example, the legal and financial implications of Exchange-Traded Funds).

In contrast to the two other sites, the investment website's starting page does not feature people: we see a laptop with a financial chart and a smartphone with a diversification portfolio. Indeed, most images of the site feature financial charts and other forms of visual representations of finance, such as comparisons of the performance of different portfolios. The infographic style pictures suggest a user who is able and keen on making rational, calculative decisions and would like to be in control – as opposed to the Credit Site, where the aim is to reassure users that they will get the desired credit, without encountering obstacles on the way.

In this site, it is only at the bottom of the first page that people appear. It is typically a sole male figure in an office setting, with a phone in his hand, gazing into the horizon with a confident look on his face. The aim is not to establish visual contact with the viewer – in contrast to the Credit Site, where the people make eye contact with the viewer – rather, to project the viewer's mind to the future well-being. The website also features testimonials: black and white images of men wearing business casual, identified as entrepreneurs, praising Investment Site's services. The technical charts, people in more formal clothes and in professional settings convey a sense of expertise and security. Investing is pictured as something that opens up new opportunities – as opposed to solving problems, characteristics of the two other sites.

4.2 Scripting Actions Through Behavioural Scripts

After analysing the discursive and visual elements, in the next step of the analysis, we looked at what kind of actions are prompted by the websites, distinguishing between decisions that are encouraged and decisions that are taken over by the website. Actions can be encouraged by setting specific choices as the default and through a variety of other nudges. By “taking over” a decision, we mean that the website offers products only with specific features as opposed to offering different options and choices between them to users. To understand how websites prompt specific choices, we analysed the decision-aiding tools (e.g., sliders), default settings, and visual elements that steered users towards specific actions (such as high-visibility action buttons as opposed to hidden “Read more” links). We were interested in the level of agency allowed by the websites targeted at different users, as well as the substantive qualities enacted by the apps on their users' behalf. When the website took over part of the decisions, we analysed what kind of financial decision-making, risk preferences, planning time horizons, financial aims, and financial control it enacted on its users' behalf.

The *credit website*, as explained in the previous part, addressed users as financially helpless subjects, whose main objective is to live their life in a carefree way. Credit users were assumed to be concerned with solving everyday problems as quickly as possible and as neither willing nor able to make financial calculations. As such, they were assumed to be happy to receive support in managing the burdensome financial

choice. This idea was well expressed on a visual level: the mascot on the consumer's shoulder represented the helping expertise of the company to which the consumer delegated the burdensome aspects of the financial choice. The image symbolized the externalization of agency: the mascot embodied the financial competence needed by the user to make financial choices.

This visual representation corresponds to limited decision-making encouraged by the script of the site. The site steers users towards acquiring the credit as quickly as possible – with as little deliberation as possible: “Get your credit easily!”, “Apply for your credit in just a few steps”. The decision-making process is indeed condensed into one site where the user is asked to use two sliders: one to choose the loan amount and the other to choose the loan duration. The sliders allow for these choices to be made very easily, and users can see the inductive monthly instalments displayed in large, bold numbers as they are “playing with” the sliders.

While the sliders may give the impression of agency, users have limited choice over the products. The interest rates (fixed or flexible), repayment terms, late payment fees, risks, and other financial characteristics that may potentially reflect people's financial preferences cannot be chosen. As the actual interest rate is calculated based on the creditworthiness of the borrower – which is only assessed later in the application process – even the limited information provided by the site may change in the final offer. Indeed, the site suggests that interest rates will be somewhere between 4.9 and 9.9 % – a range wide enough to foreclose potential calculations.

Indeed, throughout the credit application process, users are offered little information, limited to eligibility and to product characteristics that they are not able to choose, which prevents them from fully evaluating the product. To access further information, users need to scroll to the bottom of the page and decipher the “Legal information” or to write an email with specific questions – neither of which is encouraged by the set-up of the website. Instead, large, yellow “Apply for a loan now” buttons encourage users to complete the process as quickly as possible. Agency is limited to getting the product; the product qualities and the financial preferences supposedly reflected by it are chosen by the website on users' behalf. The calculative agency required for financial choices reside in the app itself, which performs the calculation on users' behalf.

Given that the site takes over a large part of the decision-making, we examined what kind of financial preferences it enacts on its users' behalf. Looking at the financial aims, the website encourages users to borrow relatively high amounts. The default amount is set to 36 000 CHF which is higher than the 30 000 CHF average loan amount in Switzerland (Amrein & Dietrich, 2021). This default amount appears as close to the lower end of the slider, suggesting that 36 000 CHF is a low amount, encouraging users to borrow more.

The most prominent number on the site is the monthly amount; rather than, let's say, the total repayment amount, which is not displayed on the Credit Site.

This pictures loans in a permanent present, without considerations for the long term. By moving the “amount” and “time” sliders, the monthly amount moves up or down. By increasing the length of the repayment, users are able to lower their monthly amount; however, it comes at the cost of increasing the overall repayment amount, which is not displayed. The default time is set to the maximum of 120 months, which represents the lowest monthly repayment, yet the highest overall repayment amount. The set-up of the calculation device encourages users to adopt a “Carpe Diem”, short-termism mentality that focuses on acquiring the highest possible amount – now.

The offered product also enacts a specific risk tolerance for its users. The default setting is to acquire payment protection insurance against incapacity to work (this choice can be unticked). This default option enacts a risk-averse user. However, we note that this option also cost more, and it also serves the interest of the lender. Unlike mortgages, consumer credit is not secured by a property, hence the risk of default is problematic also for the lender, not only for the borrower.

In contrast to the quick, one-step consumer credit process, the *mortgage site* requires users to go through several steps as obligatory passage points. The steps oblige users to assess their own financial preferences and to choose from different product options. In the first step, users are asked to use sliders to indicate their equity, the desired house’s price, and their salary. Depending on the amounts entered, they immediately see if they are eligible and are encouraged to play with the sliders to find the “right” (eligible) parameters. These parameters correspond to the maximum Loan-To-Value and Payment-To-Income ratios fixed by regulation. The site, to conform to regulation, enforces a degree of risk-averse behaviour on its users. It does not allow them to borrow more than what they can comfortably afford from their salary and or to get too large a mortgage on the house.

In the next step, users are offered three different mortgage options. Each option is a bundle of different mortgage products that contain fixed and variable rate elements of different maturity. Fixed rate mortgages are safer but more expensive, while variable rate mortgages are cheaper yet riskier. Hence, the larger the variable rate element, the riskier the product. At this point, the website asks the user to “choose the most suitable mortgage for you”, which requires a reflection on one’s risk tolerance. Users are not assumed to know their risk tolerance, hence are asked to choose from three personality profiles: “defensive”, “balanced”, and “dynamic”. The website explains that they differ in their relationship to flexibility and security levels and provides illustrative pictures of each as a personality. For each personality type, a corresponding product is offered, with detailed information on the monthly rate, the total amount, interest rates and so on.

In this website, although there is the option to interrupt the online process and book a personal consultation, if one is to follow the online route, financial deliberation and self-assessment is unavoidable. This means that the site forces some

degree of agency on its users. In order to apply, users need to reflect on their own financial preferences by relating their self-image to the pictures and the numbers describing the products. They need to assume a financial subjectivity and enact it via financial choices. Moreover, the scripts push users to consider longer time horizons and to reflect on long-term changes in their own financial situations and potential changes in the market.

In comparison to the Consumer Credit and the Mortgage Sites, the *investment website*, targeted at wealthier users, requires a much more active participation in the decision-making process. As discussed above, the content of the Investment Site implies a high level of financial literacy and expertise. This is in stark contrast to the Credit Site which relies on emotional proximity to gain users' trust. On the Investment Site, users can start the decision-making process on two different paths: by trying a test account or by directly opening an official account. The first step requires that users indicate their aims, expectations, their degree of financial literacy, their level of risk tolerance in an uncertain market, and their assessment of their financial situation. Contrary to the mortgage website, this step is presented in the form of a questionnaire, which assumes that users already know their own preferences – they just need to express them.

In the next steps, each section is clearly distinguished, and each element of the portfolio is explained in detail. The site does not aim to make users understand the offer at a glance, as with credit products. The information must be read carefully; users must click on the confirmation button on each page in order to proceed. The decision-making process also includes a “learning section” tool, where users are guided through each element of the dashboard to understand how it works. This phase cannot be skipped by users, who are obliged to complete and confirm each step to access their investment portfolio.

This process requires more agency from the user compared to the two other products, yet also within certain limits. The investment mix is calculated by an algorithm based on the answers and data provided by the user. The user's decision-making power is limited to adjusting certain elements of the dashboard; and he or she can decide to what extent to adhere to the script offered by the app. However, the range of actions falls within an already defined framework of options; for example, the website does not allow for actions that exceed the user's risk tolerance. Risk-taking is thus distributed between the app and the user and does not rely on the user's sense of responsibility.

This means that even here, parts of the calculative agency required for investment decisions resides in the app itself (“Let us delegate your decision to us” or “We will autonomously choose which financial tools to invest in.”). Importantly, however, unlike in the credit website, where limits to agency are described as a service (taking over the burden), here the text focuses on assuring the user that despite curtailing her agency, she will still be in control. The promise is that users can gain even more

control by benefitting from the calculative power of the site that helps them realize the financial strategy that is best suited to them. Further, the website encourages users to keep track of the performance of their investments over time and to set the direction for future investment, scripting a constant monitoring behaviour and engagement with their finances.

Looking at the type of investment perspective encouraged, the website discourages users from engaging in short-term investment behaviour, steering them toward a long-term perspective. This is done in multiple ways and during all phases of investment portfolio creation. For instance, the text reads “the longer the investment period, the better the risk/reward ratio. So, our advice is to give your investment a few years, preferably a decade or more”. This site also features sliders, yet unlike in the credit site where they showed the eligibility criteria, here they are used as a future-simulation tool to demonstrate how revenues will grow over time. In the visual financial projections, the greatest increase occurs after a period of 10–20 years thus encouraging users to invest longer.

5 Discussion

This paper asked whether different economic rationalities are scripted in the apps/websites targeted at different classes. Analysing the scripts of three financial websites, with integrated decision-aiding devices, we found first, differences in the subjects assumed and encouraged by the websites targeted at lower-, middle- and upper-class individuals. The credit website, targeted at lower class users, assumed users who are neither able nor willing to understand financial decisions. In contrast, the mortgage and investment site, targeted at middle- and upper-class users, assumed users who are able and eager to take control of their finances, learn about finance, and make decisions. While lower class users were assumed to be interested in solving only their current everyday problems, middle- and upper-class users were assumed to be interested in long-term wealth accumulation.

Consistently with this finding, we found that the website targeted at lower class users is much simpler and more gamified, takes over more decisions from its users, and actively prevents calculation and independent decision-making by not making information readily available. In contrast, the mortgage website, targeted at the middle class, requires decision-making and forces users to compare when choosing between different options. The investment website, targeted at the upper class, requires the most calculation and choice-making. Both the mortgage and the investment site required users to assess and express their own financial preferences in terms of risk and time horizons, to reflect on themselves as financial subjects, and choose products that meet their preferences. This was missing from the credit site where users' only financial preference seemed to be to get money as quickly as possible.

Looking at the choices encouraged and made on behalf of users, we found that the website targeting the lower class encourages a short-term, present orientation with a focus on the maximization of present financial well-being, while middle- and upper-class websites promote a long-term future orientation, with a focus on wealth accumulation. In terms of risks, the lower-class website enacted and encouraged risk-averse choices which were more costly for users, while the middle and upper-class sites gave the choice over risks to users, allowing for high-risk/high-gain choices.

6 Conclusion

Individuals of different class backgrounds manage money and make financial choices differently. Existing studies explain these class differences through focusing on individuals' class-specific decision-making rationales, aims, ways of incorporating discourses, and their habitus (Beckert & Lutter, 2013; Bourdieu, 2005; Friedman & Savage, 1948; Henry & Caldwell, 2008; Mullainathan & Shafir, 2009; Pintelon, et al., 2013). They suggest that financial subjectivity is shaped by macro (and meso) level cultural discourses and societal structures. Class differences arise because people are subjected to different discourses and socialization influences. Financial behaviour arises from the application of these subjectivities to specific decisions situations (with class-specific constraints).

This paper extended these theories with a further mechanism, which is becoming increasingly relevant with rise of digital tools. Consistently with the literature on devices, we showed that financial platforms encourage specific subjectivities and actions. They do so partly *symbolically*, by encouraging users to adopt specific goals, motivations, time orientations, and relationship to finance. Importantly, they also shape individual decisions *practically*, by nudging and even forcing individuals to make specific actions (for example, the investment website does not allow one to click "Next" unless the user assessed her risk preference) and foreclosing others (for example, the credit website does not offer information and choice between different interest rates).

The key point of our paper is that the devices targeted at different socio-economic groups encourage different financial subjectivities and behaviours. This suggests that observed patterns of class differences in financial choices may partly stem from the different scripts of the devices used by the different classes rather than from their different habitus, technologies of the self, or financial preferences alone. These different uses are caused first, by the fact that different classes use different products; and partly by the fact that the same product may look differently when used by people of different class backgrounds due to customization (which is less prevalent in Switzerland, studied in this paper, but is increasingly used in the United States and the United Kingdom). As financial devices become increasingly

central to financial practices, over time, they may feed back into the class habitus, which – as Bourdieu suggested – develops through practice. However, the process of class habitus-formation is different from class-specific devices constraining choices – even if the latter may reinforce the former.

This finding extends, first, nascent research on the way algorithms map and reproduce class. In particular, Airoidi (2022) in his book, “Machine habitus”, suggested that large machine learning algorithms acquire and reproduce the habitus of the users that produced the data on which it was trained. For example, an algorithm trained on Twitter interactions will have a different habitus than one trained on Tik-Tok or LinkedIn due to the different demographics and taste cultures of the users whose interactions it used for learning. In the case examined here, it was not a machine learning algorithm, but marketing and UX designers that scripted the websites with specific ideas of the users (Pellandini-Simányi, 2023); however, similarly to Airoidi’s points, these scripts also have a specific habitus, which they enact on their users behalf. As banking services integrate more and more behavioural data into the development and customizations services, these two research streams converge and open exciting areas of further research on how exactly class habituses are reinforced – or contrary, flattened – by financial algorithms and devices.

Second, our paper extends research on the performative role of marketing (Araujo et al., 2010; Ariztia, 2015). While prior research highlighted the way marketing enables the formation of social groups through providing symbolic resources and consumer goods, our study points to a more complex performative effect. In our case, the assumed decision processes of users are not just encouraged but often scripted into the decision-devices: they practically execute and enforce specific decisions and choices for specific target groups.

Finally, we contribute to the Callonian literature on the making of the *homo economicus* (Callon, 1998; Callon, et al., 2007; Callon & Muniesa, 2005). In this paper, we shifted the original focus on rationality to financial subjectivity, including financial preferences and calculative styles, and looked at how they are enabled by digital devices. The shift to financial subjectivities allowed us to ask how the devices themselves may be classed, designed, and scripted for a specific classed subject. This opens a new area of investigation, missing from the Callonian analysis and from the literature on devices: of how class and economic devices are related; specifically, how devices may produce classed economic subjectivities and behaviours and become vehicles of deepening or flattening class differences.

Our paper has several limitations. First, we did not examine *why* products are scripted the way they are. It is unlikely that developers would consciously script devices with a specific habitus. A more plausible explanation is that the differences observed by us are unintentional consequences of the design processes, feedback loops from the users, product-specific regulatory requirements, and specificities of the products. For example, according to the regulatory requirements, investment

products can only be sold after suitability and affordability checks, which entails assessing the risk and investment preferences and the financial literacy of the user. This obliges service providers to create a more complex process with decisions required from users, compared to a credit selling process that is not subject to such regulatory requirements. Moreover, consumer credit, in an economic sense, is moving a future purchase to the present; while investment and saving is about foregoing present spending in the hope of a higher future spending – which has implications of the time horizons that these products imply, which is likely to be reflected in how they are presented on a website. Unpacking the complex reasons of why products are scripted with specific economic subjectivities and actions is thus an important area for further research. (However, the answer to the *why* question does not change the crux of our argument: that people of different social classes are more likely to interact with different digital financial products, with different scripts for behaviour and subjectivation – which may eventually contribute to class differences in financial subjectivity and behaviour.)

Second, the question of whether these devices act as a mechanism explaining class devices in financial decision-making requires further analysis. For that, three conditions need to be met, of which this paper examined only the first one: (1) differences in the scripts of financial devices targeted at different classes (2) that are actually used by individuals of different classes (3) who use them according to the scripts. The second condition refers to the sorting process through which individuals of different classes gain access to different devices – and through them, to different scripts and subject positions (Fourcade & Healy, 2013). This paper did not examine this sorting process; however, prior research already suggest that the condition is likely to apply. This is partly because financial products are strongly regulated. Service providers are required by law to assess if clients are able to afford their loans, resulting in minimum income and wealth requirements for certain financial products, such as mortgages (Pellandini-Simányi & Conte, 2021). They also need to assess the suitability of products for their clients, meaning that they can only offer specific products if the client shows sufficient levels of financial literacy and expresses consonant financial preferences. These criteria are strongly linked to income and education, and thus to class. Moreover, risk assessment, which is the key criteria of eligibility, relies largely on income and wealth variables (Rona-Tas & Guseva, 2018). Finally, financial providers' segmentation and targeting uses income and wealth, which is seen to provide a key basis for people's needs for financial products (Bailey et al., 2010). The unintended side effect of using class variables in eligibility and targeting is that people of different classes gain access to different financial devices. Based on these points, condition (2) is likely to be met; however, further research is needed to confirm it.

Turning to condition (3), we note that the actions encouraged by the financial apps and websites are not fully deterministic: users can leave the website, look

up information not listed on the site, and go against their scripts (Fuentes, 2019; Cochoy et al. 2017). However, the sites' behavioural scripts are difficult, if not impossible, to overcome: while users may look for additional information and reject the default options, they can only choose from the pre-defined set of products and must follow the predefined steps, otherwise they are not able to apply for the product. This suggests that a degree of script-conformity (condition 3) is enforced by financial devices at a behavioural level; which however, is an area that requires further research.

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Crypto Activists or Rookie Investors? How Cryptocurrencies Are Shaping New Forms of Participation in Finance Among Young Argentines

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Abstract: As Argentina has become one of the countries with the highest inflation rates in the world, risky financial investments via digital platforms have increasingly become part of the everyday financial repertoires developed by individuals seeking to protect or enhance the value of their money. In particular, cryptocurrencies have become very popular among young people. Drawing on quantitative and qualitative data, this paper explores the financial practices of *rookie investors*, analyzing how cryptocurrencies contribute to shaping a specific form of participation in finance.

Keywords: Digital finance, cryptocurrencies, retail investors, youth, inflation

Crypto-activistes ou investisseurs novices ? Le rôle des cryptomonnaies dans l'émergence de nouvelles formes de participation financière chez les jeunes Argentins

Résumé: Alors que l'Argentine subit l'inflation la plus élevée au monde, de plus en plus de personnes cherchant à protéger ou à augmenter la valeur de leur argent s'engagent dans des investissements financiers risqués à travers de plateformes numériques. En particulier, les crypto-monnaies sont devenues très populaires parmi les jeunes. Appuyé sur des données quantitatives et qualitatives, cet article explore les pratiques financières de ces nouveaux investisseurs, en analysant comment les crypto-monnaies contribuent à façonner une forme spécifique de participation dans le marché financier.

