Songs of Profit, Song of Loss: Private Equity Investing in New York City

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Submitted in partial fulfillment of the
requirements for the degree of
Doctor of Philosophy
under the Executive Committee
of the Graduate School of Arts and Sciences

Columbia University

2015

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ABSTRACT

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This dissertation is an ethnographic description of the process by which private equity investors buy, manage, and sell companies for profit, all while private equity, as an industry, manages around $3.5 trillion of capital. Drawing from data gathered from the summer of 2012 through fall of 2014, this dissertation offers an account of investing that diverges from other ethnographic cases in that it relies on ongoing conversations about value and time that investors have, which seek to justify the decisions investors make. Once I explain how investors find and create value as well as the opportune time to invest, I explain how this negotiation fits into a stereotyped, formalized deal process, which acts like a total social fact in rearranging people and wealth in social life. I ultimately suggest that this approach to explaining the action of private equity investors has a broader use in rendering other financial capitalists ethnographically comparable to private equity investors, as well as in rendering other societal distributions of wealth and poverty comparable to that which exists in the contemporary United States.

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Acknowledgments

The Teachers College, Columbia University Joint Program in Applied Anthropology and Anthropology and Education was kind enough to offer me admission to the PhD program in Applied Anthropology as well as some tuition point scholarships.

Teachers College, Columbia University Dean of Admissions, Dr. Thomas Rock helped me by offering me some supplemental tuition point scholarships.

Dr. Laura Bear and the London School of Economics Department of Anthropology were kind enough to welcome and supervise me for a semester as a visiting research student during the early stages of this project.

Professors H. Russel Bernard, Amber Wutich, Susan Weller, and Jeffrey Johnson were kind enough to admit me to the National Science Foundation's Summer Institute for Research Design (NSF SIRD) in cultural anthropology. At the SIRD these professors helped me imagine a plausible ethnographic project, studying people who are difficult to access.

Professor George Clement Bond is a dearly missed supervisor who, in addition to offering me invaluable mentoring and advising, offered me some tuition point scholarships and the ability to work as a graduate assistant, drawing on resources which came with his endowed chair.

Provost Thomas James and the Provost's Office of Teachers College Columbia University was able to give me a timely dissertation improvement grant in the amount of $10,000 which allowed me to complete field work and begin writing up.

Professors Hervé Varenne and Terence D'Altroy were kind enough to step into my dissertation projects as chair and supervisor respectively in the wake of Professor Bond's passing. Professors Carl Wennerlind, Caitlin Zaloom, and Kathryn Dudley were kind enough to

fill out the rest of my dissertation committee. Taken together, my work is much improved for their criticism and comments.

Meghan Chidsey, Chelsea Abbas, Sarah French Brennan, Ann Iwashita, Laura Bunting-Hudson, and Tanya Aydellot are members of my doctoral cohort. Their generosity and kindness are incredible. I struggle to imagine completing doctoral work without them.

Dedication

I dedicate this dissertation to my family: my mom, Sandra Souleles, my dad, Dean Souleles and my brother, Jon Souleles. You turned me into a researcher in more ways than I can count. I have lately realized that it's unusual for a fifth grader, in a report about a personal hero, to pick Richard Feynman. Thanks for making and then letting me be curious about the world. Thank you for your support and confidence. I can't imagine making it here, much less anywhere in life, without you.

I dedicate this dissertation to my partner, Amanda Shapiro. Thank you for encouragement, support, and listening to me ramble on and on and on about culture. It's really a beautiful thing that we'll never have to do this again.

I dedicate this dissertation to my best friend, Bryan Haut. Thank you for being proud, supportive, and unfailingly critical. I like to think this project has given you a lot to yell at your millionaire-friends.

I dedicate this dissertation to another family, the Hauts: Dr. Judith Haut, Robert Haut, Bryan Haut and Arianna Haut. Thank you for taking me in those years ago. And thank you for continuing to welcome me. I have such joy in being with you.

*

I love you all.

Preface

My two year study of mostly New York based private equity investors, why and how private equity investors buy manage and sell the companies that they do, and the support industries that surround private equity, was motivated by dissatisfaction with the anthropology of finance. That work is largely exemplified by the one contemporary anthropological study of "Wall Street", *Liquidated* by Karen Ho (2009)[1]. More broadly, I felt a more general dissatisfaction with anthropological theories that over rely on habitus, or, "the harmony of ethos and tastes…sensed in the imperceptible cues of the body" (Bourdieu 1977:82), as an explanation for human action and human lives. While I found that Ho offered an excellent account of recruitment from elite universities into investment banking, as well as the rigor of junior to mid-level work in such banks, I quickly found that my ethnographic work contradicted some of the basic assumptions along which she was able to generalize from her ethnographic findings to make claims for all of Wall Street. Fairly early on, she defines Wall Street as:

> …the concentration of financial institutions and actor-networks (investment banks, pension and mutual funds, stock exchanges, hedge funds, and private equity firms) that embody a particular financial ethos and set of practices, and act as primary spokespeople for the globalization of U.S. capitalism. [2009:4]

Note that private equity firms are specifically included in this conception of Wall Street. Ho continues:

> The very particular cultural system that Wall Street has constructed and nurtured—one that promotes the volatile combination of unplanned risk-taking with the search for record profits, constant identification with the financial markets and short-term stock

[1] To be clear, I am well aware of other ethnographic studies of finance (to take just anthropologists: Hertz 1998 Zaloom 2006, Riles 2005, Fisher 2011, Miyazaki 2012, Ortiz 2013, Orta 2013, Holmes 2014). In the rest of this dissertation I make analogic and theoretical use of these studies. Here, I focus on Ho (2009) because many within and outside of anthropology, insofar as they know about the anthropology of finance, take Ho's analysis for what anthropologists have to say about Wall Street. One rough demonstration of this is a 6/28/2015 Google Scholar citation count: Ho was cited by 519, Zaloom 370, Hertz 215, Riles 140, Miyazaki 32, Fisher 31, Holmes 22. Also, Ho (2009), unlike most of the other ethnographers of finance, happened to study many of the same types of people in the same places that I did.

> prices, and continual corporate down-sizing—has not only been imposed on corporate America but also fundamentally characterizes and affects Wall Street itself. [2009:6]

Note that in Ho's conception, Wall Street is defined by "un-planned risk taking" as well as a search for "record profits." Note too that Wall Street "identifies" with the "financial markets" as well as "short-term stock prices" and "continual corporate down-sizing." These are clear and strong claims for the attributes of Wall Street. They are also claims that are contradicted by private equity investment practices. Whereas investment bankers have a quickly gathered and relatively shallow understanding of the companies for which they do deals, private equity investors spend months with proprietary access to the financial and business records of the companies in which they would like to invest. Whereas investment bankers perhaps identify with financial markets, one of the appeals of private equity is the possibility of taking a company private, that is, out of the unreasonable scrutiny of public equities markets. Whereas many mergers lead to short term stock price increases, Private Equity investors usually hold their companies for anywhere from five to ten years. Whereas Ho describes investment bankers as endorsing continual corporate downsizing, it's not infrequent to find private equity (never mind venture capital) investors pursuing a growth strategy with the companies they acquire.

