

# **Title: Agency and Practice in the Explanations of Financial Markets. The Case of Hedge Funds**

*Author: Paolo Robotti, University of Warwick*

## **Abstract**

Mainstream Financial Economics and its ontology of atomistic and self-seeking individuals have shaped the way investors have been studied and financial markets explained. In other words, an agential approach has monopolised current accounts of finance and the market. This paper presents the case of hedge funds to tell a different story, that is, a story of how actors alone might not be the proper level of analysis or explanatory variable.

The current understanding of hedge funds is of particularly smart *managers* that use their skills to move markets. The way the experience of certain leading hedge fund managers has been portrayed, like in the case of George Soros, and the exceptional investment qualities that they have been attributed have also contributed to romanticise their image and focus on the individual and agency-related aspects of their power. This has created a discourse of hedge funds as 'smart money', which has taken attention away from other sites of financial speculation and produced the current impasse in their regulation at both the domestic (the paper considers the US case) and the international level (Financial Stability Forum and related institutions).

The paper questions the location of power with the 'managers' and instead proposes to look at hedge funds as practice rather than agents. As practice, hedge funds carry structural properties that are irreducible to the actors that implement them and have deeper implications for the global financial system.