Mots-clés: Finance numérique, crypto-monnaies, investisseurs privés, jeunes, inflation

Kryptoaktivisten oder unerfahrene Kleinanleger? Zur Rolle von Kryptowährungen bei der Herausbildung neuer Formen finanzieller Partizipation junger Argentinier

Zusammenfassung: Während Argentinien zu einem der Länder mit den höchsten Inflationsraten der Welt wird, gehören riskante Finanzinvestitionen über digitale Plattformen zunehmend zum Finanzrepertoire von Personen, die den Wert ihres Geldes schützen oder steigern wollen. Insbesondere Kryptowährungen sind bei jungen Menschen sehr beliebt. Anhand von quantitativen und qualitativen Daten werden in diesem Beitrag die Praktiken von Rookie-Investoren untersucht und analysiert, wie Kryptowährungen dazu beitragen, eine bestimmte Form der Beteiligung an der Finanzwelt zu gestalten.

Schlüsselwörter: Digitale Finanzen, Kryptowährungen, Kleinanleger, Jugend, Inflation

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1 Introduction

In February 2025, Argentine President Javier Milei posted a tweet promoting the memecoin \$LIBRA, which had been launched simultaneously by its developers. Within minutes, the token's value spiked, only to plummet within hours after the developers withdrew the funds invested by more than 74 000 users, who lost their money. As the political scandal gained global traction and allegations of fraud and scam multiplied, the libertarian president claimed that these were merely “hyper-specialized” investors and traders, who were well aware of the volatility and risks associated with this type of cryptocurrency. Although there is no detailed data on those affected by \$LIBRA, the growing participation of retail investors in the cryptocurrency market worldwide suggests otherwise. In Argentina, the cryptocurrency market has boomed in recent years, becoming one of the largest in Latin America and ranking 15th globally (Chainalysis, 2023). The expansion of cryptocurrencies, particularly among young people, is part of a broader transformation in household saving and investment practices, closely tied to an unstable economic context marked by the highest inflation rates in the last 30 years and strict foreign exchange regulations that restrict access to U.S. dollars for saving purposes.

Alongside the rapid expansion of digital low-finance and encouraged by the proliferation of financial education discourses targeting non-expert audiences, lay individuals entered the financial market in search of investment opportunities capable of preserving or even increasing the value of their money (Sánchez, 2024a; 2024b). Especially young people with no expertise and little or no previous market experience began to invest in stocks, bonds, mutual funds, or cryptocurrencies through e-brokers, digital wallets, and investing apps.

Despite its economic significance, this phenomenon has not yet received much scholarly attention. On the one hand, within the social studies of cryptocurrencies (Caliskan, 2023), the few studies that address cryptocurrency users tend to emphasize their ideological orientation, portraying them as a community of supporters aligned with the radical critique of both the financial system and the state that characterized the earliest decentralized digital currency projects (Dodd, 2018; Faustino et al., 2021; Golumbia, 2016; Hayes, 2019a). On the other hand, while the sociology of finance has traditionally focused on professional investors and traders (Beunza & Stark, 2004; Knorr Cetina & Preda, 2005; Zaloom, 2006), studies on popular finance that address lay investor participation in financial markets usually concentrate on the stock market (Agunsoye, 2024; Edwards, 2022; Fridman, 2016; Goldstein & Knight, 2023; Harrington, 2008; Lai, 2017; Preda, 2001; 2009; 2017) or on “alternative” financial schemes (Hayden & Muir, 2022; Musaraj, 2020). While the growing participation of retail investors in the cryptocurrency market reflects a global trend tied to the evolution of digital money, the everyday practices, motivations, and perspectives of retail cryptocurrency investors have rarely been examined by sociological or anthropological scholarship.

To address this research gap and building on what Pellandini-Simányi and Banai (2020) have called the *lived experiences of financialization*, this paper explores the financial repertoires (Guyer, 2004) involving the use of cryptocurrencies and their role in the market socialization of young Argentines (Goldstein & Knight, 2023). Our main goal is to analyze how and why risky financial products – such as cryptocurrencies – are being integrated into people’s daily lives, becoming increasingly normalized or “domesticated” (Pellandini-Simányi & Vargha, 2019).

Drawing on qualitative and quantitative data, our study analyzes the experiences of young cryptocurrency users in Argentina, whom we characterize as *rookie* investors. Unlike the concept of the retail investor, the notion of *rookie* investor emphasizes the newcomers’ status. Like the *amateur* investors described by Harrington (2008), *rookie* investors represent a new kind of market participant – neither financial professionals nor members of the economic elite – who enter the market within a specific economic and social context. Our concept also highlights the financial socialization process involved in market entry, emphasizing the social relationships and material infrastructures that enable the gradual acquisition of the knowledge and skills required to invest – without reducing this process to the production of an “ideal financialized subject” (Pellandini-Simányi & Banai, 2020).

As with other amateur or retail investors described in the literature (Chua, 2025; Fridman, 2016; Harrington, 2008), *rookie* investors are newcomers to the market with little or no financial experience, who tend to actively engage in developing the cognitive, technical, and practical skills necessary to navigate financial markets. However, they also exhibit specific characteristics not fully captured in existing research. These new features relate, on the one hand, to the role of Argentina’s unstable macroeconomic context in driving the search for alternative investment opportunities – positioning cryptocurrencies as an asset capable of addressing various financial challenges. On the other hand, they involve the mediation of various socio-digital infrastructures (digital financial apps, online communities, and social media platforms), which function as both gateways and support systems for investment practices, operating outside traditional financial institutions.

Furthermore, rather than resembling the cryptocurrency activists identified by previous studies (Dodd, 2018; Faustino et al., 2021; Golumbia, 2016; Hayes, 2019a; Maurer et al., 2013), the young users we interviewed rarely exhibit strong political commitments to cryptocurrencies as alternative currencies. Their engagement is primarily pragmatic, driven by a desire to address specific financial challenges (such as saving, making international transfers, or paying on digital platforms) or by an interest in the possibility of extraordinary – if marginal – gains. Nevertheless, their experience with cryptocurrencies often serves as a gateway to broader financial participation, deepening their engagement with financial markets and shaping a specific form of financial involvement – one supported by peer conversations in

online communities, self-directed learning via social media (without the intervention of brokers or financial experts), and the (apparent) disintermediation afforded by financial apps, as compared to traditional financial institutions.

The paper is organized as follows: the first section reviews existing literature on the financialization of everyday life, focusing on amateur investors and the spread of cryptocurrency use. The second section outlines the Argentine cryptocurrency market and the macroeconomic conditions that have driven its expansion. The third section characterizes young cryptocurrency users as *rookie* investors, drawing on both quantitative and qualitative data to analyze their investment and payment practices, financial education efforts, and the role of socio-digital infrastructures in shaping their investment trajectories. The fourth section discusses these findings, focusing on how cryptocurrencies encourage the financial market participation of young people by serving as a gateway to other financial assets and supporting skill development among those without prior financial experience. Finally, the conclusion summarizes the paper's main findings and its contributions to understanding both amateur investor practices and the variegated forms of market socialization.

1.1 Methods

The paper presents the first results of a research project relying on three types of sources. First, data from a telephone survey conducted in 2022 in the metropolitan area of Buenos Aires to characterize young people's uses of payment and investment apps. The stratified random sample (820 cases) was weighted so that the final result reflected the Buenos Aires Metropolitan Area population distribution, considering gender, age, educational level, and region. The final sample was calibrated according to the parametric data of the 2010 National Census. Second, 20 in-depth interviews were conducted between 2021 and 2023 with young cryptocurrency users, who were recruited through the snowball technique using different networks of contacts, one of which was derived from the survey respondents. Third, reports published by private consulting firms, both local and global, as well as a series of interviews with local informants, to describe the "crypto ecosystem" in Argentina.

The in-depth interviews were conducted with young people aged 19 to 36, from various occupational, social, and financial backgrounds, who had started using cryptocurrencies within the last five years (Figure 1). We focused on their daily practices to identify the plurality of uses of cryptocurrencies. Except for one face-to-face meeting, all interviews were conducted through video meetings. The sample is composed of 16 men and 4 women, mostly residents of the Buenos Aires Metropolitan Area. Except for two people (who either did not enter college or dropped out), the rest of the interviewees have attained college level education. Only 3 out of the 20 interviewees had chosen economics-related majors in college or had a finance-related job, while 7 out of 20 had a background in IT. Most live with their partners and have no children, while a small group still live with their parents.

2 Amateur Investors in a Digital World

Over the last two decades, the literature on the *financialization of everyday life* has described the growing participation of households in finance since the 1980s and the cultural shift entailed in that process, especially in Europe and the US (Pellandini-Simányi, 2021; Pellandini-Simányi & Banai, 2020; van der Zwan, 2014). While the welfare state retrenched, social benefits were reduced, and real wages decreased, both financial investments and debts became increasingly indispensable for individuals and families to ensure their material reproduction in the present and the future (Davis, 2009; Knights, 1997; Langley, 2006; 2008; 2009; Montgomerie, 2009)¹.

Some of this literature has highlighted the increasing indebtedness of households as a key aspect of the financialization of everyday life. While in some countries mortgages, home equity loans, and student loans to support housing, healthcare and education generally explain higher levels of household debt (Desmond, 2017; Deville, 2015; González, 2021; 2023; Halawa, 2015; Ossandón, 2014; Pellandini-Simányi et al. 2015; Vargha, 2011; Zaloom, 2019), in others increasing household indebtedness was mainly driven by different sorts of consumer credit (bank loans, credit cards, informal loans) and its expansion towards low-income populations that had previously remained excluded from traditional financial institutions (James, 2015; Müller, 2014; Schuster, 2019; Villarreal, 2004; Wilkis, 2017; 2024).

The existing literature has also described how, since the 1980s and especially in US and UK, the middle and lower classes have increasingly entered the stock market, either searching for investments to compensate for wage stagnation or through private pension funds (Agunoyose, 2024; Davis, 2009; Edwards, 2022; Goldstein & Knight, 2023; Harrington, 2008; Hayes, 2019b; Pellandini-Simányi & Banai, 2020; Preda, 2001; 2009; 2017). Although not to the same extent as in the above cases, some studies also pointed out the expansion of financial investments (including “alternative” financial schemes) in other regions (Hayden & Muir, 2022; Fridman, 2016; Lai, 2017; Musaraj, 2020). In recent years, some studies have also pointed out that the digitization of financial life is boosting financial investments among non-professionals through the proliferation of e-brokers, digital wallets and investment apps (Chua, 2025; Hayes, 2019b; Ortiz, 2024; Sánchez, 2024a; Wang, 2020).

Unlike the extensive literature on the cultures and practices of professional investors and traders, these studies focused on retail investors, expanding beyond the definition of “individual investors” to observe their social and cultural characteristics. In her analysis of the popularization of the stock market in the United States, Harrington (2008) proposed the notion of *amateur investors* to refer to lay or non-professional investors who do not have formal financial education, nor are

1 Even though the characterization of the financialization of everyday life is mainly focused on the US and the UK, there are important differences from one country to another, based on varied local political, economic, and cultural processes (Lazarus & Luzzi, 2015; Pellandini-Simányi & Banai, 2020).

they part of the higher income groups (such as women and African Americans who massively started to invest during the 1990s). On the one hand, these studies have analyzed the economic, social, and cultural processes that contribute to the popularization of retail investments in certain contexts and geographies (Edwards, 2022; Goldstein & Knight, 2023; Harrington, 2008; Hayes, 2019b; Lai, 2016, 2017; Musaraj, 2020; Pellandini-Simányi & Banai, 2020; Preda, 2001; 2009). First, in line with the hypothesis of the literature on financialization of everyday life, these studies pointed to the changes in economic and political conditions that made investments a kind of “necessary income” (Harrington, 2008). Second, they stress the rapid development of “low-finance” (Hayes, 2019b) organizations and products, stimulated and facilitated by technological innovations (especially, the Internet) which allowed the development of new infrastructures to connect households to finance (Chua, 2025; Maurer, 2017; Rona-Tas & Guseva, 2014). These changes not only reduced costs but also allowed direct access to the market, making financial investments more accessible for ordinary people – and reducing the importance of brokers as well (Edwards, 2022; Harrington 2008; Hayes, 2019b; Preda, 2017). Finally, these studies also highlighted the growing influence of financial experts and market gurus on the dissemination of knowledge and information about the financial market, making investments understandable, feasible, and legitimate practices for lay investors (Edwards, 2022; Fridman, 2016; Harrington, 2008; Preda, 2001; 2009). As financial markets and investments gained popularity, investor manuals, financial periodicals, news sections on television channels, and specialized internet sites became fundamental devices to familiarize amateur investors with the market.

On the other hand, part of this literature has addressed the daily practices of retail investors or traders, analyzing the motives, representations, social influences, and calculation practices that shape the participation of ordinary individuals in the financial market (Agunyose, 2024; Fridman, 2016; Harrington, 2008; Hayes, 2019b; Lai, 2017; Musaraj, 2020; Preda, 2017). In contrast to economists’ views that treat retail investors as “noisy” or irrational, these studies have shown that social networks and personal relationships are central elements to understanding why and how amateur investors start to invest². Both personal recommendations and participation in certain groups – such as the investment clubs analyzed by Harrington (2008), the financial self-help groups studied by Fridman (2016) or the digital communities explored by Hayden & Muir (2022) – appeared as determining factors to explain the involvement of lay individuals in the market, even more than strictly economic motivation. These groups are also social spaces where amateur investors acquire the knowledge and skills to make financial decisions, observing and learning from their peers and mentors. Moreover, this research pointed out how investments decisions

2 As the literature has shown extensively, social influences are also relevant to explain the behavior and investment decisions of professional investors (Beunza & Stark, 2004; Knorr Cetina & Preda, 2005; Zaloom, 2006).

and their different objectives and desired outcomes are related both to investors' social roles and identities and their emotions, beliefs and moral understandings (Agunyose, 2024; Chua, 2025; Hayden & Muir, 2022; Fridman, 2016; Harrington, 2008; Lai, 2017; Musaraj, 2020).

Finally, in contrast to the "ideal financialized subjects" that had long dominated the Foucauldian literature on the financialization of everyday life, part of these studies pointed out the existence of "variegated subjectivities" (Pellandini-Simányi & Banai, 2020) or "variegated outcomes of financialization" (Lai, 2017) among lay investors, whose daily practices and motives cannot be explained as a total embracement of the rational, risk-taking neoliberal ideas and logics.

But although this literature has made an important contribution to the analysis of the popularization of investments and amateur investors' practices, it was mostly focused on the stock market. However, in the last two decades, the "Cambrian revolution" (Nelms et al., 2018) on digital financial technologies, and specially the emergence and expansion of cryptocurrencies, has deeply transformed both the financial market and retail investors practices. While in the early years of Bitcoin's creation cryptocurrency users were mainly experts in technology and finance, or individuals related to "radical" cultures and movements, today the cryptocurrency market attracts a larger audience involving experts, institutional investors, lay investors, and also the curious (Cossu, 2022; 2023; Lee, 2020; Maurer et.al., 2013). The growing participation of retail investors is linked to the shift in the trajectory of digital currencies themselves, from the emergence of bitcoin as a 'radical' or 'alternative' currency to the proliferation of thousands of cryptocurrencies that have become popular investment assets (Dodd, 2018; Lawrence & Mudge, 2019).

Despite the growing participation of lay investors in the cryptocurrency market, the social studies of cryptocurrencies (Caliskan, 2023) favored other topics. While part of them addressed the theoretical debate about the nature of digital currencies, analyzing the characteristics of cryptocurrency projects, their ideological influences, and the forms of social organization and trust they implied (Bailey et al., 2021; Dodd, 2018; Faria, 2021; Maurer, 2017; Maurer et.al., 2013; Nelms et.al. 2018; Swartz, 2018); others focused on the socio-technical configuration of cryptocurrencies and exchanges (Caliskan, 2020; 2023; Hayes, 2019b; Rella, 2020). Although cryptocurrencies are often presented as a purely technical utopia, they are rooted in social relations and practices, just as other financial assets are (Beunza & Stark, 2004; Knorr Cetina & Preda, 2005; Zaloom, 2006). The form of these new monies is sustained by a set of sociological characteristics, where sociability, personal ties, and a sense of belonging to a group are central elements in understanding the social reality of cryptocurrencies (Dodd, 2018; Hayes, 2019a). Furthermore, when they addressed cryptocurrency users, they tended to stress their ideological character, especially in the years of Bitcoin emergence. As this decentralized digital currency built on blockchain technology entailed a radical criticism of the monetary system

(inspired by monetarist and libertarian economists) and promoted its transformation (separating money from both banks and the state), Bitcoin was defined not only as new money but also as a social movement (Dodd, 2018). These studies described cryptocurrency users as a community of supporters (*Bitcoiners* and other crypto-communities), primarily composed of experts in technology and individuals associated with “radical” cultures and movements (specially, cyberpunks, libertarians, and anarchists). In sum, they were described as activists (or even quasi-religious believers), identified with anti-system ideas, mistrust about the State, and strong faith in technology’s revolutionary power (Dodd, 2018; Faustino et al., 2021; Golumbia, 2016; Hayes, 2019a).

While activists and crypto-communities are an important part of the cryptocurrency world, the users are now more diverse (Cossu, 2022; 2023; Lee, 2020). As cryptocurrencies have become more widely recognized as investment assets than as “alternative” currencies (Lawrence & Mudge, 2019), the reasons why users incorporate them into their financial repertoires are not necessarily aligned with the original spirit of the projects or the radical ideas of their promoters. As Lee (2020) points out in analyzing the crypto frenzy in South Korea, there are discrepancies between the “official ideology” of Bitcoin and the everyday culture of Bitcoin retail investors. For the lay investors the author studies, the appeal of cryptos seems to be more related to the expectation that they can compensate for the loss of traditional career paths to secure financial wellbeing.

3 Investing in Cryptocurrencies in an Unstable Economy

According to private estimates of grassroots crypto adoption, in less than five years, the Argentine cryptocurrency market has become one of the largest in Latin America (Finder, 2022; Lemon, 2023). Although its growth slowed down in the face of the global cryptocurrency crisis in 2022, the market has resumed its expansive rhythm since 2023 (Lemon, 2023).

Especially since 2020, cryptocurrency platforms have multiplied and expanded, introducing new products that broadened these digital monies’ social uses. Although the presence of exchanges and wallets precedes it, in the last four years the map of actors in the local market has become more complex as a result of i) the incorporation of global exchanges (such as Binance, one of the largest globally, or Bitso, regionally), ii) the creation of new local crypto wallets and crypto cards (which allow retail payments in both cryptocurrencies and pesos, expanding their uses beyond investment), and iii) the incorporation of cryptocurrencies to some of the most widespread digital payment wallets.³ In addition, driven by the low cost

3 Despite this greater complexity, the local currency market is highly concentrated: Lemon Cash and Binance share 75% of active crypto accounts in Argentina (Lemon, 2023).

of energy, cryptocurrency mining grew during the period, both due to the arrival of international mining companies and the proliferation of small mining farms (many of them illegal) in different regions of the country.

Along with digital platforms, cryptocurrency users have increased at an exponential rate, according to private estimations: from 400 thousand cryptocurrency owners before the pandemic, to more than 4 million in 2022 (Finder, 2022), reaching 10 million cryptocurrency accounts in 2023 (Lemon, 2023). In line with the global prominence of young men in the market (Steinmetz et.al., 2021), in Argentina, it is estimated that 50% of users are under 35 years old and more than 60% are male (Finder, 2022). Although the use of cryptocurrencies as a means of payment is growing, their purchase for investment or savings is the most widespread option. In contrast to the central economies' crypto markets, 80% of cryptocurrency purchases in Argentina were stablecoins, whose value is pegged to the US dollar (Lemon, 2023).