This list of contradictions is not meant to absolve private equity of any of its numerous, alleged sins. Private equity investors do rearrange businesses according to plans and strategies that arguably privilege the paying of debt and creating a return on investment, as opposed to being attentive to the welfare of a company and its employees. I do maintain, however, that the contradictions private equity presents for Ho's conception of Wall Street suggest a serious problem for the generalizations she makes from her ethnographic findings. On falsification, Flyvberg notes, "falsification is one of the most rigorous tests to which a scientific proposition can be subjected: if just one observation does not fit with the proposition, it is considered not

valid generally and must therefore either be revised or rejected" (2006:228). In the spirit of revision and rejection, I suggest that Ho's mistaken generalization comes from an embrace of habitus, particularly the preconscious or naturalized elements of its effect on human action, as a general explanation of why Wall Street does what it does. She explains:

> ... I take inspiration from Pierre Bourdieu's notion of "disposition" and "habitus," where "disposition" refers to a "way of being," "inclination," and "predisposition," often of the body, which collectively constitute the habitus, "a system of dispositions," which in turn organizes action, "produces practices," and constructs social structures and worlds (Bourdieu 1990, 73-87, 214). Specifically, I examine the structure and formation of investment bankers' habitus—how they have developed an investment banking ethos and set of experiences that frame and empower them to impose regimes of restructuring and deal making onto corporate America and, ultimately, help to engender financial market crisis. I demonstrate how, for example, the personal biographies of investment bankers play into, and converge with, job status and workplace experinces to shape a "common-sense" understanding of the righteousness of Wall Street analyses and recommendation. Recruited from elite universities and represented as "the smartest," investment bankers enter into a Wall Street workplace of rampant insecurity, intense hard work, and exorbitant "pay for performance" compensation. Forged in these experiences is a particular investment banker habitus which allows them to embrace an organizational model of "employee liquidity" and to recommend these experiences for all workers (Ho 2009:11.
>
> Bankers, recruited as they are only from the Ivy League and a few comparable schools like MIT and Stanford, are trained to view themselves as "The best and the brightest," for whom deal-making through insecurity becomes a sign of their "smartness and superiority as well as a way to cope with an anxious environment. Empowered by cultural capital, extensive elite networks, and an organizational structure of exorbitant compensation premised on numbers of transactions, investment bankers often successfully weather and negotiate (and create) crises until the next resurgence…(Ho 2009:11-12).

Ho is arguing that there is a set of experiences common to Wall Street people that become naturalized as both common sense reasons for why Wall Street behaves the way it does and the actual substance of Wall Street actions. In rough chronological sequence, the experiences that produce Wall Street people are recruitment from elite schools, a training that inculcates a sense of being the best, embedding in exclusive and powerful networks, employment insecurity, intense hard work, and exorbitant pay for performance. As I noted above, I found the actual

practice of Wall Street as defined by Ho varied to the point that I could not accept her generalized conclusions for what Wall Street as a whole or as a system does, and why it does so. I also suggested that part of my problem with Ho's analysis lies in its reliance on habitus as an explanation of human action. The way the reasoning goes, Wall Street people have common experiences, which are internalized, naturalized, and become a more or less unquestioned way of seeing the world. There are both minor and major problems with this mode of reasoning. I will take the minor first:

As to the minor problems with this logical chain of Wall Street learning and then Wall Street doing, we never learn what happens in exceptional cases. I will supply a few: I ran into private equity investors who did not pass through the crucible of investment banking—some came from consulting, some came from other modes of investing, some came from accounting, some came from law, some came from productive industry, and some went right into private equity. Regardless of where they came from, these investors were not formed in the pressure cooker of an elite investment bank. I also ran into private equity investors who did not attend Ho's definition of elite universities. To list a few: Oklahoma State, University of Buffalo, Bowling Green, Creighton University, California Polytechnic, Centennial College, and Furman University. Of 293 investment professionals across 15 firms in my sample, 16 went to UPenn/Wharton, 11 to Harvard, seven to Cornell, six to Stanford, five to Princeton, four to Dartmouth, three to MIT, two to Brown, on to Yale, and zero to Columbia (for further figures see the sociological appendix). Fifty-five out of 293, just under 19%, of investment professionals went to the elite undergraduate universities that Ho claims are essential to forming Wall Street people. The majority of the Wall Street people I worked with did not go to elite undergraduate institutions, and as such could not socialize and internalize whatever miasmic ethos abounds on

those campuses and through those campuses' recruiting season. And then there is the question of job insecurity. The banks that Ho talks about are big and lay off thousands of people, as she documents. Private equity firms tend to be smaller, and move in the rhythms of raising, investing, and disbursing their investment funds, most typically over a ten year time horizon. This situation would seem to dramatically slow the rate of turnover and reckoning that one might find in an investment bank group, which may only be as secure as its next ephemeral deal. As to the manner of work, there is no doubt that the private equity investors I interviewed and socialized with would characterize their work habits, their "horsepower" as one called it, as every bit as intense as those of investment bankers. However, there is a qualitative difference. Because private equity investors stay with their investment companies for as much as a decade, their work becomes cumulative and they get to know the people in a business in a way that a merger and acquisitions transaction adviser does not. In like fashion, whereas investment bankers make money based on the deals they advise, private equity investors make money, not when they first do a deal and buy a company, but when they eventually sell their investment company, ten or so years later.

Taken together, the sites of learning which Ho claims make an ethos or habitus of Wall Street do not hold for private equity investors, a group she explicitly includes in her actor-network formulation of Wall Street—an overall designation, in addition to "working in finance", that my informants would happily embrace. So given that one accepts Bourdieu's theory of how a particular cultural milieu can lead to an unthinking, culturally specific, and stereotyped way of being in the world, it is analytically problematic that so many people on Wall Street do not pass through the sites of learning that should make them act like Ho's investment bankers. It is also a complication that private equity investors often do not act the way that Ho says they ought to.

This situation in turn leads me to the major problems I see with this mode of reasoning for explaining human action.

Simply put, relying on sub- or pre- conscious habits to explain the thinking of behavior of a group of people both fails to account for variation among that group and fails to offer a theory of change through time. In Latour's critique of bad textual accounts of people, he notes that in a bad account, "it is standard, anonymous, across the board; nothing happens in it. There are just repeated clichés of what has been assembled before as the social past" (2005:130 cf. Varenne 2007). This kind of analysis is precisely what Ho offers, repeated clichés of greedy, snobbish, short-sighted investment bankers—all generalizations which a few counter cases undermine. Again, I do not mean to absolve financiers of whatever sins they have committed or elevate them to some laudatory height. I simply want a sociology that accounts for the variation which I found and which I feel explains more of our unequal societal predicament than a rote repetition of stereotypes with which, at this point, we are all familiar.

In what follows I am going to offer an analytic alternative to theories of practice drawn from Bourdieu's conception of habitus in order to explain the actions of those working in finance[2]. Given that I feel an overreliance on habitus leads to the analytic pathology of both homogenizing a group of people and then locking them in an eternal, pre-ordained present (as we are presented with no method by which actors can access their deep learning [Varenne 2007]), I will instead use the story of private equity's origin to develop a theory of reading a historical moment, an epoch or episteme, and then enliven that moment with actors who are constantly negotiating and recreating their world through meta-pragmatic awareness and reflection. My

[2] I am aware that people do things in ways that are unthinking and in many ways preconscious and glossed as natural. I also acknowledge that habitus whether in Bourdieu's or Mauss's (2006) sense is a useful organizing technique in social scientific research. I have no desire to banish habitus from anthropological accounts. I simply want to provide a, to my mind, better way of understanding financiers and in turn systems that create inequality.

analytic aim will not be a buried and homogenous habitus, common to all Wall Street people, but the boundaries and extent of conversations and symbol systems that allow investors to argue about and make investments, thereby making sense of their world. Following Maurice Bloch (1989), I see society as a long conversation, and the ethnographer's task as documenting that conversation, how it changes, and the patterns it takes. We fail as ethnographers if we say that there is but one conversation and that conversation both never changes, is subconsciously predetermined, and simply confirms our own prejudices (cf. Poon and Wosnitzer 2012).

Something New

In 1978 the firm Kohlberg, Kravis and Roberts (KKR), then called an investment bank, now a private equity firm, bought a manufacturing conglomerate, Houdaille, for $355 million dollars. Not only was this four times more than KKR had ever bid to buy a company's stock and manage it privately (Anders 1992:27), but KKR only had 1/300th of the total price (Anders 1992:20). The rest of the money they spent, the remaining 99.7% of the price of Houdaille, they made up with borrowed money, either in the form of capital from investors, or loans from banks. As Anders notes, "virtually every takeover related issue of the next decade was encapsulated in KKR's ten-month struggle to buy the Fort Lauderdale company"(1992:20). Appelbaum and Batt add to this description, saying the "buyout of Houdaille Industries—a Fortune 500 conglomerate employing 7,700 people—is widely viewed as having altered Wall Street's view of financial engineering and launched the era of large leveraged buyouts" (2014: 25), that is, buying companies with mostly borrowed money.

It is not often that one can pinpoint and describe a new and durable way people get rich. But KKR's purchase of Houdaille with very little of their own money, and quite a bit of borrowed money, affords one such moment. KKR's innovation of the leveraged buyout [LBO] would set the pattern for a whole industry in the 1980s, and would provide an enduring business model that the LBO industry, ultimately rebranded as the private equity industry in the 1990s (Appelbaum and Batt 2014:31), still follows to this day. The *2014 Prequin Global Private Equity Report* notes that, as of 2013, the private equity industry managed $3.5 trillion dollars of mostly other people's money and did 2,836 buyout deals in that year (Fogarty 2014: 4), likely representing about 10% of all company buying globally (Wilmer Hale 2013:2)[3]. In terms of

[3] The purchase of companies varies year to year. Wilmer Hale report 28,829 companies bought/sold in 2012. Extrapolating forward this is good enough to estimate 2013 company purchases and then private equity's proportion.

funds raised, other people and institutions committing their money for investment, as of 2013, KKR had raised $55.9 billion, placing only sixth in the private equity industry (Fogarty 2014: 40). Private equity is very much still with us, and largely still operating under the pattern that KKR set back in the 1970s.

This dissertation is the story of this new way of getting rich. It will explain it from the point of view of the financiers who do private equity deals. It will explain why and how private equity investors buy, manage, and sell the companies that they do, using their own words. I will report on the results of a two year ethnographic study of private equity investors, based largely, though not exclusively, in the North Eastern United States. In the course of this essay, I will report on my methods and elaborate two broad symbolic concepts, time and value, that private equity investors use incessantly to frame, interpret, and understand their investment activity and environment. Once I have explained these terms, I will explain the investment process of research, acquisition, management, and sale of companies, arguing that they all be understood as a unified process, or a 'total social fact,' the occasion on which many different portions of a given society come together via a structured process and move and circulate people and wealth in that society (think the reading of a will, an electoral contest, or a potlatch) (Mauss 1990[1950]:78-80), the goal of which is to rearrange and extract wealth from the companies they purchase in order to direct that wealth to private equity investors and the people from whom they have borrowed money. This perspective, informed by how PE investors use and understand value and time, allows comparison across other ethnographic studies of finance, and comparison with the larger anthropology of wealth, status and power across human societies. But this is getting ahead of myself.

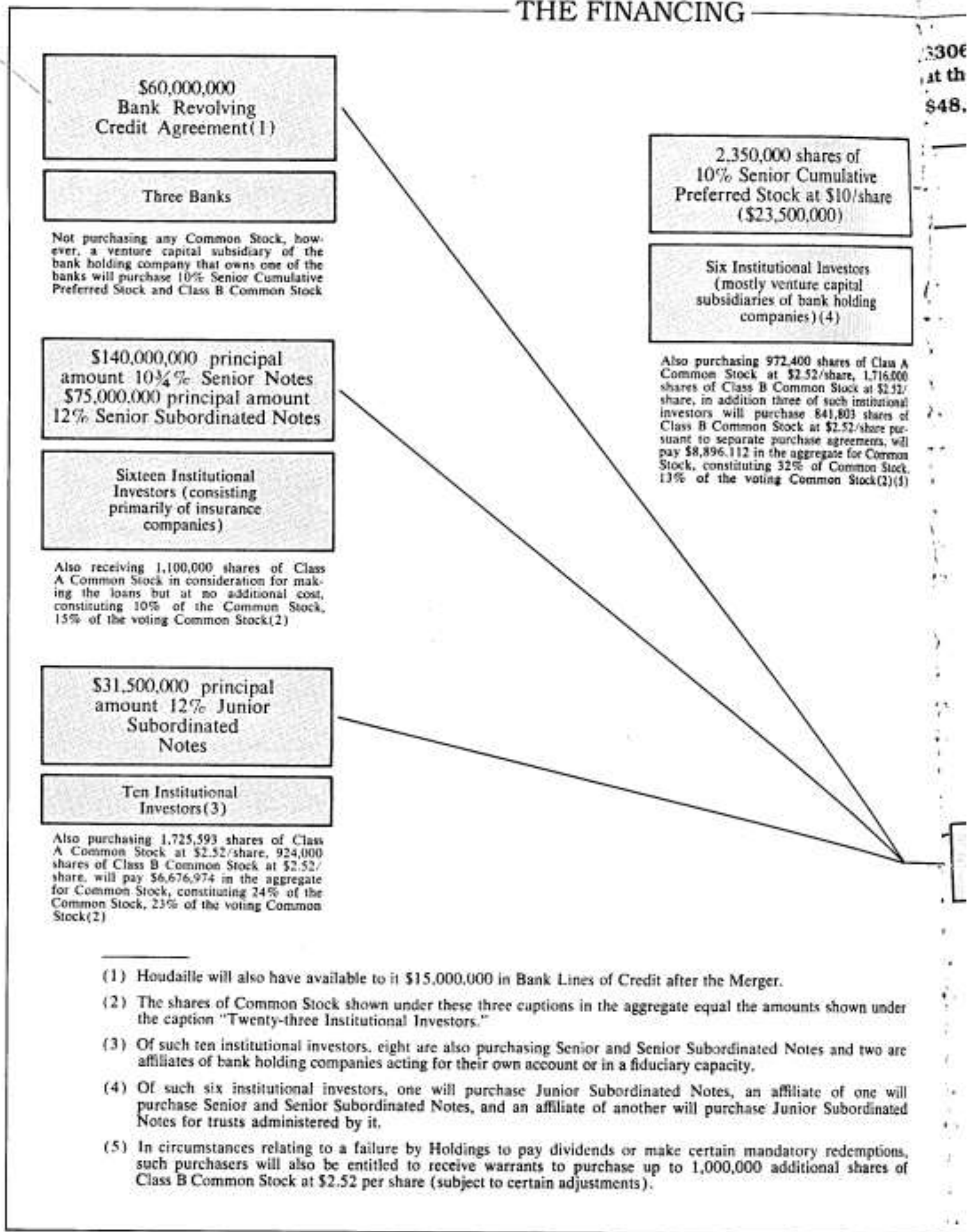
Before I can move through the substance of my ethnographic study, I need to introduce the backdrop, explain the strategy which Houdaille set, and offer a theory of history. I need to explain how I see that different ways of getting rich come into and out of existence so that private equity becomes one case among money. Again, it is not every day that one gets to identify a new pattern for the extraction of wealth in a human society. Private equity investing offers one such instance. So, in the following introductory chapter, I will explain how investing patterns change, how investors learn to invest, and show the negotiation over investment happening in real time. In so doing, I will show how anthropological theories of practice (theories that explain how people build up their everyday lives) can usefully inform larger theories of history and epochs, provided that one has an ear for the meta-pragmatic uses of language. This mode of analysis will show what exactly it was that KKR did with Houdaille that was so interesting. In the process, I will explain the array of legal, judicial, administrative, and business organizational precedents that allowed them to make money in this way, and show how the pattern that KKR set still structures private equity investing to this day, nearly 40 years on, and allows us to consider the types of investing conversations and deliberations that are common across different types of investment.