The expansion of cryptocurrencies, especially among young people, is part of a broader shift in households' savings and investment practices in Argentina, directly related to the unstable economic context which has spurred the search for new financial instruments among ordinary people with little or no previous experience in the market, that now invest in stocks, bonds or mutual funds through any smartphone (Sánchez, 2024a; 2024b). This process marked a significant change since, for many decades, US dollars, fixed-term deposits, and real estate investments have been the most widespread savings and investment instruments among the local middle and lower-middle classes (D'Avella, 2019; Luzzi, 2007; Luzzi & Wilkis, 2023; Muir, 2015).

On the one hand, as we have already pointed out, high and persistent inflation rates are one of the elements distinguishing the local economy from that of most countries in the region. Inflation has been a matter of public concern at least since 2007. After a relative drop in 2020, related to the economic recession caused by the pandemic, inflation spiked again, reaching triple-digit annual rates since 2022. Inflation hit 211% in 2023 (INDEC, 2024), before declining to 118% by the end of the year, as price increases began to moderate (INDEC, 2025). Although real wages have been falling since 2015 (Benza et.al., 2022), the loss of purchasing power was aggravated between 2022 and 2023 (CIFRA, 2024; ODS, 2023).

On the other hand, for the last decade, the implementation of foreign exchange market regulations affecting the purchase of dollars for savings purposes⁴ has changed the financial repertoires of large segments of the population, encouraging alternative strategies – the most common of which are related to the development of an illegal foreign exchange market (Luzzi & Wilkis, 2023; Sánchez, 2018), and now also to cryptocurrencies.

4 Between 2012 and 2015, the government restricted foreign exchange transactions (dollar purchases for savings were banned altogether between 2012 and 2014). Such restrictions were briefly eliminated by the following administration but were reinstated in 2019 and continued until April 2025.

Interviewees highlighted both conditions when identifying the incentives that prompted them to invest in cryptos. On the one hand, many of the interviewees consider cryptos, and especially stablecoins, as an asset that can act as a store of value. Undoubtedly, preserving the value of money from the negative effects of inflation appears as a central concern, not necessarily a new one, for many of the people we talked to. “I try not to keep my money tied up, because in two months it will be worth much less”, said Mariano, a 30-year-old computer engineer who works in the IT area of a public organization. Mauro, 31, also a civil servant, stressed: “People need the money not to be devalued. Saving in pesos is the worst thing you can do”. While buying dollars or making fixed-term deposits had been the preferred options to achieve this goal in the past, it was now necessary to look for alternatives. Ludmila, a 32-year-old fellow in natural sciences, summed up her experience with stablecoins:

I mean, in reality, it appears as an alternative, to buy a stable currency. I haven't been authorized to buy dollars [in the official forex market] since 2020 So it came out as an alternative to that, so I can access a currency tied to the dollar and I do not lose purchasing power.

On the other hand, for some of these users, cryptocurrencies offer a solution for other kinds of financial issues, such as international payments. Jennifer, a 30-year-old naval architect working for a company abroad, is particularly affected by the current foreign exchange market regulations, which require incoming payments over a certain annual limit (US\$ 12 000) to be converted into local currency at the official exchange rate (much lower than the alternatives). Moreover, since the purchase of dollars for savings purposes is severely restricted, if she then wanted to convert the pesos back into dollars in order to preserve the value of the money over time, she would have to do so at a much higher exchange rate (either on the illegal market or through more sophisticated financial operations), with the consequent loss of value.⁵ It is at this point that cryptocurrencies become a particularly attractive asset for the local community:

At that time, the only available option was to “pesificar” [convert into pesos] at the official rate, so for several months I was doing that and then, well Obviously it doesn't pay to do that, it pisses you off because you lose half of your money. For that reason many people seek to get paid through a crypto platform and then do the exchange to pesos, selling the crypto and being able to buy here ... [although] that is more for people who do not need to declare income or who lie with their declaration.

5 During the period under analysis (2020–2023), the spread between the official exchange and the illegal exchange rate (the so-called “blue dollar”) was between 50% and 100%, with brief periods where it even exceeded that limit (Zack et.al., 2023).

However, even though for most of the interviewees their interest in cryptocurrencies is directly related to the local macroeconomic and regulatory conditions, some of them also emphasize the appeal of crypto as a novel asset. A small proportion of our sample, including those interested in mining, can be considered as more “prototypical” crypto users, attracted to cryptocurrencies because of the alternative projects they represent, concerning both classical financial institutions and the state.

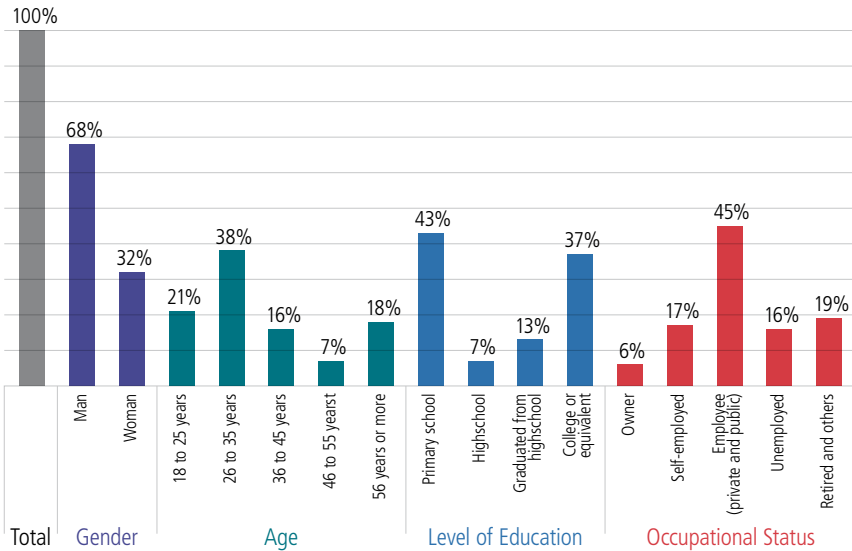
In sum, while literature about investment popularization (and, more broadly, about the integration of households into financial markets) in central economies tends to stress the privatization of social welfare institutions as a key trigger for this process (Edwards, 2022; Goldstein & Knight, 2023; Harrington, 2008), the Argentinean case seems different. Rather than the dismantling of state protections, it is macroeconomic instability and specific financial regulations that act as the necessary (although not sufficient) conditions for the development of risky financial investment practices among lay investors with little or no previous experience in the market. As the recent literature has shown for other cases (Lee, 2020), the rise of crypto investments can be considered part of popular responses to economic precarity and instability, especially among young people.

4 Cryptocurrency Users as Rookie Investors: Practices, Sociability, Infrastructures, and Lay Knowledge

As systematic public information on investment decision of local individuals and families’ is lacking, and private data that would allow us to characterize retail investors in socio-demographic terms is unavailable, our characterization of the social background of those who invest through digital platforms is based on a telephone survey conducted in 2022 among 820 individuals over 18 years residing in the Buenos Aires Metropolitan Area. According to the study, which shows the growing access to and use of digital financial platforms, 91 (19%) of the 471 respondents who used financial apps declared choosing them to trade cryptocurrencies or make other financial investments.

Survey data also shows that individuals from different socioeconomic backgrounds are increasingly incorporating investment practices into their financial repertoires. As the available literature shows, when investment instruments become popular, participation in financial markets is no longer limited to the economic, political, or cultural elites. Instead, new types of investors emerge (Edwards, 2022; Harrington, 2008; Preda, 2001). Among the digital investors surveyed, there is evidence of widespread participation by what Brooke Harrington (2008) has called *amateur investors*. A significant proportion of the surveyed investors are male (68%) and young (59% are aged between 18 and 35). Furthermore, 50% have low educational levels (12 years of education or less) and no formal education in economics or

Figure 1 Digital Investors (All Types of Instruments and Platforms) by Gender, Age, Educational Level, and Occupational Status. AMBA. 2022.



Note: N = 91.

finance. While most of the investors surveyed are employees (45%), some of them are self-employed (17%), unemployed (16%), or retired or similar (19%). Only 6% of them are employers. Data shows that income level, educational level and/or occupational status are not direct predictors of individuals’ participation in the financial market (Sánchez, 2024a) – as was the case in the past (Luzzi & Wilkis, 2018).

Given that our survey does not disaggregate digital investors by investment type, we rely on qualitative data to outline a profile of cryptocurrency users in Argentina. For these young interviewees – who are neither finance professionals nor aspire to become such – cryptocurrencies generally represent their first experience with risk-bearing investments. Aside from prior engagement with savings instruments (primarily U.S. dollars or fixed-term deposits), most of them lacked any background in financial markets (e.g., stock or bonds). Moreover, some of them entered the world of crypto through non-financial activities, such as playing play-to-earn games (or following peers who had done so and earned their first cryptocurrencies online), thereby highlighting the growing significance of digital gamification in shaping the interaction between lay individuals and the financial sphere (Lai & Langley, 2023).

However, cryptocurrencies are rarely the only investment instrument they hold. Despite certain variations, their financial trajectories reflect a shift from more “classical” practices to new investment strategies that incorporate risk-bearing assets.

For most of them, regardless of their initial motivations, cryptocurrencies served as a gateway to more active market participation, gradually incorporating other risky financial investments, such as public debt bonds, stocks, and digital investment accounts.

For this reason, we can consider them to be *rookie investors*: newcomers to the market (driven by multiple situations and objectives) that embrace a process of market socialization that deepens their engagement with finance.

4.1 Social Networks and Digital Communities

In line with previous research on lay investors (Hayden & Muir, 2022; Fridman, 2016; Harrington, 2008), personal recommendations were usually cited as the main reason to enter the market – more than their expertise in blockchain technology or crypto-assets. Most of those who had bought cryptocurrencies did so after speaking to friends, family members, or co-workers who had already invested. Like many other Argentines, Mariano was accustomed to managing his savings using two traditional financial instruments: buying dollars each month or making fixed-term deposits. Until a friend recommended a play-to-earn platform:

Well, a friend of mine told me about it He is much more involved [in cryptos] than me, and he proposed we play a game involving cryptocurrencies. The game was in a very good moment; he wanted to create a community of people he knew [around it]. We got together and he explained to me: “You basically have to water some plants and harvest the fruits, which are cryptocurrencies”. The complication was to move [your money] from your bank account to get the [first] game’s crypto. He first explained the game to me, then his vision, and then how to do it. I did it and started playing the game....

Elizabeth is a 35-year-old teacher who also runs a small business with her partner to get a supplementary income. They started investing in cryptocurrencies on a friend’s recommendation:

We started with someone we know who is in the hotel business and works with foreigners; he is our friend. We were already suspicious about the dollar, because of the dollar inflation, of the little support the dollar has as a currency. Although in Argentina it is the [preferred] currency, we are suspicious of that bubble. Well, this person is an old guy, he is 65 years old, he has always been in the market, so he got into crypto and started to tell us about it. We started and since then we have been studying on our own.

At the same time, the interviewees do not only receive recommendations; in some cases, they also encourage others to invest in cryptocurrencies. Armando is

a 30-year-old economic journalist working for a news agency. After spending some time investing in cryptocurrencies and following some *finfluencers* on YouTube, he became an active promoter of financial investments among his friends and family:

I have guided [several] friends of mine [who] told me: “Man, you have to be a financial advisor”, or something like that The other day, a friend of mine at college asked: “Hey, is anyone selling dollars?” [And] I said, “You have a regular salary, don’t you? You are a formal worker”, “Yes, yes” [she answered]. “And you’re going to buy dollars, bills, from a person on the street, from me, from whoever, and you’re going to keep them in a shoebox at home? It’s all wrong! Now, do you want to go a little further?” What I recommend to some people, to those who ask me, is that if they are thinking of buying dollars... [I tell them] not to buy dollars, but DAI [a stablecoin].

This is also the case of Jorge, a 30-year-old systems technician who spent more than two years mining cryptocurrencies. Jorge started this activity on a friend’s recommendation, guiding him in the beginning. Then he deepened his technical knowledge through YouTube videos. Later, he shared his experience with friends and family, to whom he sold equipment to set up their farms and taught them how to cash for cryptocurrencies:

In the beginning, I was following up on their equipment, making payments to their wallets, teaching them what wallet to choose, what to do with cryptos, whether to convert them to dollars or pesos, or how to get them to their bank account. That’s all I taught them!

In addition to personal recommendations, sociability and participation in current, high-interest social conversations are also central to these crypto investors. Unlike the face-to-face meetings and groups analyzed in previous studies of amateur investors (Fridman, 2016; Harrington, 2008), these conversations mainly take place through social media and digital messaging apps – highlighting the “financialization of digital life”, as described by Hayes and Ben-Schmuel (2024). Most interviewees participate in various “digital communities” (Hayden & Muir, 2022), where people connect through platforms such as WhatsApp and Telegram groups (some of which are created by the platforms themselves), as well as Facebook and X communities and website forums. These communities allow investors to read and share information about the cryptocurrency market and investment decisions. However, these digital groups cannot be reduced to activist crypto communities, which are generally associated with alt-right political ideas (Golumbia, 2016). Most of them gather people interested in investing or finance in general, who are not necessarily committed to cryptos as an alternative project.

Nicanor is a 32-year-old court clerk who lives with his partner. He started investing in cryptocurrencies on the recommendation of an acquaintance, who also added him to a WhatsApp group: “We have a group, for those who study these topics a little more. We don’t know each other, just a few There we share quite a lot of information”. Mauro also told us that he has “a WhatsApp group of 150 people, 150 people only and exclusively about this”, but that he also participates in other digital communities:

I’m interested in a [digital] coin and, well, I search in Telegram for the coin, I join Twitter groups, Facebook groups, whatever. And it is the community itself that feeds you the information. In other words, it is also that: a lot of Twitter, and other social media. I have my personal Twitter and my Crypto Twitter, where I only follow people from the crypto world.

4.2 Digital Infrastructures

Like other financial markets addressed by the literature (Callon, 1998; MacKenzie, 2009), the cryptocurrency market is shaped by a set of socio-technical infrastructures (Maurer, 2017) that connect users and digital monies. Previous studies have shown that the integration of financial products into routines and activities of domestic life depends crucially on the often invisible work of a set of practices that can be grouped under the term ‘infrastructuring’ (Ossandón et al, 2022). In this vein, while learning through and with others is an important part of users’ participation in the cryptocurrency market, the nature of the platforms channeling that participation must also be considered. Mobile applications constitute the main investment infrastructure for these newcomers to the finance world.

The fact that it is so easy helps you [to invest in crypto]. So easy: you don’t need a bank, nothing, you open an app and fuck it. (Nicanor, 32)

The first thing I did was.... I put some savings I had in dollars, I started with a thousand dollars, and I put them through Onebit. Onebit transferred it to me on their platform. And from their platform, I sent it to Metamask, which is my current wallet, the one I use ... I started to explore, to try.... You put in, you take out, you click, you try, you try, you get in. (Lorenzo, 30)

As can be seen in Nicanor’s or Lorenzo’s stories, the apps they use have two major advantages. First, they are practically free of requirements: all you need to do is download the app to your mobile phone and create a user account. Secondly, they form part of a technological environment that extends beyond the financial world, with which investors are already quite familiar. “You click, you try it out,” says

Lorenzo, a 30-year-old lawyer, alluding to a familiar type of operation that can be performed intuitively because it involves the use of devices that have already been domesticated (Berker, 2006; Lehtonen, 2003). Interviewees often describe their first experiences with cryptos and crypto applications as playful experiences: “trying”, “exploring”, “playing”, “seeing and understanding”, or even “betting” are how young people describe their entry into and participation in the crypto world. While existing literature has already pointed out the relationship between investment and gambling, the meaning of these findings differs from those of studies analyzing how professional trading mirrors certain aspects of gambling (Zaloom, 2012), as well as from studies of crypto lay investors as “gambler subjects” that emphasize the speculative or even enchanted dimension of their investments (Lee, 2020). Although this is not a fictitious market like the one analyzed by Fridman (2016), these *rookie* investors also understand the buying and selling of cryptos as a practice primarily aimed at acquiring market knowledge and enhancing their financial skills (even if they may lose money in the process).

At the same time, this ease of use is limited. Many interviewees point out, for example, that dealing with exchanges requires a great deal of training. Tadeo, a 23-year-old man working in a software company, explained:

I don't know of [an app] being more complex than Binance. In Binance you can find all the cryptos you want. You can do so many things that it's almost like studying for another class in college. It is very difficult. There are courses [available]. It's very difficult to use.

Most users combine different applications, some of them offering fewer functions but a more user-friendly environment.

4.3 Social Media and Financial Self-Education

It's super complex. You have to study a lot to understand . . . Everything implies a lot of knowledge and information because it is money that you invest, it is not a gift. You have to be very careful. I do not think it is easy. For me, it is still difficult to explain . . . Everything I learned was by watching. Once you learn, it's not so difficult, but well, there are other levels. I still haven't unlocked levels I would like to. (Elizabeth, 35)

In order to acquire the knowledge they consider essential for navigating the market, all of the interviewees seek information and engage in active learning through various social media platforms (where YouTube and Twitter predominate), market-related websites (where global platforms such as Coin Gecko and exchanges websites stand out) and by monitoring financial influencers daily (international, regional, and

local).⁶ Although a wide range of training courses are currently offered by both private and public organizations, all the interviewees are attracted to the various online resources that allow them to develop autonomous distance learning, at their own pace. “100% self-taught. Everything is on YouTube, on Twitter, if you are capable of discernment and you dare to ask questions, talk, and systematize the study, you can understand everything”, Lorenzo told us. The importance of following one’s learning path through trial and error is repeated in the interviewees’ narratives. Walter is 19 years old and lives with his parents. When he started doing affiliate marketing for an online casino based abroad, Walter first had to learn how to manage the payments he received, and then figure out how to use the cryptocurrencies he was paid into for his daily expenses in Argentina:

I watched a lot of YouTube videos, and I started to find out. I opened an account, and there I was, learning on my own, let’s say, how to do everything. Because, you know, I first became curious about cryptocurrencies because of my dad. He had invested in Bitcoin and well, I saw that he had earned a lot of money, so I got curious and I started to look around, you see? There, watching videos on YouTube and everything, to see how the thing worked, and then I learned how to manage everything, right? In the beginning, it was very difficult because you had a lot of options and you didn’t understand anything, but after a lot of fiddling, let’s say, I got the hang of it, and then, thanks to all that, I was able to give advice [to others] and all that.
(Walter, 19)

Educational initiatives aimed at disseminating knowledge, promoting specific assets and encouraging investment practices among a non-expert public have gained popularity in recent years. Among these financial education initiatives, the role of financial influencers stands out, especially among young people (Hayes & Ben-Schmuel, 2024; Hayes et.al, 2024). For this self-taught learning, the interviewees especially value the profiles of influencers who use pedagogical language and offer simple explanations for complex elements. Referring to one of the most popular local influencers, with more than 450 thousand followers, Armando explained to us why he had been fundamental in his learning process:

6 The rise of financial influencers is part of a larger process in which influencers – individuals who participate in the digital public space with thousands of followers – have gained relevance, shaping public debates globally and in Latin America as well (Kessler et al., 2022). Financial influencers, mostly non-professional young people targeting a young audience (especially men) are not the first to disseminate economic knowledge oriented to a non-expert public. What is specific to them is the kind of content they share, making it both accessible and engaging: mostly videos, tutorials, live broadcasts, and memes uploaded to different social media platforms (Hayes & Ben-Schmuel, 2024).