1. God Save this Paradigm[4]

Just as it is not so often that one can pinpoint when people have come up with a new way to make money, it is not every day that one hears of financiers mocking the complexity of their own deals. And yet, the KKR purchase of Houdaille led one KKR financier to "order a three-foot-wide jumbo edition of the chart [explaining the deal for SEC filing] for his office and coined a new name for it each week. "This is the control room of the Three Mile Island nuclear plant," he told visitors at one point" (Anders 1992:36). I have reproduced the chart over two pages, in

[4] Geertz says that Thomas Kuhn had an embroidered version of this motto hanging in his house (2000:166).

the following figures one and two. It shows the series of holding corporations and stock purchase and transfers that would let KKR buy Houdaille with borrowed money and remain the managing owner of the company. Do not worry if it is hard to understand what is going on. That is ok. It is intentionally convoluted. Holland said, the deal itself, “was a master stroke of financial engineering, and Wall Street recognized immediately that the rules were no longer the same”(1989:161). He goes on quote an investment bankers saying, “The public documents on that deal were grabbed up by every firm on Wall Street. [KKR] showed everybody what could really be done. We all said, “Holy mackerel, look at this!”(1989:161).



THE FINANCING

$60,000,000 Bank Revolving Credit Agreement(1)

Three Banks

Not purchasing any Common Stock, however, a venture capital subsidiary of the bank holding company that owns one of the banks will purchase 10% Senior Cumulative Preferred Stock and Class B Common Stock

$140,000,000 principal amount 10¾% Senior Notes
$75,000,000 principal amount 12% Senior Subordinated Notes

Sixteen Institutional Investors (consisting primarily of insurance companies)

Also receiving 1,100,000 shares of Class A Common Stock in consideration for making the loans but at no additional cost, constituting 10% of the Common Stock, 15% of the voting Common Stock(2)

$31,500,000 principal amount 12% Junior Subordinated Notes

Ten Institutional Investors(3)

Also purchasing 1,725,593 shares of Class A Common Stock at $2.52/share, 924,000 shares of Class B Common Stock at $2.52/share, will pay $6,676,974 in the aggregate for Common Stock, constituting 24% of the Common Stock, 23% of the voting Common Stock(2)

2,350,000 shares of 10% Senior Cumulative Preferred Stock at $10/share ($23,500,000)

Six Institutional Investors (mostly venture capital subsidiaries of bank holding companies)(4)

Also purchasing 972,400 shares of Class A Common Stock at $2.52/share, 1,716,000 shares of Class B Common Stock at $2.52/share, in addition three of such institutional investors will purchase 841,803 shares of Class B Common Stock at $2.52/share pursuant to separate purchase agreements, will pay $8,896,112 in the aggregate for Common Stock, constituting 32% of Common Stock, 13% of the voting Common Stock(2)(5)

---

(1) Houdaille will also have available to it $15,000,000 in Bank Lines of Credit after the Merger.

(2) The shares of Common Stock shown under these three captions in the aggregate equal the amounts shown under the caption "Twenty-three Institutional Investors."

(3) Of such ten institutional investors, eight are also purchasing Senior and Senior Subordinated Notes and two are affiliates of bank holding companies acting for their own account or in a fiduciary capacity.

(4) Of such six institutional investors, one will purchase Junior Subordinated Notes, an affiliate of one will purchase Senior and Senior Subordinated Notes, and an affiliate of another will purchase Junior Subordinated Notes for trusts administered by it.

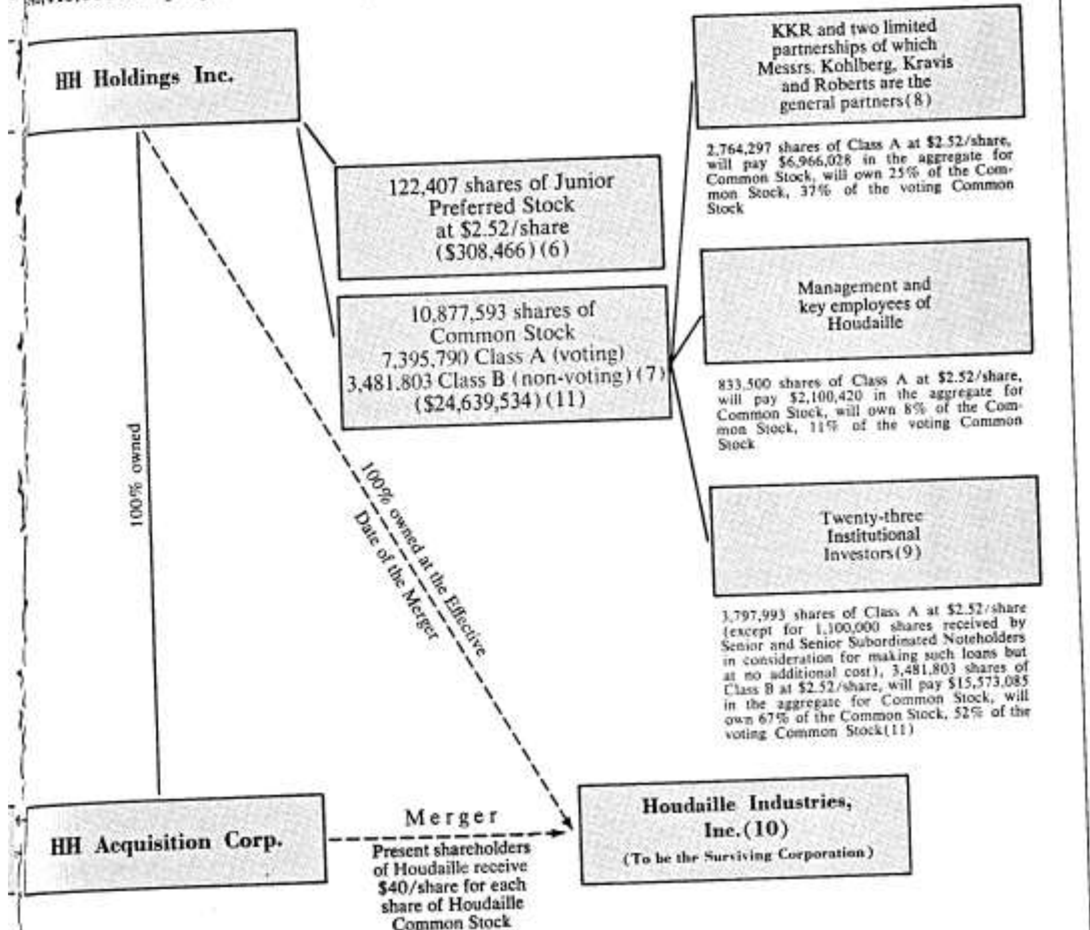
(5) In circumstances relating to a failure by Holdings to pay dividends or make certain mandatory redemptions, such purchasers will also be entitled to receive warrants to purchase up to 1,000,000 additional shares of Class B Common Stock at $2.52 per share (subject to certain adjustments).

16

From Anonymous 1983.

$106,500,000 in debt to be issued by Acquisition and assumed by Houdaille at the Effective Date of the Merger.

$28,448,000 in equity to be issued by Holdings at the Effective Date of the Merger. (11)



(6) To be purchased by one institution also purchasing Junior Subordinated Notes.

(7) Class B Common Stock will be exchangeable, subject to certain restrictions relating to the regulatory status of the holder, into Class A.

(8) See "Information Concerning KKR, Holdings and Acquisition" for certain fees to be paid to KKR by Holdings and Houdaille.

(9) The institutions purchasing or receiving Common Stock are also purchasing Senior and Senior Subordinated Notes, Junior Subordinated Notes, 10% Senior Cumulative Preferred Stock, or a combination of such securities, in the amounts indicated elsewhere in the table.

(10) Book value per common share $20.18 on December 31, 1978.

(11) Amounts shown do not reflect the accounting treatment of the 1,100,000 shares of Common Stock to be issued to the Senior and Senior Subordinated Noteholders in consideration for making loans to Acquisition.

17

From Anonymous 1983.