Because he proposes, because he explains with graphs, with things, with everything, in plain and colloquial language, like a lot of investment options And so, in channels like that [on YouTube] I started getting into it and researching and learning more about how to invest. It seemed to me the most didactic.

In particular, interviewees value tutorials and videos that provide “step-by-step” instructions on different aspects of the market and the platforms, allowing them to carry out the procedures by themselves.

To sum up, the digital world is present in many ways in the experience of these *rookie* investors. On the one hand, digital infrastructures are key to their engagement in the market. On the other hand, their entry into the financial world combined the suggestions from friends and colleagues already identified as crucial by the literature on amateur investors, with both the consumption of videos, tutorials, and other online resources and the interaction with other users in digital communities.

5 Discussion: An Alternative to Traditional Finance or New Gateways to the Market?

Literature analyzing cryptocurrencies has tended to highlight the radical character of the earliest cryptocurrency projects, especially Bitcoin (Dodd, 2018; Golumbia, 2016; Hayes, 2019a; Lawrence & Mudge, 2019; Swartz, 2018). In particular, existing research has emphasized the anti-state spirit underlying these projects. On the one hand, cryptocurrencies aspired to recast the very nature of currencies, eliminating their status as state creations and replacing the guarantees offered by state institutions with a form of trust secured by technical means (specifically thanks to blockchain technology). On the other hand, cryptocurrencies could manage to avoid the state’s financial and fiscal control, by exploiting legal loopholes concerning novel assets, among other things.

In our fieldwork, however, this type of argument does not show prominent weight. As Lee (2020) points out, the fact that retail investors incorporate cryptocurrencies into their financial repertoires does not mean that they embrace the radical ideas of the original projects or promoters. Similarly, using other financial products does not reflect the existence of “financial subjects” that fully adopt financialized ideals and logics (Lai, 2016; 2017; Pellandini-Simányi & Banai, 2020). Firstly, although in many cases cryptocurrencies are relevant as part of a complex payment system, most interviewees were primarily interested in them as an investment asset, rather than an alternative currency (Lawrence & Mudge, 2019). Only four out of 20 interviewees highlighted at some point the disruptive nature of cryptocurrencies, with one calling the innovations they entail a “cultural revolution” and another noting that

earning money by mining cryptocurrencies had “changed (his) idea of what money is”. Even among those who were the most enthusiastic about cryptocurrencies, this was not their only or even mainly form of investment. Rather than being interested in trading these assets, these young users tend to see cryptocurrencies as a store of value – from which they can eventually make a profit. They generally invest in either the most popular ones (such as Bitcoin or Ethereum) or stablecoins. To understand these preferences, it is important to consider both the local macroeconomic context and US dollar’s starring role in local financial repertoires as the preferred savings instrument (Luzzi & Wilkis, 2023). Far from considering cryptocurrencies to be a radically different kind of financial product, most interviewees think of them as a complement to or a replacement for US dollars, which can also explain their preference for stablecoins. These results suggest that the widespread use of cryptocurrencies can be decoupled from a risky investment mindset, as studies have shown for other financial products (Pellandini-Simányi & Banai, 2020)

Nor did we find investors who strongly embodied anti-state discourses or who radically criticized traditional financial institutions. Except for one, all the interviewees held bank accounts and several of them made other types of investments outside crypto assets (such as fixed-term deposits, dollar purchases, participation in investment funds, stocks or bonds), in most cases through banks or classic stock market organizations. While some interviewees expressed some kind of dissatisfaction with banking institutions, they mostly based their preference for FinTech on the quality of the services offered: simpler day-to-day management and better customer service and problem resolution (more direct, less cumbersome and not subject to schedules or contacts with specific people).

Although they cannot be described as radicalized or “activist” users, all the young people we interviewed did perceive cryptos as more attractive (due to their innovative nature and technological component) and as more accessible (easier to operate) than other assets. They also highlighted decentralization and disintermediation as the main features of these new investment options, compared to what banks and traditional financial markets usually offer. Therefore, the appeal of cryptocurrencies relies heavily on the digital platforms that facilitate these investments (mostly exchanges, but also wallets). As existing literature has shown (Lawrence & Mudge, 2019; Nelms et al, 2018; Swartz, 2018), they offer the socio-technical support for the ideal of disintermediation inscribed in cryptocurrencies as a radical project. Organizations “seek-paradoxically-to disappear into the very relations they facilitate”, thereby contributing to shaping a “just us” economy which rejects the classic mediating institutions of society, ranging from the banking system to the state itself (Nelms et al, 2018: 6). If apps are powerful infrastructures, it is because they can translate the complexity of the financial world into understandable terms, facilitating transactions while simultaneously disappearing as intermediaries. With just one click, applications allow users to check the available information, simulate

results, and decide on account movements without the need to involve other people. Even without having to pay any fees on transactions (at least not visible ones). Moreover, the very nature of cryptocurrencies as decentralized assets reinforces this illusion, especially in peer-to-peer transactions.

As far as the state is concerned, only a few interviewees pointed out as a positive value that cryptocurrencies allowed to evade public controls and regulations. However, even though most of the interviewees are not radical critics, both high inflation and foreign exchange market regulations (key elements in understanding young people's interest in cryptocurrencies) seem to have had a negatively effect on their view of the state, and of politics more broadly.⁷ In this sense, cryptocurrencies can be seen as an expression of the search for a certain degree of autonomy amid state crisis – as the US dollar was in the past (Luzzi & Wilkis, 2023).

The connection of these crypto investors to finance is mediated by a set of digital infrastructures (Maurer, 2017). While existing literature has mainly focused on peer-to-peer platforms and exchanges to analyze cryptocurrencies themselves as “socio-technical assemblages” (Caliskan, 2020; 2023; Hayes, 2019a), we argue that analyzing *rookie* investors' participation in the market requires taking into account a broader set of digital platforms and social media involved in shaping individuals' investment practices, not just those directly related to financial transactions.

Cryptocurrencies are theoretically and technically complex systems, with a dense and specific vocabulary (blockchain, networks, nodes, miners, users, exchanges, wallets, among many others), which makes them an opaque technology for those who are not experts in finance or technology. Therefore, investing in cryptocurrencies requires *rookie* investors to acquire new financial knowledge: discourses, rules, skills, and cognitive tools that enable them to understand and trade in the cryptocurrency market.

Existing literature has highlighted the importance of financial education as well as the specific impact that financial experts, market gurus, television, and internet sites have on amateur investors' experience (Edwards, 2022; Fridman, 2016; Harrington, 2008; Preda, 2001). The case we have analyzed here also emphasizes the role played by social media and digital communities of users play in the contemporary circulation of financial knowledge. In addition to financial apps that provide easy access to the market and translate its complexity, both financial influencers and digital communities offer crucial support for these *rookie* investors. They play a key role in disseminating information about the market and developing the necessary practical skills, as well as in creating reference groups. Hence, sociability is not only an important element to account for how interviewees *enter* the cryptocurrency mar-

7 As the state has been blamed for rising inflation, right-wing and far-right discourses and political options have expanded in Argentina in recent years (Wilakis, 2023). With the promise of ending inflation at the center of his presidential campaign, the libertarian candidate Javier Milei won the elections in November 2023.

ket but also for how their participation in it takes shape, *becoming* investors. While social influences have always been part of investment practices and decisions, digital platforms have become a fundamental space for “market socialization” (Goldstein & Knight, 2023): spaces and relations through which young people can develop the necessary skills and knowledge to invest.

Finally, macroeconomic instability has also played a key role in fostering local participation in cryptocurrency markets. Literature on the financialization of everyday life has tended to stress the contrast between (classic) passive savers and active entrepreneurial investors as a key to understanding the impact of finance expansion in contemporary subjectivities. However, as more recent work has showed (Agunsoye, 2024; Lai, 2017, Pellandini-Simányi & Banai, 2020), actual financial practices may be difficult to fit into such categories, as some types of investments are usually considered by lay investors as a form of “protection” rather than a means for obtaining financial profits. Even more in times of high inflation, which tends to blur the boundaries between asset protection and investment returns. In the context of a deep economic crisis, many Argentine families actively seek opportunities to protect and enhance the value of their money. Cryptocurrencies have become integral to the long-term co-existence of the national currency and the US dollar in recent years, deepening monetary plurality and making monetary ecologies more complex (where pesos, cryptocurrencies and dollars circulate and are converted through multiple digital infrastructures). Particularly in the case of the young adults we have encountered, they also serve as gateways for investing in more risky assets, showing that these initial experiences can spur into further market engagement, as in other cases of ordinary investors analyzed by the literature (Goldstein & Knight, 2023; Preda, 2009).

6 Conclusion

This paper has shown the initial findings of ongoing research on young amateur investors’ participation in the Argentine cryptocurrency market. In an economic context characterized by high inflation rates and strict foreign exchange market regulations, investment practices through digital financial platforms have grown significantly among retail investors. Within this scenario, cryptocurrencies have quickly become part of the financial repertoires of many Argentines, especially young people, who view them as a potential solution to different financial challenges.

By analyzing the motives and everyday practices that shape young people’s adoption of cryptocurrencies, this paper aims to contribute firstly to the literature on the social studies of cryptocurrencies, which has paid limited attention to everyday monetary practices involving digital money. Second, to the field of popular finance, which has tended to focus exclusively on stock market participation when analyzing

lay investors' practices. Finally, to research on the financialization of everyday life, which has tended to emphasize credit and debt over savings and investment, often portraying lay investors as idealized financialized subjects while overlooking the geographical variations in their engagement with financial markets. Not only have ordinary investors received less attention from academics than professional investors or traders, but their conceptualization has often been reduced to the notion of *retail* investors, which only indicates that they are *individuals* trading small or moderate amounts of money. In contrast, Harrington's notion of *amateur* investors highlights mainly their social background: newcomers to the market belonging to the middle or lower classes and lacking formal financial education. Drawing on these contributions, the notion of *rookie investors* allows us to additionally emphasize the process of financial socialization by which people entering the market gradually acquire the technical and practical knowledge necessary to invest and eventually develop (over time) a more skilled profile.

In line with what has already been described by the literature, personal recommendations from friends, family members, or colleagues who have already invested are an important boost to enter the market. Our study also reveals some special features that are specific to these *rookie investors*. First, the unique conditions of the local economy appear to be the main driver for the rapid adoption of cryptocurrencies. Local interest in these assets is directly related to an active search for new investment opportunities to protect the value of money and/or generate profits in times of macroeconomic instability and strict foreign exchange market regulations. Rather than a strong anti-state spirit, blockchain technology, or radical cryptocurrency enthusiasts, as those generally addressed by the social studies of cryptocurrencies, we find that young people are mostly looking for an asset that can act as a store of value and provide profit opportunities in the face of the local currency depreciation, as well as solutions to specific problems, mostly related to local financial regulations. These findings contribute to the analysis of the lived experiences of financialization (Pellandini-Simányi & Banai, 2020), analyzing the socially situated motives that account for the incorporation of financial products.

Second, individuals rely on different digital infrastructures to incorporate the vocabulary, skills, and cognitive mediations needed to cope with this specific type of asset. Active participation in digital communities and social media platforms as key learning resources draws attention to the role of social media – and not just financial organizations or experts, which has generally been highlighted in previous studies – in financial socialization. In the case of these *rookie investors*, following influencers and chatting and exchanging information with others daily through social media emerges as an important support for investment practices.

In other words, increasing engagement in the market is not only driven by the unstable macroeconomic context. Nor is it solely explained by the fact that investing has never been so easy, with financial apps providing accessible and user-friendly

platforms, where information is already decoded and adapted to lay investors. It is also nurtured by a digital conversation that channels both technical information and practical skills, setting in motion a peculiar process of knowledge acquisition. Even if this conversation initially revolves exclusively around cryptocurrencies, it also opens the way to other investments, allowing these newcomers to progress in the market.

Finally, according to our findings, cryptocurrencies tend to represent these young investors' first step into the world of risk-bearing assets. Their interest in crypto led them to seek information, engage with financial influencers, and familiarize themselves with transactions that later served as a basis for them to begin exploring other options, such as bonds or stocks. Regardless of the motive that brought them to cryptocurrencies, these first experiences have initiated a process of market socialization that encourages ordinary people with no previous experience to *become* investors – even if a clear distinction between the goal of asset protection and financial profit is blurred in these practices.

Although the extraordinary macroeconomic scenario must be taken into account, the Argentine experience seems to show that cryptocurrencies can act as an important trigger for risk-taking investment practices. By fostering socio-technical and cognitive infrastructures for investment, these new types of assets can lead to a deeper involvement of lay investors in financial markets. In other words, cryptocurrencies, far from being a key for radical market transformation, as was originally pretended, would contribute to its reproduction by incorporating new social groups into the world of finance.

While the *financialization of everyday life* is being fostered by the *digitalization of financial lives*, the Argentinian case seems to show that this process is not necessarily produced by the emergence of “financialized subjects”, but by the increasing domestication of novel financial assets (and also of their risks) in a context of deep macroeconomic instability. As we have shown, the recent inflationary crisis is one of the main causes of the observed changes in saving and investment practices in Argentina. Future research will reveal the extent to which the incorporation of digital financial technologies and digital currencies has changed the local monetary culture in a lasting way, and how this may affect the household economy.

7 References

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Alt werden ohne betreuende Familienangehörige

Herausforderungen für Alterspolitik und Altersarbeit

Reihe Soziale Arbeit im Fokus

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Heutzutage können längst nicht mehr alle älteren Menschen auf die Unterstützung und insbesondere die Betreuung durch enge Familienangehörige zählen. Dies ist nicht unmittelbar mit besonderer Vulnerabilität gleichzusetzen, kann bei mangelnden finanziellen oder sozialen Ressourcen aber zum Problem werden: Eine gute Betreuung im Alter legt den Fokus auf die psychosozialen Bedürfnisse älterer Menschen und befähigt sie zu einem selbstbestimmten Leben. Doch während in der Schweiz auf Hilfe und Pflege im Alter ein sozialstaatliches Anrecht besteht, wird für die Betreuung die unentgeltliche Sorgearbeit durch Familienangehörige implizit vorausgesetzt. Diese Situation stellt angesichts der «doppelten Alterung» der Bevölkerung eine gesamtgesellschaftliche Herausforderung dar, die es auch mithilfe der Sozialen Arbeit zu bewältigen gilt.

Im Rahmen der vorliegenden, qualitativen Studie haben wir den Blick auf die bislang vernachlässigten, subjektiven Perspektiven älterer Menschen ohne betreuende Familienangehörige gerichtet, wodurch sie als grundlegend heterogene Gruppe greifbar wurden. Auf dieser Basis haben wir analysiert, ob die Rahmenbedingungen in der Schweiz geeignet sind, um auf die Bedürfnisse, Wünsche und Ängste der Zielgruppe einzugehen. Handlungsempfehlungen an Alterspolitik und Altersarbeit zeigen auf, wie die Lebensqualität älterer Menschen ohne betreuende Familienangehörige bewahrt oder verbessert werden kann.

Die Studie entstand an der Hochschule für Soziale Arbeit der Fachhochschule Nordwestschweiz. Sie wurde von **Carlo Knöpfel, Isabel Heger-Laube, Rebecca Duroillet, Yann Bochsler** und **Sandra Janett** erarbeitet und verfasst.

Morality in Times of Uncertainty. The Moral Grounding of Impact Investing Asset Managers

Daniel Burnier*, Philip Balsiger*, and Noé Kabouche**

Abstract: This paper analyzes the moral discourse of contemporary “caring capitalists” through a Geneva-based study of impact asset managers seeking to generate measurable social and environmental results alongside a financial return. The discursive analysis reveals how strongly impact investing is grounded in the worldview of finance, in spite of its claim to transcend it. In a context of uncertainty about impact, we also show that principle-based deontological frameworks provide our participants with an attractive addition to their consequentialist reasoning.

Keywords: Impact investing, moral background, caring capitalism, sociology of morality, uncertainty

La moralité en temps d'incertitude. L'arrière-plan moral des gestionnaires d'actifs visant un investissement d'impact

Résumé: Cet article analyse le discours moral des « capitalistes bienveillants » (*caring capitalists*) contemporains à travers une étude genevoise sur les gestionnaires d'actifs à impact qui cherchent à générer des résultats sociaux et environnementaux mesurables en plus d'un rendement financier. L'analyse discursive révèle à quel point l'investissement d'impact est ancré dans la vision du monde de la finance, bien qu'il prétende la transcender. Dans un contexte d'incertitude quant à l'impact, nous montrons également que les cadres déontologiques fondés sur des principes offrent à nos participants un complément attrayant à leur raisonnement conséquentialiste.

Mots-clés: Investissement d'impact, moral background, caring capitalism, sociologie de la moralité, incertitude

Moral in Zeiten der Ungewissheit. Die moralische Grundlage von Impact Investing Asset Managern

Zusammenfassung: Dieser Artikel analysiert den moralischen Diskurs der zeitgenössischen « wohlwollenden Kapitalisten » (*caring capitalists*) anhand einer Genfer Studie über Impact Asset Manager, die neben einer finanziellen Rendite auch messbare soziale und ökologische Ergebnisse erzielen wollen. Die Diskursanalyse zeigt, wie tief das Impact Investing in der Weltanschauung der Finanzwelt verankert ist, obwohl es vorgibt, diese zu transzendieren. Vor dem Hintergrund der Unsicherheit über die Wirkung zeigen wir ausserdem, dass prinzipienbasierte ethische Rahmenwerke unseren Teilnehmern eine attraktive Ergänzung zu ihrer konsequentialistischen Argumentation bieten.

Schlüsselwörter: Impact Investing, moral background, caring capitalism, Soziologie der Moral, Unsicherheit

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1 Introduction

Contrary to Milton Friedman's famous claim that "the social responsibility of business is to increase its profits" (Friedman, 1970), many businesspeople maintain today, as they have in the past (Abend, 2014; Christiansen, 2015), that companies should not only focus on shareholder value but also on social and environmental value. Barman (2016) speaks of a "caring" turn taken by capitalism in recent years: using concepts such as "purpose" (Emerson, 2018), "impact" (Markman et al., 2019), or "shared value" (Porter & Kramer, 2019), caring capitalists seek to reconcile "money and mission". An emblematic case of contemporary caring capitalism is impact investing, an approach of investment that was developed over the last decade or so, initially through an initiative of the Rockefeller foundation who coined the term in 2007. Putting a clear emphasis on achieving socially and/or environmentally beneficial outcomes, this approach of investment aims to generate measurable social and environmental results alongside a financial return through financing of social enterprises or organizations active in sectors such as microfinance, energy, health care, education and sustainable agriculture (Global Impact Investing Network GIIN, 2019). From niche, impact investing is becoming more and more mainstream. In the last decade, it has attracted a wide variety of investors such as fund managers, development finance institutions, diversified financial banks and institutions, private foundations, family offices, non-governmental organizations (NGOs), religious institutions, and individual investors (Balsiger et al., 2025). For 2021, the size of this global market has been estimated at USD 1.1. trillion by the GIIN (2022).

So far, the sociological study of impact investment has focused on how its proponents seek to bring together their social/environmental objectives with their financial goals, studying in particular the discourses and actor coalitions they mobilize (Burnier et al., 2022; Golka, 2023; Hehenberger et al., 2019; Williams, 2020), the market devices and impact measurements developed (Barman, 2015; Chiapello & Knoll, 2020) and impact investors' motivations (Hellman, 2020; Roundy et al., 2017). Our study looks at this from yet another angle – a critical analysis of the moral discourse of impact investment professionals: what, according to impact investors' discourse, makes impact investing a desirable, worthy activity and why? To answer this question, we develop an approach that builds on Abend's (2014) framework to study the "moral background" of impact investors, i. e. the discursive, cognitive, and material elements that "facilitate, support, or enable" (Abend, 2014, p. 17) moral practices and opinions.