Hold on to this moment of novelty, these gobsmacked investment bankers and take an analogy. In the context of science studies, Thomas Kuhn observed that much of science occurs in relatively stable paradigms, that is, within "accepted examples of actual scientific practice—examples which include law, theory, application, and instrumentation together—provide models from which spring particular coherent traditions of scientific research" (1962:10). He goes on to observe that "[people] whose research is based on shared paradigms are committed to the same rules and standards for scientific practice" (1962:11). This is how we might conceive of the business or investment community. People go about much of their professional lives, making products and money in one way or another, working in a paradigm. Leading up to the purchase of Houdaille, there were ideas about how companies and investing should work, that a company should not carry much debt, and that conglomeration in a company, a company having diffuse unrelated divisions was acceptable. This was normal business. Kuhn notes that "[p]aradigms gain their status because they are more successful than their competitors in solving a few problems that the group of practitioners has come to recognize as acute" (1962:23). In the realm of business and especially the rarefied world of money and finance, it is safe to say that the problem practitioners are always trying to solve is the generation of profit. Sure there are aesthetics and status systems, cosmological big picture aspirations like efficiency, but people invest and go into business in order to make money. An idea of normal, or a business paradigm, a way things are done, emerges in a given time or industry to solve the problem of making money given the larger conditions of capitalism and state regulation thereof. When a business paradigm is no longer delivering the required amount of return on invested capital (making enough money), something new need take its place. A pattern of business could stop working due to say Marx's "coercive law of competition" (1976:436) that requires a capitalist to lower the price of his goods to

compete with other capitalists' more technically efficient enterprises. Or more prosaically in this case, a business form, a method of making and accumulating wealth, could stop working because the stock market says a company is worth less than its books say it should be worth. This happened to Houdaille (Holland 1989:150). When this happens, financiers and executives need a new way of doing business and a new way of seeing the world. Sometimes, rather than muddling through, the paradigm shifts. "It is rather as if the professional community had been suddenly transported to another planet where familiar objects are seen in a different light and are joined by unfamiliar ones as well" (Kuhn 1962:111).

What, then, was wrong with Houdaille? And how is it that KKR was able to get investment bankers everywhere to shout 'holy mackerel', if we are to believe George Anders? As in any private equity story, management is not a bad place to start. Leading up to the buyout, Jerry Saltarelli was CEO. Holland observes that he "was liked by bankers because they knew he never took great risks and always paid his debts…[and he was willing] to invest in up-to-date machinery when there was money to be made" (1989:149). For all this prudent management, Houdaille's "common stock was selling for about $14.50 a share, well below the conglomerate's book value of about $20 per share" (1989:150). Holland situates this observing that, "a depressed stock price was a familiar problem for Houdaille, now that the glory days of the conglomerates were long gone" (1989:150). Where did they go, and why were stock markets giving Houdaille a price below its book value, or a price one would get if one went through Houdaille's accounting and subtracted liabilities from assets? Here is where the larger business paradigm helps.

After the American Civil War, as the country was building a national rail infrastructure, an industry of financiers and bankers grew up alongside this nation building effort to pool capital and buy and sell government bonds. This pooling of capital led to those that we remember as the

robber barons. This process, coupled with changes in corporate association laws, resulted in unprecedented business conglomeration (Levy 2012:264ff), the apotheosis of which was J.P. Morgan's U.S. steel, with its price of $1.4 billion at a time when the federal budget was $350 million, and the national debt was $1 billion (Fraser 2005:246). Mergers of this type, ones that consolidated whole industries and produced companies whose stocks brokers traded on exchanges, led to a new idea of the corporation, one in which diffusion of ownership led to the ascendance of managerial imperatives within a company (Berl and Means 1991; Ott 2011:166; for an example of consolidation's effects see Doukas 2003). That is to say, instead of incessantly extractive owner/management which sought profit from a company, managers, by virtue of not being owners, ran a company more as stewards, reinvesting proceeds into the organization as an entity that should endure. Diffuse stock market ownership was not able to exert much control (cf. Ott 2011:181, 208). Appelbaum and Blatt say that, "Managers were motivated to advance innovations for long-term improvements because internal labor markets provided opportunities for promotion, income growth, status, and long organizational careers" (2014:17). In 1950 Congress passed the Celler-Kefauver Act which was designed to prevent companies from buying their competitors or their supply and distribution chains. From here, the diversified conglomerate was born. The idea with a diversified conglomerate is that one brings together a bunch of unrelated companies, as though one were diversifying an investment portfolio (Appelbaum and Blatt 2014:18). Houdaille was one such conglomerate.

"Founded in 1925 by French immigrant Maurice Houdaille," by the late 1970s, Houdaille had, "grown into a good-size conglomerate that made steel bumpers for Chrysler and American motor cars, quarried gravel in Florida and New Jersey, produced pumps…operated a small Texas steel company…[and] its star divisions were those that made machine tools…master machines

that make other machines" (Anders 1992:24). For all this activity, all this cash flow, and not much debt, the markets had depressed Houdaille's stocks. The day of the conglomerate had passed. Not only that, but even more generally the "rate of return on capital…plummeted from about 12 percent in 1965 to just over six percent in 1979," (Appelbaum and Batt 2014:18). The managerial model of capitalism was on the way out.

The Celler-Kefauver act combined with a portfolio rationale in conglomeration, led to situations in which, "companies…bough unrelated businesses [and] often lacked the industry expertise or competence to run those businesses" (Appelbaum and Batt 2014:18). What is more, "in the internal struggle for control of the corporation, finance managers assumed a more powerful role in part because financial metrics could be compared across radically different lines of business" (Appelbaum and Batt 2014:18). Financiers let one compare bumpers to gravel. It was not just that financiers could help clueless executives make disparate, unrelated corporate divisions more legible; these new financiers fit in with a changing way of perceiving the role of the corporation. As opposed to the "analytical looseness and lack of rigor," that a larger "social conscience" for a company might demand, Milton Friedman in 1970 argued that, "in a free-enterprise, private-property system, a corporate executive is an employee of the owners of a business. He has direct responsibility to his employers. That responsibility is…to make as much money as possible" (1970). In turn economists like Jensen and Meckling were able to suggest that, "most organizations are simply *legal fictions which serve as a nexus for a set of contracting relationships among individuals*" (1976:310), and that those individuals have, "*divisible residual claims on the assets and cash flows of the organization*" (1976:311, italics in the original). For the likes of Jensen, Meckling and Friedman, the sorry state of conglomerate profitability and the sprawling nature of their diffuse assets all pointed to a "principal-agent problem", similar to what

Berles and Meanes pointed out as the separation of management and ownership that comes about with stock markets. “Opportunistic managers (the agents), with control over decision-making, are able to make decisions that favor their own interests at the expense of shareholders (the principals) because the latter are dispersed and unable to sufficiently monitor or control managerial decisions” (Appelbaum and Batt 2014:19). Some in the business and investing community read the declining rate of conglomerate profit and the often convoluted state of conglomerate organization as a crisis in firm management, one which financial capital could solve (cf. Roitman 2014:15ff on the demands of crisis).

KKR saw the leveraged buyout, debt and management change, as silver bullets that solved the above problems. Appelbaum and Batt’s explanation is worth quoting at length:

> Debt is central to the model because it magnifies returns: investors are able to acquire companies using other people’s money, especially when interest rates are low and credit is easily available. Moreover, debt has large tax advantages. Debt also forces managers to gear all their efforts to paying down the debt to avoid defaulting. Houdaille was a Fortune 500 company with lots of cash on hand, little debt, and an undervalued stock price…(2014:24).

This demands a bit of explanation. We have already established that KKR bought Houdaille with other people’s money (recall, they only had 1/300th of the price, and had only eight percent for equity (cash for part of the company and 92 percent debt [Appelbaum and Batt 2014:24])). We have also pointed out that there was an idea at the time that managers were running companies in their own interests and not in the interest of the principals or shareholders (for much more on this, see Baker and Smith 1998 and Ho 2009). Putting a company in debt would force managers to return money to the shareholders to whom a company is indebted. Otherwise those managers would risk insolvency or dissolution. But there is even more to the KKR/Houdaille debt situation.