Studying impact investment asset managers in the Geneva region, a major global hub of traditional and "sustainable" finance as well as international development, on the basis of interviews and of document analysis, our analyses reveal that impact investing draws its moral legitimacy from both a transcending discourse that calls for overcoming the opposition between the economic and the social, and a more

classical discourse that remains firmly within the limits and representations of the financial field. We also show that impact investing's discourse relies on both deontological and consequentialist arguments. This result was surprising, given that it is often argued that businesspeople are practical consequence-driven people interested in tangible results (Gustafson, 2018). We argue that in order to answer for their actions in a context of impact uncertainty (i. e. regarding the social/environmental performance of their investments), principle-based deontological frameworks may provide to our participants an attractive addition to their consequentialist reasoning.

This study contributes to a better understanding of what impact investors' moral arguments are made of. It contributes new insights into the "moral turn" of contemporary finance and more generally into the moral dimensions of economic lives (Balsiger, 2016) by focusing on morality itself. It is important to do so as finance increasingly draws on ethical justifications and is often portrayed as a crucial actor in order to reach the United Nations Sustainable Development Goals and the greening of the economy. In the current debate about the impact investing industry's ability to truly measure its social or environmental impacts (Busch et al., 2021), this paper describes the moral work of impact asset managers and examines how they justify their practices, while not compromising their reputation and legitimacy.

2 Studying the Morality of Business

The rise of organizations promoting a discourse of "both-and", a compatibility between "money" and "mission", is a characteristic feature of contemporary capitalism. Emily Barman has captured this phenomenon through the notion of "caring capitalism" (Barman, 2016). Analyzing the discourses and practices of these present-day capitalists, Barman shows how they portray themselves as caring about the world's social and environmental problems and develop market solutions to address them. By studying phenomena such as social enterprises, venture philanthropy, CSR or impact investment, she detects a shift in the discourses of capitalist elites, away from the Friedmanian mantra of the 1970s (the social responsibility of business is to increase its profits) to a justification of business in explicitly moral terms. Barman is in particular interested in understanding how impact investment *markets* are built, and points at the importance of developing a recognized valuation infrastructure (such as a reporting standard and rating system) to decrease the level of impact uncertainty. She notes that this uncertainty was perceived by early impact investors as a challenge which acted as "a barrier to the growth of impact investing" (Barman, 2015, p. 26).

While in 2016, Dagers and Nicholls (2016) noted that the majority of publications on impact investment were practitioner- and policy-oriented, the field has produced more theoretical and data-based empirical studies since then (Agrawal

& Hockerts, 2021). These often country-specific studies have predominantly been focused on market creation, acceptance, and intermediaries. The social construction of this market (Barman, 2015; Hellman, 2020) and how financial and social/environmental values are brought together in investment practices (Barman, 2015; Chiapello, 2015; Chiapello & Knoll, 2020; Dagggers & Nicholls, 2016) are today significant avenues of research taken by scholars. They have observed a convergence towards standardized quantitative measurement (Hehenberger et al., 2019), critically assessing it for leading to the financialization of social programs or environmental policy (Chiapello & Knoll, 2020; Ducastel & Anseeuw, 2020; Golka, 2019).

At the individual level of investors' motivations, a study by Roundy et al. (2017) shows the full range of impact investors' motivations to pursue both economic and social/environmental goals, in particular the role played by personal values and emotions (see also Hellman, 2020), the ability to redeploy their capital to generate other social/environmental impacts, and their belief in market solutions (Roundy et al., 2017). Our paper looks at the "reconciliation of money and mission" from yet a different angle: the discursive repertoires impact investment professionals draw upon to justify the morality of their practices. It thus deepens the analysis of the morality of impact investment focusing on the reasons impact investment professionals give for the morality of their practice.

For a sociologist, people's moral ideas or beliefs are always influenced by social and historical factors and often depend on what they know to be true (Roth, 2010). We build on Gabriel Abend's conceptual framework (2014) to study impact investors' "moral background", composed of second-order elements that "facilitate, support, or enable" (Abend, 2014, p. 17) first-order moral practices, opinions, or beliefs. Ethical behaviors and practices are necessarily built upon the foundation of a culturally constructed second-order moral background that informs and enables them. Abend's moral background is composed of six dimensions but in this paper, we focus on one dimension only of the moral background: the kind of "grounding" in theories of normative ethics that support moral opinions and practices. "Grounding" refers to the reasons (shaped by cultural social, cultural, institutional factors) given for why an action, view, judgement, etc. is moral or not – why it is right or wrong, legitimate or illegitimate. These reasons, like other elements of the moral background, can escape people's awareness. They can be further analyzed by looking for instance into whether they build on the practices of certain professional cultures or are anchored in specific ideologies. In addition, a particular way of analyzing grounds for morality is to see whether they privilege specific normative theories – not explicitly but at least implicitly. In particular, it is of interest to see whether first-order morality is grounded in deontological (i. e. based on duties or principles) or consequentialist reasoning.

3 Case and Methods

We study impact investment in Geneva, a major global hub of traditional and “sustainable” finance as well as international development. Actors in this impact investing community find themselves in a growing, but still limited niche of the country’s large financial community, even if the Swiss authorities officially support the sustainable investing approach (a much broader category than impact investing) through various federal offices and agencies, such as the Federal Office for the Environment (FOEN) or the Agency for Development and Cooperation (SDC). Impact investing accounts for a minority of sustainable investment in Switzerland – just 4% (CHF 50 billion) of sustainable assets under management (Swiss Sustainable Finance, 2020) – despite the fact that it grew by more than 200% in 2019 (Swiss Sustainable Finance, 2020). Sustainable investment is itself, with just CHF 1100 billion in 2019 a small portion of the total assets under management in Switzerland, which is estimated at CHF 7900 billion (Swissbanking, 2020). An important part of impact investments in this ecosystem consists of microfinance investments in developing countries’ financial institutions that fund poor individuals or small enterprises. However, the field today is diversified in terms of areas of investments (including agriculture, renewable energy, and financial inclusion in emerging and frontier markets) and asset classes (private debt and equity but also listed equity for one firm). Public-private partnership based on a pay-for-performance contract for funding public programs (“social impact bonds”) are marginal among these asset management organizations’ investments.

As part of a broader research project on impact investing in Geneva, we conducted a total of 46 semi-structured interviews with individuals working in impact finance and proximate activities related to sustainable finance. These actors were identified through qualitative case study methods, starting with a few key informants who would then lead us to other people active in the field (snowballing). For the purpose of this paper, we retained only interviews with analysts and managers working for the firms explicitly specialized in impact investing (a total of 18 interviews). Saturation was deemed to be reached after these 18 interviews. Typically, the respondents (between 30 and 60 years old) had a background in economics or finance and a professional experience in both traditional and sustainable finance. The majority of these interviews were conducted online, via Cisco Webex™, a videoconferencing application. We offered participants the option to use pseudonyms to ensure their anonymity and the anonymity of their organizations. In interviews, we asked them about their trajectories, how and why they came to work in impact investment, their practice of impact investment and their views of both traditional and sustainable finance. As participants were not professional ethicists, the moral reasons they put forward were for the most part revealed to the researchers by their spoken remarks when questioned about traditional finance (e.g. what traditional

investment practices are problematic in your opinion and why?) or other forms of “sustainable” finance (e.g. what are the differences between impact investing and ESG investing?), rather than by asking them to answer directly to difficult questions such as: why is impact investing moral? When asked whether impact investing is more ethical than other investment practices, interviewees answered “yes”, but they did not often explicitly use the vocabulary of morality to assert this. The interview data is complemented with recent impact investment reports collected online from websites belonging to asset management firms. The sample of impact investing reports of impact investment firms was drawn not with a focus on quantity of documents but rather their quality. Reports (in particular, “impact reports”) were chosen insofar as they offered rich empirical data relevant to the moral grounding of the impact investing activities. The reports were publicly available on the Internet and did not require their authors’ permission to access them.

The data was analyzed with the help of Atlas.ti™ software in a multistage procedure. In a first step, a deductive or “directed” approach (Hsieh & Shannon, 2005) to coding was utilized to code (by one researcher) relevant texts or images into a classification system informed by Abend’s conceptual framework and its six dimensions. We then organized team meetings to clarify and test the adequacy of this coding. Although this framework predetermined our codes, this was counterweighted in the second step of analysis, in which a more “abductive” research approach (Tavory & Timmermans, 2014) was used. In abductive research, a pragmatic back-and-forth between theory and empirical data deliberately focuses on both categories predetermined by theory and themes that emerge from the data (in our case, the themes of uncertainty or of financial worldview). Therefore, data that could not be coded in the first step were later analyzed to see if they represented some new categories for the framework or a subcategory of one of our dimensions. Team meeting discussions and regular consideration of alternative categories were intended to increase the reliability of the analyses.

4 The Moral Grounding of Impact Investing

Why, according to impact investment asset managers, is impact investing moral – more moral than traditional investments, other forms of sustainable investments, or philanthropy? To answer this question, we initially identify, characterize, and categorize the reasons given by respondents for the morality of impact investment, before proceeding to analyze the types of normative theories these moral reasons are based upon. Our analysis reveals four categories wherein impact investing is implicitly seen as moral by impact investment asset managers.

4.1 Reasons

A Primary Intention to Have an Impact

The first set of reasons given by respondents for the morality of impact investment focus on their intent. While any economic activity has social and environmental impacts or externalities, respondents highlight the importance of intentionally aiming at solving social and environmental problems. The intention of investors is paramount in judging ethically their decisions. This grounding can be summarized as follows: impact investing is moral *because through our investments, we explicitly seek to generate a positive social or environmental impact in the world, such as reducing inequalities or fighting climate change*. According to our interviewees, impact investing is not just about avoiding investments into activities that have “damaging” social or environmental impacts. It seeks to actively generate “good”:

[...] impact investing is saying not only “do I discard what’s bad?” and not only “do I pay attention to how these companies are run when I invest?”, but “I’m intentional in my desire to create impact. And so I’m going for clean energy access, health for all” etc [...] (Managing partner*¹)

Emphasizing “intent” to produce positive impact enables impact investors to distinguish their approach from other forms of sustainable investment.

In contrast to socially responsible investments (SRIs) and their subcategory – environmental, social and governance (ESG) investing – which focus on exclusion to ensure that potential investments do not cause environmental, social or governance harm, impact investing goes much further and aims to actively make a measurable positive impact, either socially or environmentally. (Asset manager report)

Impact investors criticize ESG and SRI investors for not prioritizing social and environmental objectives in their choice of investments, for not having a primary intention of having an impact. The impact investment asset managers we studied claim they do more than align investments with values by excluding certain “sinful” industries like the tobacco or the weapon industry – that would be just adopting a “do not harm” SRI approach. They also want to go beyond an ESG “filter approach” where the sustainability of a firm (and not the company’s products or services themselves) is assessed based on ESG factors such as carbon emissions, gender equality, management practices etc. (Leins, 2020). Impact investing, they say, has a more holistic and proactive approach: it has the intention of generating a measurable positive environmental and/or social impact alongside financial return.

1 Citations that were translated from French to English are marked with an asterisk.

Unlike ESG investing, the primary objective of the investment appears to be this environmental and/or social impact. As one asset manager puts it:

*For us, the intention of having an impact must be present when you are in impact investing. This is what differentiates us from other branches of sustainable finance.**

Solving Global Problems

The 2015 Paris Agreement on climate change and the United Nations 2030 Agenda for Sustainable Development have both called for private capital to finance these global social, economic and ecological challenges. For our respondents, solving world hunger or climate change is above all a question of (lack of) financing and impact investing has an essential role to play in financing the SDGs, alongside governments and philanthropy. They maintain that financial markets have the capacity to evolve into a vehicle of prosperity for people and the planet. This shift will, in their conception, make financial markets indispensable instruments for solving global social and environmental problems, placing financial agencies alongside government, philanthropists, and NGOs as key agents of change. As one asset manager's website puts it: "we use capital as an agent of change to encourage the transition to a sustainable and fair economy". If only impact investments were to become mainstream, they seem to say, Agenda 2030's SDGs will be achieved almost as a mechanical outcome. Most participants share this "expansionist" pragmatic view on impact investing. In order to achieve the SDGs, the impact investing approach has to reach a broader range of investors:

It's not by investing in start-ups that we're going to change all that. It's really when the big funds and the big money come into this sector that it can work. The microfinance world should represent a tiny part of everything that impact investing will do in 5 or 10 years. It is only with Blackrock, Credit Suisse or UBS, to talk about banks closer to home, that it can work. (Asset manager)*

The interviewees value the ability to provide financial solutions for achieving the SDGs or Paris goals. They do not see intransigent political challenges or intractable systemic and structural problems at the heart of social and environmental issues, but entrepreneurial solutions that are in need of financing in order to resolve them. Therefore, a secondary rationale for our question emerges from the fact that *impact investing brings efficient financial solutions for global social and environmental issues*. This "financial solutionism" is part of a broader belief in the capacity of markets and entrepreneurship to solve the world's most pressing issues. One managing partner puts it this way: "We intrinsically believe that the economy, business, entrepreneurship, investment must build this world. They must proactively engage

with the problems head on”. He then went on to specifically point out the role of impact finance in this:

I'm not sure that the very large companies can understand all the dimensions of this problem. We need to reinvent. We need to bring a certain dynamism. And what [name of asset manager] does, is that we will look now for solutions that are complementary to help to grow them. (Managing partner)*

This impact investment professional sees finance in a particularly important position when he says that large companies won't be up to the task, he points at the role of impact finance: it is finance that can bring in the “dynamism” and “reinvention” that is needed. Impact finance will identify the solutions of the future. The argument here draws on the capacity of finance to efficiently allocate funds; it is this capacity that is required and that justifies why impact investment is moral.

Measuring Impact

A third aspect of the moral discourse of respondents focuses on the value added by the impact measurement tools used by them and their peers. They insist that impact investors analyze the social, environmental, and governance characteristics of projects more broadly than SRI or ESG investors. We have shown that beyond the financial aspects of prospective ventures, impact investors claim to focus their analyses also on investees' intentions: companies' activities must “create positive and measurable impact in the real world” (Asset manager report). Impact investors will then seek to develop metrics that attest for the actual social and environmental impacts their investments have. The centrality of metrics is similar to ESG investment approaches and draws on the worldview shared by finance professionals that rational decision-making is enabled by measures. But impact investors say they go beyond what other sustainable finance professionals do, since they seek to measure concretely the social and environmental *impacts* created by their investments:

Impact finance, unlike sustainable finance, offers real and concrete measures of the social and environmental impact generated. This difference is fundamental because a clear framework, good transparency, and strict discipline not only generate concrete results in terms of impact but also guides and reassures investors. (Managing partner)*

A strong methodology for managing and measuring impact, whether quantitatively or qualitatively, is key to understand the proactive approach which impact investors are trying to valorize. This method may entail setting goals considering the effects an investment has on people/planet, defining strategies to achieve these goals, and measuring and communicate this impact data. Impact investors continue to work on

the development of quantifiable indicators to measure the social and environmental value of their investments, since this measurement is central to the activity of the industry. As such, the third moral reason for respondents' opinions and activities emerges from the fact that impact investors *manage and measure the social and environmental impact of their investments*.

Transcending Alleged Oppositions

The financial sector is perceived by respondents as having an important potential for influence but at the same time as having systemic problems. Many respondents noted that some aspects of financial markets are dysfunctional, notably in terms of their focus on the short term. These “perversions” reflect issues endemic to the sector. For one interviewee,

capital markets have huge structural problems in terms of the game being rigged against small investors and the rise of ultra-high-speed, algorithmic derived trading platforms that distort reality and make what we used to know as the process and approach to market analysis kind of obsolete. (Chief risk officer)

Another one noted that in financial services, the interests of the clients often come second:

But finance is a world of sharks. Finance is a world, still today, rich in conflicts of interest of all kinds (...). If only there were just the interests of the clients! There's politics. There's short-term profitability. It's still a very murky world even 10 years after the financial crisis. (Asset manager*)

Such critical views were shared by most respondents. They concur that certain things have to change, and see impact investment as the kind of change that is needed. It is portrayed by the participants as the best way “to change the way our current financial model works without breaking everything, without making a revolution” (Managing partner*). Thus, impact investors do not want to overhaul financial markets, they propose an innovation at their margins which should serve as a model for renewal.

This innovation, they say, transcends existing oppositions. Indeed, they posit that in order to solve global problems and complement the efforts of the public sector and philanthropy, there is a need for new ways of thinking about partnerships. In interviews, impact investors described a model of collaboration between not-for-profit and business firms, as well as public and private actors, that disrupts the history of troubled relationships between these actors through constructive, cooperative collaboration that reflects on and acts towards a changed world:

... basically, it's the big fight between the traditional NGO that says, "finance is all rotten. Frankly, there is nothing to do with that, it will pervert our work, money is the devil. And we're going straight into the wall with this impact investing." And then you have the financiers who say, "well they are nice, the impact investors, but they are tree huggers, beautiful dreamers." And I am convinced that we are neither one nor the other. I am convinced that we are, yes, as you say, at the crossroads and we are inventing a third way, if you like. It is a movement. (Managing partner)*

Impact investment presents itself as a hybrid "third way" approach to collaboration which aims to support its public sector and NGO partner objectives while instilling financial sector rigor and return. As such, it is valued insofar as it has the capacity to improve both traditional NGOs and philanthropy "which often lack financial sustainability" (Managing partner*) as well as other forms of "sustainable" investments such as SRI and ESG investing, "which suffer from a lack of measurability in terms of impact" (Managing partner*). According to impact investors, this traditional "either-or" world has established a false dichotomy between economic returns and social/environmental benefits. It must be replaced with the narratives and practices of "both-and". Based in Geneva, participants' discourse transcends alleged opposition by trying to "build bridges" between the right bank of the city (home of many United Nations organizations) and its left bank (where many financial institutions have their headquarters). The fourth moral category mentioned by interviewees can therefore be summarized as follows: *because we need innovative hybrid thinking transcending the traditional silos between not-for-profit and business firms, between social/environmental impact and financial return.*

4.2 Consequentialist and Deontological Reasoning

When analyzing the moral grounding of the impact investment movement, one notices that its morality is mostly based on consequentialist reasoning. From a consequentialist point of view, what counts morally is to ensure that there is, in total, as much good or as little evil as possible in the world. These finance professionals are very much focused on using the foreseeable or predictable economic, social, and environmental consequences of their investments to justify the rightness of their practices. Impact investing is implicitly presented as "moral" for consequentialist reasons when the participants argue that they have a positive social/environmental impact in the world, or when they claim to bring financial solutions to global problems. Asked about the factors that will drive a behavioral shift by financial actors in favor of sustainability, a chief risk officer working for an asset manager adopted this consequentialist ethics in his answer:

I think companies will come to pressure not necessarily because their heart turns out to be in the right place but because they have to. Because it will be economically disadvantageous for them not to do better on social issues, not to do better in terms evaluating the interest of their employees and the communities where they operate. It will hurt them financially and they will be motivated by financial pain. (Chief risk officer)

While consequentialist moral arguments were most common, deontologist arguments could also be found in our sample. Indeed, apart from general prescriptive phrases such as “I’m intentional in my desire to create impact” or “the intention of having an impact must be present”, our sample reveals clearly deontological stances insisting on the importance of sticking to this “intent”, to an “investment [or impact] thesis”, while choosing an investee, and to differentiate this intentional aspect from the sole “actions”:

We must assess intentions and actions. [...] We can compare the financial returns, but this is not intent. Our intent is to invest in the companies that are going to be financially successful because our investment thesis is that financial return has to come with social impact. (Asset manager)*

In their insistence that investors and companies must have the *intention* to create a positive social and environmental impact or that their business model must address an important problem and propose solutions for it, interviewees approach (Kantian) deontological thought. The intentionality of the act – so important in criminal law – is an important philosophical argument for deontologist reasoning (and not completely absent in some strands of consequentialism). For Kant, the right decisions must be taken for the right reasons: “good intentions are not only more important than consequences, it is the intention that carries moral significance” (Gustafson, 2018, p. 81). Deontological theories claim that certain actions are intrinsically right or wrong in themselves, regardless of the consequences that may follow from those actions. Here, this intention to have an impact seems to be seen by those interviewed as a duty, a moral obligation. They have adopted the Global Impact Investing Network (GIIN) wide-ranging view of impact investing which emphasizes intentionality as being “at the heart of what differentiates impact investing from other investment approaches which may incorporate impact considerations” (GIIN, 2019). For scholars also, intentionality is one of the key dimensions to better grasp the concept of impact investing and understand how in practice impact investors reconcile their financial and social/environmental impact intentions (Barman, 2016; Hockerts et al., 2022; Jackson, 2013). Impact investors’ injunction to systematically consider *ex ante* the social and environmental impacts of investments can also be seen as a deontological principle or rule. This duty is

in contrast to the attitude of an investor that would only care about her profits in assessing a prospective investment; in the view of many of the respondents, such an intention is considered “wrong in itself”. This idea that certain things are bad or good in themselves is at the heart of deontological reasoning. Participants gave other examples of principles that must be followed: work to develop innovative thinking, systematically measure the impact of your investments, be coherent in your investment by focusing on investees’ practices and impact. The list is not exhaustive, but rather is indicative of the importance of deontological reasoning amongst the participants, in addition to consequentialist thought.