Any debt interest that Houdaille paid would be tax deductible. So in addition to $28.5 million dollars in post tax profit, after Houdaille borrowed money to buy itself, it could deduct a further $22.3 million a year from its taxes and count this as income and then profit. “That meant that KKR could count on pretax profits of $50.8 million a year, far beyond what public shareholders saw” (Anders 1992:27). KKR could see value in a company that markets could not. And to what did KKR owe this marvel of the tax code? In 1909, “congress enacted a ““tariff” that really amounted to the first corporate income tax. Legislators fatefully decided to make interest payments tax-deductible for corporations.” This meant that “companies that financed themselves largely with debt could shield themselves from taxes; those that financed themselves with common stock could not” (Anders 1992:21). A few years prior to Houdaille, the Employee Retirement Income Insurance act (ERISA) of 1974 and 1978 allowed pensions to hold stocks and high-risk bonds. In 1979 the U.S. Department of Labor clarified the “prudent man” investment standards in ERISA which, “explicitly allowed pension managers to invest in high-risk assets, including private equity” (Lerner 2000: x, Appelbaum and Batt 2014:21). To this day, public pension funds are some of the largest contributors to private equity funds, occupying the two (CPP Investment Board $33.4 billion), three (CalPERS $32.3 billion), six (CalSTRS $21.6 billion), eight (Washington State Investmen Board $16.1 billion), and ten (New York State Common Retirement Fund $14.9 billion) slots on a league table of largest private equity investors (Fogarty 2014: 75).

So what let KKR’s acquisition of Houdaille happen? First there was the attitude towards corporations—conglomerates were out, some organizational form that could answer to shareholders was in. Then there was the declining rate of profit in the corporation. A new mode of accumulation had to show up in order for profit rates to be sustained—enter borrowed capital

and financial rearranging of a company. The tax deductibility of debt, large pools of newly free capital thanks to ERISA, generous depreciation allowances (Holland 1989:157-8), and the sale of a company's component conglomerated parts, all allowed for the extraction of more wealth from a company than under public ownership (cf. Hertz 1998[5]) . Though KKR reported to Baker and Smith a "hold period of 8.45 years, and a return on equity invested before KKR carry and management fees of 33.9 percent a year" (Appelbaum and Blatt 2014:26), things did not go well for Houdaille as a company.

Max Holland's 1989 book, *When the Machine Stopped*, chronicled the rise and fall of Houdaille, and explains in detail the process of inexpert managing for cash flow that KKR ushered in in order to pay the debt they had put on Houdaille. In turn, managing for debt and neglecting capital improvements left Houdaille's manufacturing operation unable to compete with Japanese manufacturers. Appelbaum and Batt offer a succinct summary:

> Between 1979 and 1981, KKR restructured Houdaille by shedding unprofitable product lines, retaining its profitable niche in machine tools, and acquiring John Crane Inc., a global leader in mechanical seals. The $204 million acquisition was financed with debt. KKR appeared ready to take Houdaille public again in 1984, but its debt burden placed it in a poor position to do so. A large chunk of its original cash reserves—$35 million—had been used to pay down debt, and its equity cushion was thin. Houdaille was ill prepared to face the deep recession of 1981 to 1982 or Japanese inroads into the machine tool industry, which accounted for one-quarter of its revenues. When the company's debt burden became unmanageable in 1985, Houdaille was again restructured to reduce its junk bond debt and interest expense. KKR divested seven divisions, including the machine tool group, with a loss of 2,200 high-skill, high-paid jobs. [2014:25].

KKR's own post mortem is a study in contrasts:

> We quickly established one of the most important strengths of our model: that our managers would also be equity owners. At this time, it was common for companies to be run by professional managers who thought like agents rather than owners, since their pay was insufficiently tied to the right measures of performance. As such, their managers

[5] In a different time, ten months in 1992, and a different place, Shanghai at the inception of its stock market, Hertz reported on the way in which the Chinese state structured market interaction and participation. Fever dreams of the free market aside, accounts like Hertz's and mine point out the ways in which finance, in the forms that we know it, is always allowed for, sanctioned, and in many ways protected by state regulation.

> lacked the incentive to manage costs as carefully or pursue new opportunities as aggressively as true owners would. Even at the best run companies, performance was rarely measured in terms of asset utilization or return on investment. [KKR]

And as Anders notes, "On Wall Street, though, Houdaille's travails did not matter. Financially speaking, the KKR buyout "worked." It had produced big capital gains for Houdaille's old shareholders when they sold their stock at $40 a share" (1992:36).

Since KKR originated the LBO and the template of private equity business—buying a company with other people's money in debt based transactions with the idea of selling it in 3-10 years at a profit—this idea is going strong. In fact, the accounting scandals of the late 1990s led to the 2002 passage of the Sarbanes-Oxley bill which more closely regulated publicly held companies, leading to perhaps even more incentive for private equity firms to take businesses private (Appelbaum and Blatt 2014:30).

2. The Drift of the Shift

There was a lot in the air when the three partner of KKR bought Houdaille and showed the investing world a new way to do business. One old, paradigmatic way of making money was failing (for other cases of the same, see Warner et al.'s (1963:Part II) description of industry change in Yankee city over 300 years 1963; and Wallace's (1978) description of manufacturing in Rockdale in the early industrial revolution). And the partners of KKR were able to seize on, among many other things, 1) new ideas of firm management which privileged shareholders and financial owners, 2) the fact of conglomerates' declining rates of profit, 3) newly available pools of money from institutional investors, 4) the tax deductibility of interest on corporate debt, and 5) public markets on which to buy shares of companies. These are just some of the most proximate conditions. Over the next decade Michael Milken, and his junk bond empire would provide more easy loan capital to buyout artists (Stewart 1992). Ronald Reagan's Dawn in

America and anti-unionism would provide a governmental backdrop sympathetic to private equity. The Reagan administration would also kick off the decades long lifting of depression era bank regulations, culminating in the repeal of Glass-Stegall, allowing the consolidation of investment and commercial banks (Harvey 2005). With all this as background, private equity ushered in a new investing paradigm, one that made use of what was at hand in order to deliver new profits. Dwelling on how people live and work within a particular paradigm will help us in our analytic task of understanding why private equity investors buy, manage, and sell the companies that they do.

Michel Foucault has written profitably about a phenomenon similar to that of paradigm shifts. He has written about an "epistemological field" or an "*episteme*" which he defines as the "conditions of possibility" or "what should appear…within the *space* of knowledge" (1973:xxii). This allows him to talk about the rudiments of what makes sense in a given historical period, in a given paradigm for me, or for him in a given "epoch" (2005[1964]:237). This mode of thinking, what make sense in a given time, has certain advantages, and allows for an appealing genre of big thinking. In *The Order of Things*, he traces the "discontinuities in the *episteme* of Western culture" from the "classical age" through "the beginning of the modern age" (1973:xxii). Similarly, in *Madness and Civilization*, Foucault is able to trace the origin of madness as we know it as part and parcel of the notion of science and reason born of the enlightenment. He suggests that "…the rationality of the Enlightenment found…a sort of darkened mirror," (2005[1964]:191 and that, "the fear of madness grew at the same time as the dread of unreason" (2005[1964]:200). McDermott and Varenne (2006) offer an excellent illustration of how pervasive, persuasive, and elusive the type of background rationality in a paradigm or episteme can be. They tell of a forgery of an Etruscan sculpture that was successful in the 19th century

found out in the 20th, and quote Hugh Kenner observing, "[t]he faker had worked into [the warriors], every Etruscan mannerism he knew about, and every nineteenth century mannerism he did not…time passed, until one fine day an expert registered "nineteenth century!" (Kenner 1985 *in* McDermott and Varenne 2006:12). Once the epoch and its attendant episteme had passed, this particular Etruscan sculpture looked weird; it looked 19th century.

Lest there be any ambiguity, I am not equating madness or forgery and investing, though it would not be hard to find partisans of this or that thesis. What I am saying is that thinking in paradigms, or epochs, or epistemes, what I will also call spaces of possibility, sets a particular type of intellectual agenda that is congenial to anthropological inquiry—figuring out what makes sense given a particular historical conjuncture (cf. Lave 2011:153). It lets us piece together why economists like Friedman, Jensen, and Meckling all start thinking that corporations and the business world of the United States looks totally wrong in all the same common sense sorts of way. And why too, all this reimagining goes together with KKR's innovations in corporate restructuring. The investing paradigm shifts and comes with a new way to make money and a new concomitant way of seeing the world.