5 Discussion

Impact managers and analysts do not generate moral grounding in a void. Their grounding is itself grounded, by drawing on a “common cultural store of accounts” (Abend, 2014, p. 36). In other words, what counts for them as relevant moral reasons are historically and socially constructed and only “flourish in those social circumstances that are well suited to them” (Robbins, 2010, p. 124). In this section, we propose to first discuss this “meta-grounding” of impact investment, before turning to examining the attractiveness of deontological arguments in a context of impact uncertainty.

5.1 Meta-Grounding of Impact Investing

Let us start with the fourth reason we identified in our analysis of impact investment’s moral grounding: impact investing is moral because it transcends allegedly opposing logics. It is said to promote innovative thinking to bridge the traditional split between financial return and social and environmental impact, and between not-for-profit and business firms. Impact investment professionals deliberately situate their practice in between these oppositions. They criticize finance – and even some forms of sustainable finance (ESG) – for being only focused on profit. And they criticize the not-for profit world (philanthropy, charity, but also public policies) for not being connected to the financial and business world and its emphasis on efficiency and outcome metrics. By developing a practice that would reportedly transcend this dichotomy, impact investors take up and respond to these critiques. This grounding is reminiscent of the process identified by Boltanski and Chiapello (2007) through which capitalism draws on external critique to develop new justifications and new dynamics of capitalist development. In the case at hand, impact investors respond to two very different critiques at the same time: the first one, a “progressive” critique of finance, is addressed to the finance world; the second one is a neoliberal critique of public policy and charity, emanating from the financial sphere itself. By mak-

ing both of these critiques their own, impact investors combine them to propose a middle way and create a practice that transcends them and thus reforms finance.

The “both-and”, “transcending”, or “win-win” (Giridharadas, 2018) discourse that results from this is neither unique to impact investing nor new. In fact, it’s a common theme in many moralized markets (Balsiger, 2021), for instance in the mainstreaming of organic and fair trade products (Koos, 2021). Emily Barman (2016) has studied this reasoning in the non-profit sector, in enterprises embracing market solutions to tackle social problems (social enterprises) or in policies through which companies address the social and/or environmental implications of their production processes for stakeholders (corporate social responsibility). She analyzes it as a phenomenon characteristic of capitalism in the late 1990s and early 2000s. But while the forms she describes are indeed specific to the current area, the “progressive” idea that the capitalist system is not morally wrong in itself but can be improved internally towards a more ethical version has a long history. Abend’s (2014) study of business ethics in the late 19th century identifies the Christian merchant as one moral background of business, in which business is conducted by following ethical principles. Still for the US, Christiansen’s study of “progressive business” (Christiansen, 2015) shows the continuity of a strand of entrepreneurs advocating for an integration of social and economic goals within a “reformed capitalism” throughout the 19th and 20th centuries. Today’s caring capitalists are but a contemporary incarnation of this. For the impact investing professionals we interviewed, the current financial model has to change and impact investing is a way to improve it “without making a revolution” (Managing partner*). Impact investing can therefore be seen as part of the market reformist ideology which believes “in the self-reforming potentials of business/capitalism, fusing together economic concerns with a social ethic” (Christiansen, 2015, p. 4).

Impact investment thus draws its moral legitimacy from this transcending discourse. Yet the striking result of our analysis is that besides this reason, all the other reasons given firmly anchor impact investment’s morality in classic representations of business and finance. They do not at all refer to reconciliation or transcendence but are based on the belief that it is through entrepreneurial activity that the most pressing world problems can be addressed efficiently. This is consistent with Roundy et al. (2017) who found that American impact investors are often driven by a belief in market-based solutions. Impact investors adhere to a benevolent view of market society (Hirschman, 1992), joining that of powerful new philanthropic organizations, such as the Gates Foundation or the Chan Zuckerberg Initiative, applying business-style strategies and market-based solutions to areas formerly organized by the non-profit sector or the state (McGoey, 2021).

Beyond this belief in markets, we find that this rationale is embedded in a second reason related to the role and power of finance in this process. As financial players, the interviewees have the capacity to efficiently finance solutions for global

issues. The discourse is anchored in the representation of finance as having a crucial and positive role for capitalist dynamics through efficiently allocating capital (Beck, 2011). By bringing together the efficiency of capital allocation with a belief in market solutions for social and environmental problems, the moral stance of impact investors is rooted in what could be called a *financial solutionism*. The term solutionism was proposed by Morozov (2014) in the context of the tech industry, which finds justification in a rhetoric of solutions to specific problems. Here we find the idea of solutions, too, albeit in a different environment: markets will provide “solutions” to the most pressing world problems, and financial professionals and financial markets are capable of identifying such efficient entrepreneurial solutions to world problems and efficiently channel money towards it.

Measurement (the third category) further legitimizes this financial solutionism: it is grounded in a belief in the possibility to assess and measure impact, and in integrating this into the investment process. This anchors impact investing in a core professional practice of finance. The history of finance is a history of calculation (de Goede, 2004): it is the precise measuring and calculation of risk and return that supports the claim of the financial system as the most efficient way of allocating capital. Financial analysis must anticipate the behavior of the share price, the expectations of other investors, the future economic situation and events which may affect it. The grounding of the morality of impact investment merely translates this issue of measurement to the realm of social and environmental impact. It draws on the legitimacy of practices based on standardized metrics which have also transformed other sectors such as philanthropy or development aid as part of a generalized trend towards evidence-based decision making and quantification (Mennicken & Espeland, 2019). As in the “effective altruism” movement (MacAskill, 2017), it is about gathering and showing evidence to improve the world as efficiently as possible based on this collected information. In the field of impact investing, this logic of impact evaluation values the professional competences of investors as useful methods in terms of evaluating social or environmental transformation.

5.2 Uncertainty and Deontology

Businesspeople are often perceived to be consequence-driven: “[t]o engage in commerce is to act with a vision of an end to be achieved—for example, to create valuable goods and services, to make a profit, or to attain the firm’s goals for the quarter” (Gustafson, 2018, p. 79). Indeed, the classical economic theory for the optimality of markets rests on their capacity to maximize the satisfaction of consumer preferences through exchanges, and therefore the implicit morality of the markets is consequentialist (Cohen & Peterson, 2020). The strong presence of consequentialist arguments in the justifications of impact investors was expected given their belief in markets and their efficiency. But what about their use of deontological arguments?

In the case of impact investing, those often take the form of maxims that are closely related to the “official” definition of impact investing as “investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return” (GIIN, 2019). Impact investors put forward the importance of having the intention to make an impact, of considering the social or environmental impact and measuring it, as rules that need to be respected. This deontological style of moral reasoning is attractive as impact investors find themselves in situations where impact is difficult to predict. Despite the efforts developed by the impact investing industry to standardize the measurement of social and environmental impacts of an investment, it continues to be extremely difficult to reduce the degree of uncertainty involved in impact (Jackson, 2013, p. 99).

The actual social and environmental effects of an impact investment may be different in nature and scale than the impact that the investor envisaged. Take the example of an investment in a microfinance institution allocating loans to poor families in a developing country. If the social outcome of this investment is measured by the increase of income for these families resulting from this investment, does this measured increase necessarily imply an improvement of the quality of life of these families? Investments and good intentions could bring adverse effects such as psychological and social pressure on these families to reimburse their loans, potential loss of property in case of non-repayment, altered social relationships through the process of financialization, and conflicts of interests (Guérin et al., 2015; Islam 2023). Asset managers place other people’s money in various countries and sectors, each of which has their specificities. Even if the measurement tool is standardized by sector (health care, housing, agriculture, energy and so on) or by impact objective (reducing greenhouse gas emissions, increasing financial inclusion, improving the health of disadvantaged populations, etc.) the idiosyncratic nature of situational context – for instance the patterns of corruption or agro-ecological trends – can and does modify the impact of social and environmental investments (Rodin & Brandenburg, 2014, p. 58). The social and environmental impact of an investment remains a contested matter.

In spite of the apparent clarity of much of their repeated messaging, impact asset managers cannot entirely control the social/environmental consequences of their investments. The likelihood that impact will be different than expected – through failure to attain expected benefits or by delivering negative unintended consequences – seems to be particularly difficult to measure and assess. Unlike financial risks such as credit and liquidity risk, the measurement of the chances of not attaining the targeted impact is not yet standardized. These impact risks are also relatively new to the financial profession. As Islam (2023, p. 31) points out, impact investors can borrow financial risk management knowledge to assess financial risks in impact investing. However, to measure impact risks, they cannot simply apply the knowledge of financial risk management. In such uncertain, ambiguous or unknown

situations, a deontological framework may provide our participants an attractive addition to their consequentialist reasoning. This deontological reasoning offers them a sense of “security” and “control”, as argued by Robbins (2010), a framework that does not need to refer to an uncertain future. If predicting in a satisfying manner the ultimate long-term outcomes of their investments is impossible, impact investors can at least control whether or not their investments conform to a set of maxims. According to Robbins, the felt instability of the world precludes the ability of collective beliefs to predict the consequences of one’s actions. When the world is perceived as chaotic and unpredictable, does deontological normativity prevail or gain ground? Beyond our particular empirical setting and topic, we encourage further social science research on this fascinating subject.

6 Conclusion

This paper has attempted to contribute to the empirical study of impact investing through an analysis of the moral grounding of impact asset managers, as well as an exploration of the theories of normative ethics that underlie their moral justifications. Looking behind moral opinions and behaviors is important since moral justifications and rationales “enable” finance professionals to act as impact asset managers and pass judgement on the practice of traditional, sustainable, and impact investing. These justifications facilitate a change in the values dominating financial markets, away from short-termism and profit maximizing towards a comprehensive approach that takes sight of social and environmental goals. The moral grounding of impact investing in intention, problem-solving, measuring, and the transcending of oppositions facilitates (along with other factors) a change in the moral values of the financial industry, which is now described by promoters of impact investing as an important actor providing financial solutions to the pressing environmental and social problems of our time. Through this positive portrayal, ways of financing and thinking about social security and international development are modified. More broadly, like other justifications of capitalism, “pointing towards criteria of justice, and making it possible to respond to critiques” (Boltanski & Chiapello, 2007, p. 486), these impact justifications help the spirit of capitalism to evolve in order to mobilize people around the idea that impact investing “empowers markets to spread opportunity, reduce inequality and help preserve the planet.” (Cohen, 2020, p. 200)

The evidence presented here shows how the morality of impact investment is grounded in dominant economic and financial discourses, including concerning the beneficial nature of markets, finance’s role in efficiently allocating capital, and the prevalence of measurement. Although at first glance this point seems both obvious and trivial, it becomes relevant when we consider that these discourses risk undermining one of the central justifications of impact investment which is to transcend

traditional divisions between the social and economic spheres. Interviewees present impact investment both in terms of progressive business *and* by referring to the power of the free market. While this may be consistent with the in-between position they claim to occupy, it seems to us that the latter undermines the former: to advocate for a reformed form of finance, while drawing from arguments that anchor the morality of this reformed practice in a belief in the power and capacity of free markets, seems contradictory and speaks in favor of scholars (Chiappello & Knoll, 2020) analyzing impact investing as another extension of markets. Indeed, despite criticism of “market solutions”, the use of markets to advance moral projects has not ceased and contrary to what Ronald Cohen, head of the *Global Social Impact Investment Steering Group*, said, the “dictatorship of profit” (ImpactAlpha, 2019) has not been overthrown.

Our sociological approach speaks to emerging dialogues between sociology and business ethics. In a recent programmatic paper, Shadnam, Bykov, and Prasad (2020) notice the striking absence of business ethics perspective in sociological works focused on morality. At the same time, they observe that business ethics does not really benefit from the framework of the new sociology of morality, which sees morality as an object of study as a whole (Hitlin & Vaisey, 2013). A sociological reading of morality highlights the importance of taking into account the social (and historical) conditions that favor the emergence, maintenance, and legitimacy of ethical reflection which is neither innate nor universal. To place the ethical reflection as well as the philosophical abstract subject in a social and historical space consists in particular in considering the field in which this reflection takes place and the social circumstances that favor it or not.

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Mira Ducommun

Kategorisiert, verwaltet und platziert Fremdplatzierungs- prozesse in den Kantonen Bern und Tessin, 1960 bis 1980

**Reihe Sozialer Zusammenhalt
und kultureller Pluralismus**

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In der Schweiz wurden im 20. Jahrhundert über 100 000 Kinder und Jugendliche in Heimen und Pflegefamilien platziert. Damit griffen die Behörden entscheidend in die Biografien und Familienleben von Kindern und Eltern ein.

Dieses Buch leistet einen Beitrag zur Geschichte der Fremdplatzierungen in der Schweiz und beleuchtet die erst wenig beachtete Schnittstelle zwischen dem Fremdplatzierungs- und dem Migrationsregime. Mittels Archivrecherchen und Interviews mit Betroffenen rekonstruiert die Autorin 170 Fremdplatzierungsprozesse, die sich zwischen 1960 und 1980 in den Kantonen Bern und Tessin ereigneten.

Wie kamen diese Fremdplatzierungsprozesse zustande? Welche Rolle spielten Verschränkungen von Nationalität, Ethnizität, Race, Geschlecht, Klasse oder auch Beeinträchtigungen? Und was offenbart die Schnittstelle zwischen Fremdplatzierungs- und Migrationsregime über das staatliche Verwalten und Regieren von Familien?

Die Fremdplatzierungsprozesse erzählen die Geschichte der Beziehung zwischen dem Staat, der Nation und der Familie. Dabei wurde nicht nur ausgehandelt, wem das Privileg zukam, selbstbestimmt ein Familienleben zu führen, sondern auch, wer auf welche Weise zukünftig Bürger:in sein konnte.

Mira Ducommun promovierte in Sozialwissenschaften an der Universität Neuchâtel und arbeitete an der Pädagogischen Hochschule Bern in verschiedenen Forschungsprojekten. Heute forscht sie an der Hochschule für Soziale Arbeit (FHNW) zu Recht und Gesellschaft, staatlichen Akteur:innen und Intersektionalität.

Save Money, Save the World! Motivational and Structural Underpinnings of Ethical Finance in Switzerland

Patrick Schenk*, Jörg Rössel**, and Makiko Hashinaga***

Abstract: We study the motivations and constraints for ethical banking and ethical investing by private individuals in Switzerland with a representative survey of the general population. The use of both types of ethical finance instruments is motivated by ethical beliefs and constrained by the endowment with various forms of economic and cultural capital. Yet, ethical banking is more strongly linked to ethical motivations, while ethical investing is more resource dependent. Moreover, exposure to topics of sustainability during socialization fosters the use of ethical finance.

Keywords: Ethical banking, ethical investment, Switzerland, constrained choice, social inequality

Sauver l'argent, sauver le monde ! Motivations et fondements structurels de la finance éthique en Suisse

Résumé: Nous étudions les motivations et les contraintes des particuliers en matière de banque éthique et d'investissement éthique en Suisse à l'aide d'une enquête représentative de la population générale. L'utilisation des deux types d'instruments financiers éthiques est motivée par des croyances éthiques et limitée par la dotation de diverses formes de capital économique et culturel. Cependant, la banque éthique est plus fortement liée aux motivations éthiques, tandis que l'investissement éthique est plus dépendant des ressources. En outre, l'exposition à des sujets de durabilité au cours de la socialisation favorise l'utilisation de la finance éthique.

Mots-clés: Banque éthique, investissement éthique, Suisse, "constrained choice", inégalité sociale

Geld sparen, die Welt retten! Motivationale und strukturelle Grundlagen von ethischen Finanzaktivitäten in der Schweiz

Zusammenfassung: Wir untersuchen die Motivationen und Opportunitäten für ethisches Banking und ethisches Investieren von Privatpersonen in der Schweiz auf der Grundlage einer repräsentativen Bevölkerungsumfrage. Die Nutzung beider Arten von ethischen Finanzinstrumenten ist durch ethische Überzeugungen motiviert und wird durch die Ausstattung mit verschiedenen Formen von ökonomischem und kulturellem Kapital ermöglicht und eingeschränkt. Ethisches Banking ist jedoch stärker mit ethischen Motiven verknüpft, während ethisches Investieren stärker ressourcenabhängig ist. Darüber hinaus fördert die Beschäftigung mit Nachhaltigkeitsthemen während der Sozialisation die Nutzung von ethischen Bank- und Finanzinstrumenten

Schlüsselwörter: Ethisches Banking, ethische Investitionen, Schweiz, "constrained choice", soziale Ungleichheit

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1 Introduction

In recent decades, social scientists have observed a moralization of markets (Chow et al., 2022; Stehr, 2007). Ethical, political, or religious considerations have become more salient for an increasing number of market actors. This comes in different varieties, like buying sustainable food, boycotting companies involved in pornography, recycling garbage, or providing capital to ESG (Environmental, Social and Corporate Governance) funds. It relates to consumers and producers, but also to investors and financial market intermediaries such as banks. While the production and consumption of ethical products has generated much sociological interest (cf. Schenk et al., 2024), ethical finance has remained comparatively underresearched. Ethical finance subsumes decisions in the financial sector, where the social, environmental, or political consequences are taken into account (congruent with definitions of ethical consumption; Stehr, 2007).

To study ethical decisions in this sector, we focus on the choice of ethical banking and ethical investment as two important cases. Most types of ethical investment are dominated by big institutional investors, whereas private investors are still quite reluctant to go into these forms of investment. Usually, only a share of their investments is considered ethical (Meunier & Ohadi, 2022; Scholtens & Sievänen, 2013; Signori, 2020; Studer, 2021). Likewise, social banks remain in a subordinate position in the Swiss market (Bues et al., 2018; Rickenbacher, 2022). Yet, banking and investment have distinct characteristics also. Most importantly, while it is quite straightforward to open a regular bank account in most cases, investing is deeply intertwined with economic profitability and more strongly constrained by monetary resources (Chamorro-Mera & Palacios-González, 2019; Wins & Zwergel, 2015).

Given the current challenges to establish more sustainable societies, we aim at better understanding the reasons for the limited prevalence of ethical finance. Therefore, our primary research question is: Which motivations, attitudes, capitals, and constraints are the main determinants of private individuals' use of ethical banking and ethical investing in Switzerland? As two distinct forms of ethical finance, we furthermore ask whether there are differences in the main determinants between ethical investing and banking. To do so, we integrate sociological conceptions of social inequality and research on the motivations for ethical behavior in a constrained choice approach (cf. Schenk, 2017; Sunderer & Rössel, 2012). We argue that the use of ethical finance is motivated by ethical beliefs and constrained by endowment with various forms of economic and cultural capital.

To properly test such an explanation, a sample of the general population with sufficient variation in the use of ethical finance, resource endowment, and ethical orientations is essential. Previous research is limited insofar as it mostly compares ethical and conventional investors or uses small convenience samples, therefore focusing on rather specific populations with distinct goals and sufficient resources

(Bayer et al., 2019, Meunier & Ohadi, 2022; Signori, 2020). In contrast, we conducted a large-scale survey of the general population, covering all language-regions of Switzerland, in December 2023. Switzerland is an especially fitting context. It exhibits favorable conditions for generating sufficient variation in the variables of interest. Switzerland has one of the highest GDP per capita among OECD countries and the savings rate is more than twice as large than the average in the European Union (OECD, 2024). Moreover, it has a highly developed banking and finance system, offering a diversity of ethical investment and banking options (Studer, 2021).

We make several contributions to the literature. First, we provide new results on the prevalence of ethical banking and ethical investing in the general population of Switzerland, beyond professional and institutional investors (Bayer et al., 2019; Meunier & Ohadi, 2022; Signori, 2020). Second, we systematically compare the determinants of using ethical banks and ethical investments as two distinct forms of ethical finance (Meunier & Ohadi, 2022; Paetzold & Busch, 2014), connecting our results to research on ethical consumption, which discusses similar determinants (Diekmann & Preisendörfer, 2003; Schenk, 2017; Schenk et al., 2024; Steg et al., 2011; Sunderer & Rössel, 2012). Third, we use differentiated measures for various forms of cultural capital (formal education, knowledge of ethical consumption and production, repeated practice of ethical market behavior, socialization processes), going beyond the social and demographic correlates in previous research (Beal & Goyen, 1998; Chamorro-Mera & Palacios-González, 2019; Junkus & Berry, 2010; Wins & Zwergel, 2015). Finally, we put a focus on the socialization of ethical finance, which has been largely ignored so far (Hellström et al., 2020). We measure the exposure to issues of sustainability, consumption, and production in schools and families, showing that socialization processes have a strong and unique effect on ethical finance decisions.

We start with a brief characterization of ethical finance, before turning to the theoretical model and empirical results on motivations and capital endowment in previous research on ethical investing and banking. After presenting the data, methods, and statistical analysis, we discuss our main findings. In the conclusion, we reflect on the theoretical significance of the results, mention limitations, and derive practical implications.

2 Ethical Investment and Banking: Definition, Theory, and Research

2.1 Prevalence of Ethical Finance

In recent years, the market for ethical finance has grown rapidly (Bues et al., 2018; Chalisseri et al., 2023; Itzenga, 2022; Meunier & Ohadi, 2022; Scholtens & Sievänen, 2013; Signori, 2020). Ethical finance aims to generate long-term positive societal

impact alongside financial returns. Generally, ethical criteria refer to some notion of the common good, transcending narrow self-interest and mere economic utility. Yet, there are more specific frameworks to evaluate ethical impact. The environmental, social, and governance (ESG) framework is widely used and is highly institutionalized at the company, rating and political level. Environment refers to a company's impact on natural resources, carbon emissions, and so on. Social criteria consider factors such as labor practices, human rights, or community engagement. Governance criteria focus on the quality and transparency of corporate governance structures, including board diversity or executive compensation. Beyond these conventional ESG criteria, ethical finance may also include other considerations like religious norms, patriotic feelings, or even socially exclusive criteria.

There are various instruments of ethical finance. We focus on ethical investments and ethical banking as two highly relevant, but differing cases. Investments have the goal of using capital productively to generate profit. Ethical investing comes under several labels, such as sustainable, socially responsible, green, impact, and ESG investment. Banks serve as financial intermediaries or act as institutional investors themselves. Ethical banking in a broad sense means that banks conduct their activities in an ethical, honest, and sustainable way (Höhnke, 2020; Patterson & McEachern, 2018). In a narrower sense, social banks focus on granting loans with the explicit goal to promote social and environmental benefits. They refrain from speculation and rely on transparency and fair compensation systems. Their entire business model is built around ethical criteria (Bayer et al., 2019).

The prevalence of ethical investment and banking varies significantly across countries (Itzenga, 2022; Chalissari et al., 2023; Meunier & Ohadi, 2022; Signori, 2020; Scholtens & Sievänen, 2013). According to various studies, an increasing number of institutional investors in Europe and North America incorporate ESG criteria into their investment strategies, reflecting a growing demand for sustainable and responsible investment options (Scholtens & Sievänen, 2013; Signori, 2020). Europe, in particular, has emerged as a global leader in ethical investments. Countries like Sweden, Norway, and the Netherlands have among the highest proportions of ethical investments relative to total assets under management. The European Union's Sustainable Finance Action Plan and initiatives like the EU Taxonomy Regulation (European Union, 2020) have propelled the growth of sustainable finance across the region, including Switzerland (Studer, 2021).

However, even with the global diffusion and the strong institutionalization of ethical finance in Europe, there is still a reluctance among private customers to choose ethical forms of investments or banking. Several studies ascertain a prevalence of big institutional investors and pension funds within ethical finance (Meunier & Ohadi, 2022; Paetzold & Busch, 2014; Scholtens & Sievänen, 2013). Furthermore, most private investors are hesitant to invest a bigger share of their savings in ethical investments and finance (Schrötgens & Boenigk, 2017; Signori, 2020; Studer, 2021).

This is reflected in the sampling strategies of studies on ethical investment, focusing mainly on professional investors (Meunier & Ohadi, 2022; Signori, 2020). Only a few studies take note of ethical investment considerations in the general population (e.g., Koh et al., 2022; Seifert et al., 2024). The situation is similar with ethical banking. The niche position of social banks is mirrored in the general lack of scientific research on the reasons for using ethical banking (Bayer et al., 2019; Krause & Battenfeld, 2019). However, there is a trend among younger investors to move more strongly into ethical investment and ethical banking (Schrötgens & Boenigk, 2017), with sustainable funds steadily growing and achieving a market share of up to 52% in Switzerland in the year 2020 (Bues et al., 2018).

Despite these commonalities, banking and investment represent different forms of activities. Most importantly, it is usually quite easy to open a bank account, even without greater monetary resources, making banking ubiquitous in the Swiss population. On average, Swiss people have 2.2 bank accounts to manage their everyday financial transactions, their personal savings or investments, or their private pension funds (Dietrich, 2021). In contrast, investment in stocks or equity funds is not only based on the necessary economic capital but also based on the willingness to use such financial instruments. Most Swiss hold monetary assets in their bank or savings account, but only two thirds hold assets in pension funds and even less (around 25%) in stocks and shares (Knecht, 2022). These commonalities and differences need to be taken into account for an explanation of the use of ethical finance instruments.

2.2 Theoretical Background

Constrained Choice

To explain the use of ethical finance instruments, we integrate sociological conceptions of social inequality and socialization processes and research on the motivations of ethical behavior into a parsimonious model of constrained choice (Schenk, 2017; Schenk et al., 2016). Theories of constrained choice refer to an idea of decision-making with two filtering processes: the first filter relates to available opportunities and constraints. For instance, investors need to choose between various financial assets. The availability of financial products in a market dictates the set of feasible alternatives. Yet, these assets also imply different costs. Some presuppose larger monetary resources and financial liquidity, the possibility to take financial risks, or higher search and opportunity costs (Halbritter & Dorfleitner, 2015; Meunier & Ohadi, 2022). Therefore, choices for conventional or ethical financial products are not only shaped by external opportunities, which may be assumed to be rather homogenous on the investment and banking markets, but by the different resources available to individuals, such as income. Therefore, the constrained choice approach is intrinsically related to issues of resource endowment and social inequality. We

theoretically specify these connections and present corresponding empirical research in the sections below. The second filter describes how individuals choose an option within the set of feasible opportunities based on their motives (or goals, attitudes, preferences, etc.). Some investors want to maximize their economic returns, while others want to make a social or environmental impact (Chatzitheodorou et al., 2019; Kapil & Rawal, 2022; Signori, 2020; Yang et al., 2021). The empirical research on different motivations is also discussed below.

Choices for conventional or ethical financial products hence simultaneously depend on resource endowment and an investor's motivation. Yet, the importance of these two filtering processes may differ between behaviors (Diekmann & Preisendörfer, 2003). In high-cost situations, the set of feasible alternatives is small. Choice is dominated by opportunities and resources. In this case, motivations have little explanatory power. In low-cost situations, individuals have more freedom to choose within a broad set of alternatives based on their preferences. Since investing demands larger economic and cultural resources, it might represent a high-cost situation in contrast to ethical banking. A constrained choice model allows us to empirically compare the explanatory power of ethical motives and resource endowment for these two distinct forms of ethical finance.

Social Inequality and Socialization

The opportunities and resources of the first filtering process of the constrained choice model are unequally distributed in society. The choice for ethical finance instruments is thereby tied to structures of social inequality. To describe these structures, Bourdieu (2007) introduces the idea of "capital." This includes, most importantly, economic (money and wealth) and cultural capital (competencies). Cultural capital comes in different subtypes in turn. Institutionalized cultural capital is issued by societal institutions. Educational credentials are the most important example of this type. Incorporated cultural capital denotes embodied cultural knowledge, skills, and practical understandings. For example, individuals have practical knowledge of ethical products and ways to appropriate them. The distribution of economic and cultural capital defines positions in social space (Bourdieu, 2007). Individuals with similar positions in social space are part of a common social class with objectively similar life situations. Social class, in turn, shapes their differential practices and lifestyles, like ethical consumption and finance.

While being a product of classed experiences, cultural capital is fundamentally acquired through socialization processes in various fields (Warde, 2015). Although often neglected in previous research, this should also apply to knowledge, values, and decisions related to ethical market behavior (Schenk et al., 2016). People acquire necessary competencies through their repeated practice as ethical consumers or investors. Yet, while investors become socialized in markets, Bourdieu (2007) reminds us of the importance of primary and secondary socialization in families

and schools. In schools, individuals may acquire fundamental knowledge on market processes, financial planning, and sustainability through explicit instruction. In many countries, including Switzerland, consumer and financial education have been an important part of the curriculum (Hashinaga, 2023). In families, socialization takes place to a large extent unconsciously through mimetic learning, for example with parents being conscious of environmental issues in their daily lives (Lizardo, 2009). Hence, being exposed to issues of sustainability at an early age might have long-lasting effects on financial decisions in later life.

To summarize: the endowment with economic and cultural capital shapes the opportunities for the individual choice of ethical finance instruments. Socialization in schools and families might play a vital role for capital acquisition by fostering general competencies for ethical investment and banking. This connects the first filter of the constrained choice model with structures of social inequality and socialization processes. In the following sections, we present further evidence from previous research on ethical finance for both filter processes and their social structuration.

2.3 Previous Research on Ethical Investing and Banking

Economic Returns on Investment

As outlined in the constrained choice model, economic motivations could be a determinant for choosing ethical finance instruments. This has prompted researchers to explore how different forms of ethical investment compare to conventional investments in terms of financial performance and broader social implications. While findings vary, there is some evidence that ethical investment can deliver competitive or even superior financial returns in the long term, constituting new investment opportunities (Chatzitheodorou et al., 2019). Overall, however, the results are quite heterogeneous depending on country context, industry, and the development of possibilities for ethical investments in a market – indicating that financial returns may also change over time (Halbritter & Dorffleitner, 2015; Itzenga, 2022; Signori, 2020). In line with this, investors have a mixed perception of ethical investments, with some studies reporting higher financial (Bauer et al., 2021; Studer, 2021) and others worse financial expectations (Bayer et al., 2019; Wins & Zwergel, 2015) compared to conventional investments.

Furthermore, critics point to challenges in evaluating and quantifying the impact of ethical factors on financial returns and to measure the sustainability of businesses (Dorffleitner & Utz, 2023). The complexity of measuring intangible factors such as social impact and corporate culture poses methodological hurdles in assessing the true consequences of ethical investment. It has furthermore led to accusations of greenwashing in the field of finance and investment, i. e. the pretension to follow ethical and responsible practices. In light of this discussion, it becomes evident how difficult it is for lay customers to actually ascertain the economic, social, or ecological

performance of ethical investments or when choosing ethical banks (Bayer et al., 2019; Halbritter & Dorffleitner, 2015). Questions of transparent information and credibility are therefore at the forefront in establishing ethical finance (Gajewski et al., 2023; Meunier & Ohadi, 2022).

Capital Endowment

While there is no single socio-demographic profile that defines all ethical investors and customers of ethical banks (Signori, 2020), previous results suggest that endowment with economic capital is important for ethical finance. Investors with higher income levels may have greater financial resources to allocate towards ethical investments and may be more inclined to prioritize non-financial goals alongside financial returns. In line with this, income and wealth have been found to significantly impact participation in different forms of ethical investment (Beal & Goyen, 1998; Chamorro-Mera & Palacios-González, 2019; Wins & Zwergel, 2015). Yet, wealthier investors still prioritize financial returns in comparison to non-financial goals (Junkus & Berry, 2010; Paetzold & Busch, 2014).

Having said this, research has also concluded that income is not the main driver of ethical investments (Wins & Zwergel, 2015). Moreover, it is essential to recognize the growing number of accessible options tailored to investors with varying income levels, such as crowdfunding investments (Hashinaga et al., 2023; Signori, 2020). Thus, the link between economic resources and ethical investments may have become even weaker, especially when studying the general population. In contrast to ethical investing, studies on the choice of social banks did not find any correlation with income (Bayer et al., 2019; Krause & Battenfeld, 2019). Given the ubiquitous nature of bank accounts in Switzerland, ethical banking may be even less driven by economic resources compared to ethical investment.

Cultural capital in the form of education also shapes the profile of ethical investors and banking customers. Individuals with higher levels of education are more likely to possess greater awareness and understanding of sustainability issues, ESG criteria, and the potential impacts of their investment decisions. Studies have shown that investors with higher educational attainment are more inclined to engage in ethical investing practices, including incorporating ESG considerations into their investment strategies and actively seeking out sustainable investment opportunities (Beal & Goyen, 1998; Chamorro-Mera & Palacios-González, 2019; Junkus & Berry, 2010; Wins & Zwergel, 2015). Likewise, customers of social banks are more educated on average than customers of conventional banks (Krause & Battenfeld, 2019).

While the results on education hint at the importance of socialization processes, there is barely any research explicitly testing socialization effects in ethical finance. Hellström et al. (2020) found that an individual's propensity for socially responsible investing is higher if parents own such funds one year prior. Gong et al. (2022) showed how green consumption values were transmitted from mothers to children

by the parent's environmentally friendly behavior, in line with sociological theories of mimetic learning (Lizardo, 2009). In a study by Le et al. (2022), peer groups had stronger socialization effects on various types of ethical consumption by adolescents than family members, with media exposure being unimportant.

Summarizing, there is empirical evidence that the first filter of the constrained choice model is relevant for explaining ethical financial behavior. However, resource endowment (especially economic capital) might play a larger role for ethical investing than banking, with the former representing a high-cost situation (Diekmann & Preisendörfer, 2003).

Ethical Motivations

While financial performance remains an important consideration for ethical investors (Dorffleitner & Utz, 2014; Garg et al., 2022; Raut et al., 2023; Scholtens & Willard, 2024; Studer, 2021), research consistently found that investors are also motivated by a desire to make a positive impact on society and the environment, seeking investments that not only generate profits but also contribute to sustainability, social justice, and responsible corporate behavior (Chatzitheodorou et al., 2019; Kapil & Rawal, 2022; Signori, 2020; Yang et al., 2021).

Among these motives, ethical or political considerations are one of the prime drivers of ethical finance. Ethical investors often avoid companies involved in controversial activities such as tobacco, weapons, or exploitation, opting instead to support businesses that demonstrate a commitment to responsible corporate behavior and societal well-being (Beal & Goyen, 1998; Garg et al., 2022; Signori, 2020; Sparkes & Cowton, 2004). Sustainability is another significant motivation (Raut et al., 2023; Studer, 2021). Investors concerned about the environment and climate change recognize the importance of incorporating ecological criteria into investment decision-making (Koh et al., 2022; Seifert et al., 2024). Sustainability considerations also encompass social and governance dimensions, reflecting a holistic approach to investment that considers the interconnectedness of economic, social, and environmental systems (Sparkes & Cowton, 2004). Finally, research on social banking shows how customers want to avoid a bad conscience due to saving deposits being used in unethical ways by borrowers or investors (Bayer et al., 2019; Höhnke, 2020; Patterson & McEachern, 2018). Choosing social banks gives them a stronger feeling of control (Rickenbacher, 2022).

Generally, such attitudinal variables have been found to be more important than socio-demographic and capital endowment variables discussed in the previous section (Wins & Zwergel, 2015). The findings are in line with research on ethical consumption and environmental behavior (Schenk, 2017; Schenk et al., 2024). Research in these fields has consistently shown how the willingness to make a personal contribution in solving social, political, or environmental issues motivates ethical behavior in markets (Diekmann & Preisendörfer, 2003; Steg et al., 2011; Sunderer &

Rössel, 2012). We hypothesize that the same type of general contribution consciousness drives ethical investing and ethical banking in the Swiss population. It represents a potentially strong ethical motivation in the second filter of the constrained choice model. Given a certain set of feasible alternatives, individuals with a pronounced contribution consciousness are more inclined to choose ethical finance instruments. Yet, since investments generally represent a high-cost situation, we hypothesize that ethical motivations play a smaller role for ethical investing than ethical banking.

3 Data and Methods

Our empirical analysis is based on a standardized online survey of the general Swiss population between age of 18 and older but younger than 80. We used quota sampling according to gender (male, female), age (18–45, 46–79) and language region (German-speaking, French-speaking, and Italian-speaking parts of Switzerland). Participants were recruited by Bilendi, one of Europe's major survey companies. The survey was entitled "Consumption and Well-Being in Switzerland and Japan," avoiding self-selection of participants interested in ethical finance.¹ After asking for informed consent, participants responded to questions on ethical consumption and investing, well-being, attitudes, and socio-demographics. The survey was available in German, French, and Italian. Data collection took place in December 2023. We employed several measures to maximize data quality. First, in the second half of the survey, we administered an attention check. Second, respondents taking less than 3 minutes to finish the survey were excluded (around one percent). Finally, questions within the same battery were shown in random order to mitigate order effects. Median response time was 8 minutes.