The private equity investors and financiers who make up the core of my informants live in this paradigm. They fundraise, soliciting money to borrow and invest, and buy companies with debt. And this investing paradigm will endure so long as it is profitable, and the US government allows it to exist (again, cf. Hertz 1998). There are signs, too, that private equity's profitability may not last. A number of my informants pointed out to me that of the $3.5 trillion that private equity has been allowed to invest, the industry as a whole has only managed to invest $2.5 trillion, leaving $1 trillion uninvested, or what they call 'dry powder' or in a 'capital overhang' (see also Primack 2014). In addition to lack of investment opportunities, a constant topic of

conversation at the conferences I attended was the unusually high prices people found themselves paying for companies (10, 11, and 12 times a company's annual free cash flow as opposed to 4, 5, or 6). All this is coupled with the observation that, in aggregate, private equity returns are not what they used to be. One of my more senior informants observed that as an asset class private equity is now delivering single digit returns, and the *New York Times* claims that private equity has lagged behind equities markets over the last five years (Morgenson 2014). What is more, whereas KKR could make an investment play purely based on a company's finances and ability to borrow money, private equity investors now need to make arguments about how they will grow revenue and change a company's operations to increase its value in addition to all the other financial work they do. Things have gotten so competitive that private equity investors, while still borrowing as much as ever, now distinguish themselves by the operational changes they make to companies. All this suggested to me that private equity may be reaching the extent of its ambit. If that is the case, capitalism will rearrange itself (cf. Harvey 2010*a*), just as KKR rearranged Houdaille (see again Figures 1 and 2), and come up with some new way of pulling profits from the little societies we call corporations. Some new method of accumulation will be born out of whatever is at hand. It bears noting that, as I finished up my research in September of 2014, the California Public Employees Retirement System (CalPERS), which, as noted above, invests over $30 billion in private equity, decided to completely disinvest around $4 billion from hedge funds because they are "complex and costly" (Fitzpatrick 2014). Just like that, an investing strategy is gone from an investor's inventory.

Foucault and Kuhn together give us a theory of a milieu or space of possibility that seems to work fairly well with explaining the activities of investors. The private equity investors that I studied did seem coherent in that they were working on the same types of investing, with fairly

predictable patterns and background assumptions which I will develop in the following chapters. How we got to this specific pattern of investing, from the point of view of an individual, is a bit harder to fathom. Thomas Kuhn's theories of paradigm shifts suggests a single mover or a scientific innovator like a Newton or an Einstein who shows everyone how wrong they are. Similarly, in many of Foucault's theories, power is so diffuse that it is hard to imagine how it is that people bring about the discontinuity that can mark one epoch or episteme from another. Foucault and Kuhn help point to an important feature of the investing landscape—it does seem to stabilize and coalesce around coherent projects. But these theoretical approaches to history mislead if we take this temporary coherence for a lack of interesting individual activity. We are even more misled if we settle into a theory of history that allows for change all at once and from one or two geniuses. There were a lot more characters in the story of Houdaille than Misters Kohlberg Kravis and Roberts. In order to get past theories of history that have as their motor one individual's idea, creativity, or action, I will suggest we take a note from anthropological theories of practice which suggest that, "social life is not reductive to knowledge or even to knowing, but to collective doing, as what being is, as part of the lived-in world" (Lave 2011:152). I suggest that instead of simply existing in a paradigm according to a stabilized set of instructions, a more accurate account of the human condition sees people constantly being and becoming investors. What is more, I will show that this being and becoming investors largely has to do with conversations about value. But, again, before we get there, we will need to develop practice theory a bit more.

Using a theory of practice, one in which people are always becoming investors and negotiating novel investment situations, always with partial information and a jumble of ideas about how the world should and might actually work (cf. Murphy 1972), can give a theory of

historical change far more robust than either Foucault or Kuhn offers. Foucault and Kuhn are helpful in interpreting the retrospective coherence of a historical moment. They do not have much to offer for real people in real time. By contrast, Lave and Wenger give an excellent account of a practice based mode of social analysis in their account of how people enter into communities of practice in *Situated Learning: Legitimate Peripheral Participation* (1991). In this view, "people [are always] making their lives together in various forged institutional arrangements, not exactly as they choose" (Lave 2011:152); that is, even though people's circumstances tend to be institutionally or historically constrained, people are always in the process of making and learning how to live their lives. For Lave and Wenger this means that, "learning is an integral and inoperable aspect" of this process of life making (1991:31). They call their theory of social learning legitimate peripheral participation, that is "the process by which newcomers become part of a community of practice" (1991:29). They elaborate, "[b]y [legitimate peripheral participation] we mean to draw attention to the point that learners inevitably participate in communities of practitioners and that the mastery of knowledge and skill requires newcomers to move toward full participation in the sociocultural practices of a community" (1991:29). They imply here a kind of general theory of apprenticeship, by which people are always "engaged in learning to do what [they] are already doing" (Lave 2011:156).

The adoption of a theory of practice has important implications for anthropological work. For starters, it allows anthropologists to take seriously the everyday activity of the people who they are studying. Moreover, it allows this everyday activity to be the building blocks of larger historical moments. The paradigm is not set from on high, the episteme is not non-negotiable, people are always and everywhere making up the moment they inhabit, if not always under circumstances of their choosing. Lave and Wenger point out that, "legitimate peripheral

participation is intended as a conceptual bridge—as a claim about the common processes inherent in the production of changing persons and changing communities of practice" (1991:55-56). There is still, however, an obvious problem with this. I am making an argument for a sort of novelty in investing strategy and money making. How does one join a community of practice that does not exist, as in the case of private equity? How does one summon a community of practice into existence? Lave and Wenger note that "the concept of "community of practice" is left largely as an intuitive notion, which serves a purpose here but which requires a more rigorous treatment" (1991:42). What I will suggest is that, given the above noted shift in larger economic relationships, one way to see a community of practice come into being is through rhetorical practices which explain why an investment, investment strategy, or investment career makes sense. To do so, I will offer and comment on a career history interview of one of my informants and then the nitty gritty of an investment pitch meeting. I suggest that my informant, Mike, learned his way into the episteme, paradigm, or space of possibility that let him do his private equity work. We will see again and again that Mike saw historical possibility and learned to be the type of investor that this historical moment afforded. As an aside, we may also see that Mike's story is perhaps a more plausible idea of history, or at least a less hagiographic version of the one that the KKR investors had above, as drawn from secondary sources.

3. Apprentice to Possibility

I only ever met Mike over the phone, and in the first few minutes of the call, he said he did not quite know what this [my project] was all about, but he was only taking the call because Don, one of his investors, had asked him to do so[6]. Mike's career tracked nicely to the post KKR world. When I met Mike, he was the founder, and senior managing director of a private equity firm that he himself had founded in the late 1980s. He entered the working world right around

[6] Access.

the time KKR was doing its Houdaille deal. Like many good private equity investors, he started in investment banking. He described the first 13 years of his career with one bank, and then another as his "apprenticeship" in which he "learned corporate finance, due diligence, [and] understood how companies operate." This was language that I would hear repeatedly in my life and work history interviews—investing as apprenticeship, and apprenticeship as a means to enter more fully into the world of investment risk and reward. But it is best not to forget the space of possibility: Mike's corporate finance apprenticeship coincided with the rise of the LBO/Private equity industry, Michael Milken's junk bond empire, and the loosening of banking regulations. Mike came of age in the milieu that created private equity and that private equity created. Not too long after the 1987 Black Monday stock crash, and not too far before Michael Milken went to jail, Mike decided to strike out on his own. In retrospect he thought that he would be "too ornery" working for someone else. So when he finished one stage of his apprenticeship, he started a buy-out fund.