In total, 1012 participants completed the survey. Comparing the sample distribution to population statistics shows a very close match in terms of gender (49.9% women, 49.9% men, 0.2% other), mean age (46 years), language region (65% German-speaking, 24% French-speaking, 11% Italian-speaking), and the number of people living in large urban areas (13%). Yet, mean net income per month is lower compared to the population (4365 CHF vs. 6700 CHF, respectively), respondents with (applied) university degrees are slightly overrepresented (39% vs. 30%), and respondents with foreign nationality (17% vs. 26%) are slightly underrepresented (Federal Statistical Office, 2024). Given the data was collected by online questionnaire, there might be additional bias in terms of internet access. However, since 97% of Swiss people were internet users in 2023, undercoverage is marginal (Federal Statistical Office, 2023). Even if there was self-selection of people with an affinity to internet technologies, this would not result in sampling bias in terms of ethical finance per se.

1 The study is part of a larger research project on ethical consumption in Switzerland and Japan. The questionnaire is available on request.

We analyze two dependent variables (see Table A1 in the online Appendix for item wordings). First, we asked respondents how often they fund money to ethical investments. We did not differentiate between various subtypes of ethical investing (e.g., sustainable, responsible, or impact investing). Following the fundamental principle of compatibility (Ajzen, 1991), it is advised to use behavioral measures corresponding in the level of generality to the explanatory variables, i.e., motivations and constraints. Since our independent variables refer to resource endowment and ethical behavior in markets more generally, we used the umbrella term “ethical investing,” meaning that ethical considerations play a role when making an investment (Kenton, 2022). Second, we asked respondents how often they conduct their financial affairs through a bank that follows ethical principles. We thus rely on a broad definition of ethical banking (Patterson & McEachern, 2018). Both items refer to the respondents’ own understanding of ethical finance, not one that is predetermined by the researcher (Schenk et al., 2024). Responses were recorded on five-point scales from never to regularly/always.

Turning to the explanatory variables, we used the mean of four items to operationalize ethical motivation. It denotes a general orientation to personally contribute to a more sustainable and just world. A sample item is: “It is important to me to contribute to a fairer and more sustainable society.” Responses were measured on five-point scales from “does not apply” to “applies.” Reliability of the resulting index is very high with Cronbach’s alpha of 0.8. We operationalized various types of capital, capturing a respondent’s resource endowment. For economic capital, we computed net household equivalence income (in 1000 CHF). We developed several measures for cultural capital. We use the highest level of education achieved to operationalize institutionalized cultural capital: compulsory education or less, apprenticeship, university of applied science, university. Going beyond the majority of the literature so far (see section 2.3), we use three additional measures for incorporated cultural capital. First, knowledge of ethical production and consumption. Respondents rated on four-point scales how well they know the concepts of consumer boycotts, fair trade, organic production, and sustainability. We computed an index of these four items with an acceptable Cronbach’s alpha of 0.65. The second variable measures the repeated practice of ethical consumption. Respondents indicated how long they have been taking political, ethical, or environmental criteria into account when purchasing a product. This variable for the duration of ethical consumption ranges from 0 to 10 years and more. Finally, we measured exposure to topics of sustainability and ethical consumption during socialization – emphasized in sociological explanations of economic behavior (Bourdieu, 2007, Lizardo, 2009; Warde, 2015). With four items, respondents rated the extent to which they learned about ecological and social problems in school or from parents. The reliability of the resulting index is very high with a Cronbach’s alpha of 0.81.

All models include the following control variables: gender (male, female, other), age (in decades and centered around the mean), and age squared, a dummy

indicating whether children live in the household or not, the size of the municipality (town, village, city), language region (German-speaking, French-speaking, Italian-speaking), and nationality (Swiss, other).

Since we are interested in two dependent variables, i.e., investing and banking, we use a Seemingly Unrelated Regression (SUR) approach (Baltagi, 2011). SUR simultaneously estimates a set of equations, one for each dependent variable, i.e., for ethical investing and banking. This allows us to statistically compare the effects of an independent variable for two different dependent variables with an inferential test. For example, we can ask whether the effect of ethical motivations on banking is statistically different from the effect on investment by testing a linear restriction, as hypothesized in the theoretical discussion. This is not possible with simple OLS models, estimating each equation separately. We used listwise deletion of missing values, resulting in 963 cases. Given the small number of item nonresponse, listwise deletion is unlikely to introduce bias (Schafer & Graham, 2002). We checked for multicollinearity by computing variance inflation factors (VIF) in OLS models. Since none of the VIF values exceed a threshold of 4, there is no indication of multicollinearity.

4 Results

Figure 1 presents the distributions of ethical investing and ethical banking. The means are rather similar for both types of ethical finance, with an arithmetic mean of 1.9 for ethical investing and an arithmetic mean of 2.5 for ethical banking. Hence, on average, respondents rarely use ethical finance instruments. Yet, we also observe substantial variation. 49% of respondents sometimes, often, or always conduct their financial affairs through a bank that follows ethical principles. The distribution is more skewed towards the lower end for ethical investing. Just 27% of the respondents sometimes, often, or always fund money to ethical investments.

Figure 1 Histograms for Ethical Investing (n = 1010) and Ethical Banking (n = 1009)

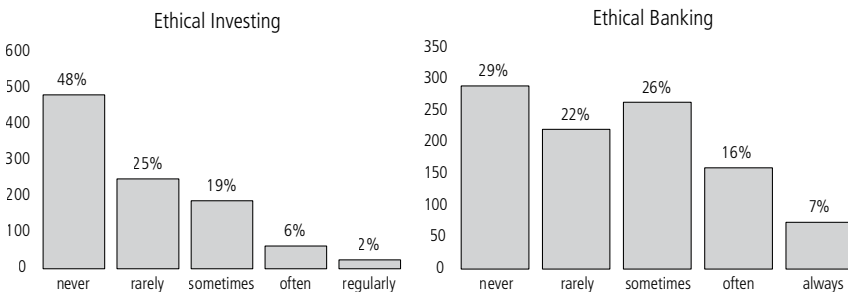


Table 1 Seemingly Unrelated Regressions With Ethical Investing and Ethical Banking as Dependent Variables. Unstandardized Coefficients With Standard Errors in Parentheses

	Ethical Investment	Ethical Banking
	b	b
Ethical Motivation	0.13 ** (0.05)	0.29 *** (0.05)
Income (in 1 000 CHF)	0.04 ** (0.01)	-0.01 (0.02)
Education: Apprenticeship	0.02 (0.11)	0.10 (0.13)
Education: Applied University	0.24 * (0.12)	0.13 (0.14)
Education: University	0.33 ** (0.12)	0.00 (0.14)
Knowledge	0.24 *** (0.07)	0.22 ** (0.08)
Duration of Ethical Consumption	0.03 ** (0.01)	0.01 (0.01)
Socialization	0.20 *** (0.04)	0.24 *** (0.05)
Gender Male	0.09 (0.07)	0.00 (0.08)
Gender Other	0.52 (0.70)	-0.62 (0.83)
Age (in decades)	-0.01 (0.02)	0.05 † (0.03)
Age ²	0.03 † (0.01)	0.07 *** (0.02)
Children in Household	0.22 ** (0.08)	0.20 * (0.09)
Municipality: Village	0.02 (0.08)	0.24 ** (0.09)
Municipality: City	0.14 † (0.08)	0.23 * (0.10)
Language Region: French	-0.02 (0.08)	-0.49 *** (0.09)
Language Region: Italian	0.08 (0.10)	-0.02 (0.12)
Swiss nationality	0.03 (0.09)	0.20 † (0.10)
Adj. R ²	0.17	0.16
McElroy-R ²		0.17
n		963

Note: †p < 0.1, *p < 0.05, **p < 0.01, ***p < 0.001. ¹ ref. cat. compulsory education or less, ² ref. cat. gender female, ³ ref. cat. municipality town, ⁴ ref. cat. language region German.

Table 1 presents the results from the Seemingly Unrelated Regression (SUR) model with ethical investing and ethical banking as dependent variables. Overall, the explanatory power of the model is good with adjusted R^2 s of 17% for ethical investing and 16% for ethical banking. Looking first at ethical motivation, we do find a substantial and statistically highly significant effect on both dependent variables. The stronger the willingness to personally contribute to a fairer and more sustainable world, the more often respondents use both types of ethical finance instruments. As hypothesized, the effect is more pronounced for the use of ethical banking than ethical investments. A statistical test on the equality of coefficients confirms that the correlation is significantly larger (at the 5%-level) in the case of ethical banking than in the case of investments.

Looking next at economic capital, we only find a statistically significant correlation for ethical investing but not for ethical banking. The frequency of funding money to ethical investments hence increases substantially with income while the endowment with economic capital is unrelated to using ethical banks. The same is true for institutionalized cultural capital, that is, the highest level of formal education achieved. Only in the case of ethical investing do we find statistically significant effects. Respondents with a degree from applied universities or universities use ethical investing more often than respondents with apprenticeship, compulsory education, or less. For incorporated cultural capital, we observe consistent and substantial effects of the variables for knowledge and socialization. Respondents with more profound knowledge on ethical production and consumption use ethical finance instruments more often. Likewise, respondents who were taught about sustainability and ethical consumption in school or by parents are more inclined to use ethical finance instruments. The correlations of these variables are similarly strong for both types of ethical finance. Statistical tests on the equality of coefficients yield no significant results. The duration of ethical consumption is a significant covariate for ethical investments only. The longer respondents have been taking political, ethical, or ecological criteria into account when buying products, the more likely they are to fund money to ethical investments. This does not simply mirror the respondent's age. For one, the model controls for this covariate. Second, additional analysis shows that the duration of ethical consumption is longest for people in an intermediate age bracket, possibly reflecting generational effects (cf. Schenk, 2017).

Briefly considering the control variables, we find that having children in the household is a highly significant covariate for both types of ethical finance. Geographical and national differences as well as age are significant covariates for ethical banking but not for ethical investment. Gender yields no statistically significant effects.

As a robustness check, we repeated the analysis using logistic regressions with dichotomized dependent variables (see Table 2A in the online Appendix). These variables separate non-users of ethical finance instruments (never) from users of these instruments (rarely or more). Looking at the variables of our theoretical model, the

results are entirely consistent (with university education being marginally significant at $p = 0.055$). Hence, the model explains the use/non-use and the frequency of ethical investing and banking equally well.

5 Discussion

The analysis shows that both types of ethical finance behaviors are simultaneously motivated by ethical beliefs and constrained by capital endowment. These results are in line with a constrained choice model explaining ethical market behavior (Diekmann & Preisendörfer, 2003; Schenk, 2017; Sunderer & Rössel, 2012). They show the fruitfulness of analyzing motivations and capital endowment in one coherent theoretical framework, empirically disentangling their relative importance.

The results confirm previous research stressing ethical motivations in ethical finance, ethical consumption, and environmental behavior (Bauer et al., 2021; Bayer et al., 2019; Beal & Goyen, 1998; Chatzitheodorou et al., 2019; Diekmann & Preisendörfer, 2003; Kapil & Rawal, 2022; Schenk et al., 2024; Signori, 2020; Steg et al., 2011; Sunderer & Rössel, 2012; Yang et al., 2021). The willingness to personally contribute to a fairer and more sustainable society is a strong determinant of ethical investing and banking alike. In this sense, ethical investing and banking are not completely different from other forms of ethical behavior, like environmentally friendly behavior or ethical consumption. They can be explained by the same ethical motivations.

However, we also find marked differences between these two types: ethical banking is more strongly related to ethical motivations, while ethical investing is more resource dependent. Ethical banking represents a low-cost situation in which ethical motivations generally play a larger role (Diekmann & Preisendörfer, 2003). It is unrelated to income and education (Krause & Battenfeld, 2019). Banking transactions are ubiquitous in contemporary society and differences in interest rates for savings have been negligible in past years in Switzerland. In contrast, ethical investing necessitates a larger amount of economic capital, the ability to take risks, a longer time horizon, and entails higher opportunity costs. Additionally, making informed decisions for ethical investments demands analytical skills, experience, and the ability and willingness to familiarize oneself with a complex topic (Beal & Goyen, 1998; Chamorro-Mera & Palacios-González, 2019; Halbritter & Dorfleitner, 2015; Junkus & Berry, 2010; Meunier & Ohadi, 2022; Wins & Zwergel, 2015). This explains why economic capital, institutionalized cultural capital (i.e., formal education), and duration of ethical consumption (as a type of internalized cultural capital) are only relevant to ethical investments. In this case, attitudes are less important compared to the low-cost situation of ethical banking, whereas capital endowment is more important.

Finally, the results underscore the importance of socialization processes for ethical investing and ethical banking (Gong et al., 2022; Hellström et al., 2020). Socialization exhibits strong effects even after controlling for more immediate causal factors such as financial constraints, ethical motivations, knowledge, and duration of ethical consumption. From a sociological perspective, this finding suggests that socialization in early childhood and educational institutions has long-lasting consequences for the use of ethical finance (Le et al., 2022). These effects cannot be reduced to information deficits or knowledge barriers, commonly theorized in economic accounts (Gajewski et al., 2023; Meunier & Ohadi, 2022). Indeed, as previous studies have shown, information alone is often insufficient to promote ethical market behavior (Ota et al., 2019). Learning is not just about explicit instruction or knowledge but about incorporating a sense of appropriate conduct in social fields, which takes a long time to acquire (Bourdieu, 2007). This explains why people do not immediately adapt their behavior to new external conditions, such as better availability or prices. It is important to understand that practices of ethical investing and banking are also learned outside of markets through socialization in schools and families (Hashinaga, 2023; Lizardo, 2009; McCormick, 2009).

6 Conclusion

Our analysis of a large-scale survey conducted in Switzerland confirms that the prevalence of ethical investing and banking was still low in the year 2023 (Meunier & Ohadi, 2022; Paetzold & Busch, 2014). Individuals use these instruments rarely, on average, with a slightly higher prevalence of ethical banking. However, we also observe substantial variation. There is a group of individuals willing and able to use these tools. This suggests potential for ethical finance in Swiss society. To harness this potential, we want to highlight three findings.

First, ethical motivations are essential for both forms of ethical finance. A general willingness to contribute to a more sustainable, fair, and just world drives ethical investing and banking. Ethical motivations underlying the use of ethical finance instruments are hence not categorically different from the motivations underlying other forms of ethical behavior, such as environmentally friendly behavior or ethical consumption (Schenk et al., 2024; Steg et al., 2011; Sunderer & Rössel, 2012).

Second, ethical banking as a low-cost situation is driven more strongly by ethical motives, whereas the unequal distribution of different forms of capital is less important (Diekmann & Preisendörfer, 2003). This is contrary to ethical investment. As a high-cost situation, it is not only strongly shaped by the availability of economic capital, but also by different forms of institutionalized and incorporated cultural capital. We might say that ethical investing is stronger related to class inequality, while ethical banking is more attitude-based.

Third, the results underscore the importance of socialization processes for the use of ethical finance (Hellström et al., 2020; Lizardo, 2009; Schenk et al., 2016; Warde, 2015). In line with a sociological view on economic behavior, general competences for ethical practices in markets are also acquired outside of economic fields through socialization in schools and families (Hashinaga, 2023). To understand the moralization of markets, we need to carefully describe how market behavior is entangled with a society's broader institutional framework (Stehr, 2007).

We also want to point out limitations. In general, we can only speak of correlations and not of causal relationships. Take income, for example. It might be that ethical investing leads to a higher income and not the other way round. We suggest future studies should use panel designs with long timeframes and behavioral data to improve causal inference. Furthermore, results from online surveys with quota samples might lack population validity. As we have shown, the sample closely follows Switzerland's socio-demographic composition. Internet access is extremely widespread in Switzerland. Yet, future studies should employ other techniques, including mixed-mode administration and random samples, to improve population validity. Finally, measuring socialization processes by retrospective questions might be prone to recall bias. Respondents with a special interest in ethical finance and sustainability might be more likely to remember being taught about these topics. Using controls for the interest in ethical issues somewhat reduces this problem.

There is potential for a significant growth of ethical finance, especially among non-institutional investors and younger customers (Gajewski et al., 2023). Depending on the type of instrument, attitude-based strategies, targeting ethical motivations to make the world a better place, or resource-based strategies, improving the opportunities to engage in ethical finance, are feasible pathways. Understanding the interplay of social inequality and motivations helps closing the gap between positive attitudes towards ethical finance and its low prevalence (Wins & Zwergel, 2015; Yang et al., 2021). Yet, ethical behavior in the marketplace is also learned in institutions outside of markets. Financial education in families and schools should therefore empower citizens to make responsible decisions, enhancing societal and environmental well-being (Hashinaga, 2023; McCormick, 2009).

7 References

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Appendix

Table A.1 Item Wordings of Main Analysis Variables

Variable	Item wording	Range	
Ethical finance	How often do you do the following? Fund money to ethical investments	(1) never	(5) always/ regularly
	How often do you do the following? Conducting my financial affairs through a bank that follows ethical principles		
Ethical motivation	It is important to me to contribute to a fairer and more sustainable society		
	Starting something myself is the first step to solving political, ethical or environmental issues	(1) does not apply	(5) applies
	It is important to me to make the world a better place		
	As a consumer, I can contribute to solving political, ethical or environmental issues		
Net household equivalence income	What is the total net monthly income of your household? We are referring to the sum that remains after deduction of taxes and social security contributions.	in Swiss Francs	
Education	What is your highest general school leaving certificate?	(1) compulsory education or less	(5) university
	What vocational training qualification do you have?		
Knowledge	How familiar are you with the following terms? Consumer Boycotts		(4) I've seen and heard about it, and I know what it means
	How familiar are you with the following terms? Fair Trade	(1) never seen or heard of	
	How familiar are you with the following terms? Organic		
	How familiar are you with the following terms? Sustainability		
Duration of ethical consumption	If you think back, when have you started to take political, ethical or environmental reasons into account, when considering buying or not buying a product?	0 years (never)	10 years or more
Socialization	I learned ethical consumption could be one of the solutions of environmental and social issues in school education.		
	I learned ethical consumption could be one of the solutions of environmental and social issues from my parents.	(1) does not apply	(5) applies
	I learned about environmental and social issues at school.		
	My parents were paying attention to environmental and social issues when I was young.		

Table A2 Logistic Regressions With Dichotomized Variables for Ethical Investing and Ethical Banking as Dependent Variables. Unstandardized Coefficients With Standard Errors in Parentheses

	Ethical Investment	Ethical Banking
Ethical Motivation	0.22* (0.10)	0.39*** (0.11)
Income (in 1 000 CHF)	0.09** (0.03)	-0.02 (0.03)
Education: Apprenticeship	0.21 (0.24)	0.17 (0.26)
Education: Applied University	0.68* (0.27)	0.36 (0.30)
Education: University	0.52† (0.27)	0.04 (0.30)
Knowledge	0.34* (0.14)	0.51*** (0.16)
Duration of Ethical Consumption	0.05* (0.02)	0.03 (0.02)
Socialization	0.45*** (0.09)	0.49*** (0.11)
Gender Male	0.11 (0.14)	-0.26 (0.16)
Gender Other	0.64 (1.46)	-0.56 (1.45)
Age (in decades)	-0.01 (0.05)	-0.03 (0.06)
Age ²	0.05 (0.03)	0.11** (0.04)
Children in Household	0.50** (0.17)	0.15 (0.18)
Municipality: Village	-0.10 (0.17)	0.46* (0.18)
Municipality: City	0.07 (0.18)	0.21 (0.19)
Language Region: French	-0.13 (0.17)	-0.84*** (0.18)
Language Region: Italian	0.21 (0.23)	-0.07 (0.26)
Swiss nationality	-0.07 (0.20)	0.24 (0.21)
Tjur R ²	0.13	0.14
n	965	964

Note: †p < 0.1, *p < 0.05, **p < 0.01, ***p < 0.001. ¹ ref. cat. compulsory education or less, ² ref. cat. gender female, ³ ref. cat. municipality town, ⁴ ref. cat. language region German.

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