Even in the late 1980s, Mike pointed out the novelty of this idea. He described "everything about LBO[s] and financial engineering," as "goofy". It was goofy to create "a firm with a corporate finance talent," and to want a "purchase agreement", that is to own the companies one was investing in rather than just accept "loan document[s]". He noted that doing this in the late 80s it was probably "a decade ahead". At the time, a buy-out firm seeking control was "almost heresy". He noted that his wife, "literally thought I was smoking crack." But he persevered, and spent the first two years of his firm's life consulting and "laying the groundwork for [his] principal activity," buying companies. I suspect part of the reason that things felt goofy was that Mike was learning to join a community that did not exist yet. There was a historical

space of possibility to which Mike was apprenticing himself (an opening which the KKR people heralded), but it was not clear if people were going to fill that space.

Two years on, the first company he bought was a little media company. He bought it for $1.3 million, and three years later sold it for $11 million. He said that the "owner [was] a total crook" and that he was "siphoning money" to "finance [his] lifestyle" (a great example of company leadership misbehaving). Despite the thieving owner, he said the company had a "great management team [made up of] industry leaders," and that the owner "was not investing in the business". He said when his firm showed up, "we were the savior." They adjusted the firm's capital structure, changing the way it took and paid debts, made a "small add-on acquisition," and encouraged the management team to make "operational improvements". Mike saw a company with talent and potential being run into the ground by a crook. He was able to come in and buy out the crook, and do what private equity says it does best—borrow money, and push management teams to change the way they run a company. He saw potential for value in this neglected company, and it was the right time to do the deal. This is what he was apprenticing for.

He noted that this type of investment seemed to fill a need. He sensed the space of possibility. He said that his investor group was a "who's who" of people in his city. They were "interested in making these types of investment[s but] did not have the vehicle [that would let them] participate". KKR, Mike's firm, and LBO/private equity offered that vehicle. These firms all offered a way to make money, to accumulate capital at a much higher rate of return than more conventional stocks or bonds, especially in the absence of Drexel Burnham Lambert's junk bond machine. And Mike has been terrifically successful in this niche. He said that they have stayed with roughly the same size companies, 90% of which are manufacturing companies. They tend to borrow less money than other private equity funds, and focus more on operational changes in

companies. He notes, of their business practice and returns, “if nothing else, [they’ve] been consistent.”

In 25 years of work, he said that his firm has only lost money on four investments. In “Every one of those instances, the business at the end of our ownership was [a] better business, better managed, more competitive.” He also noted, that in those instances of failure, they did not do anything wrong. The businesses, “didn’t fail from [an] operational improvement standpoint, [rather, there were] market related event[s] that occurred [in] 2008.” Or there were “change[s] in technology, [or] in market conditions and competitive conditions [that made businesses go] from being a good business to a bad or average business.” I take Mike at his word. I did not get the sense that his business strategy changed that much over time. His firm really does seem to make consistent investments in similar types of companies reflecting what his website calls a commitment to value creation by making operations better, and filling that need that Mike recognized all those years ago. His business and its plan seem stable. I do suspect that there will be larger structural and historical forces at work, circumstances not of Mike’s choosing when his way of making money no longer works. The larger structural or historical forces will be those markets, technological or competitive changes that Mike was talking about.

4. Learning to invest

As I ended my interview with Mike, he noted that he was concerned about getting young people into the private equity industry, that is, bringing more people into his community of practice or his space of investment possibility. One way in which this happens is via college finance and investing clubs for undergraduates seeking careers in finance. In the course of my research, I was able to get to know one such investing club at an east coast university and observe their meetings over the course of a semester. The heart of this club’s activities were

weekly stock pitch meetings in which club members took turns arguing that the club should spend its money on particular companies or shorting the stocks of other companies based on what the individual thought the company should be worth. The students in the club were on their way to careers in finance and saw this club as equal parts resume building, practice, and the expression of a sincerely felt passion for investing (these all needed to go together). For the students, a career in finance mostly meant starting in some manner of investment bank or hedge fund. One often does not start in private equity; it is not generally entry level. Instead, private equity firms like to poach people who have already been trained by other investing firms (Alden and Ember 2015). Despite these industry norms, a few of the students had worked in venture capital or private equity firms as summer interns. Some even had family in these types of firms. All this is to say, much of what this investment club does is get people ready for a career in finance that could lead in a number of investing directions, private equity included. This variety of career paths is possible because people in finance see a common set of skills (like the mechanics of business valuation), or certain pedigrees (a good college degree[7]) as being useful across a number of Wall Street professions. There is also an acknowledgment that at the core of every finance decision is an argument about value—where it is, how to find or fabricate it, and ultimately how to make money from it. More precisely though, there is not just one conversation about value. Rather, there are always two arguments going on about value—first whether or not value exists, and second how one should best verify that value exists. There is a conversation about fact, and a conversation about what counts as fact. These two conversations often rhetorically dance with one another, making by turns a clumsy and captivating tapping two-step. These types of conversations are what linguistic anthropologists should recognize as

[7] See the sociological appendix for a specific breakdown of what a god college degree might mean.

metapragmatic awareness and deliberation—that is meta-reflection and deliberation in language on various things people say.

In what follows I am going to offer an example of a debate over value from the investing club I observed in order to introduce a discussion of the two levels of value conversation that go on in investing. Much of the latter parts of this dissertation will be occupied by more specific arguments about value and private equity investing. For now, however, apprentice financers make for a good introduction to the way these types of conversations unfold. A discussion of value talk in terms of meta-pragmatic awareness and conversation, the two levels of conversations about value, will complete theory of history I am advocating. In turn this theory of history scaffolds my larger argument about why private equity investors do what they do. Pragmatic and meta-pragmatic discussion is a large part of how people join communities of practice. This is my theory of historical motion. Awareness of the meta-pragmatic rhetorical practices of investors is what allows me to use both ideas of paradigms/epistemes/space of possibility as well as theories of practice in which people are always and everywhere remaking the social world. People, through meta-pragmatic awareness, have the ability to take stock of the paradigms, epistemes, communities of practice, or spaces of possibility—those seemingly or temporarily stabilized historical junctures in which they find themselves. In the process of making up their particular social world, people can argue for and come up with new ways of identifying value and then monetizing it. This is exactly what the partners of KKR did, and this is exactly what my informant, Mike did. This is the capillary action of paradigm shifts.

One final note: to introduce the type of data I have most, verbal reflections on value, I am deliberately using students, who are on the fringes of their particular community of practice (the world of investing). The early stage of their apprenticeship sees them arguing in ways that more

sophisticated investors would not. They have more to figure out, and consequentially their arguments about value are more dramatic than the discussion of value that will come in later stages of this essay.

5. 'They are all shitheads'

The investing club I observed met at 9:30 PM on a weeknight in a small seminar room. The climate control worked intermittently and there were rarely enough chairs for the 20 to 25 members of the club in attendance, the one or two MBA students on hand to advise, and the one anthropologist sitting in the corner, proximate to an outlet, typing away on his laptop. Meetings started with announcements from club officers and the membership about campus politics, club social events, and most importantly special internship opportunities passed on to members of the club through business or family connections. These announcements, however, were preamble. The core of the meeting was an investment pitch by one or two members of the club. As I will discuss in more detail in the chapter on buying and selling companies, investments start with a thesis which a pitch is supposed to prove. These happened to be theses around buying and selling stocks. These pitches would last 15-20 minutes and precipitate a general, free-ranging, critical discussion of the thesis's potential to make money. In light of Lave and Wenger's ideas of apprenticeship, and especially considering the presence of MBA student advisors, this approach makes sense as a type of dress rehearsal for the professional world that these folks were starting to join. As such, not all the kinks were worked out. The pitch I heard on my first night underscored this point.

Right out the gate, the undergraduate pitcher hedged saying that this was going to be, "a long convoluted pitch with plenty of names." At issue were two publicly traded companies, each of which held part of the other. One of the companies was a holding company (we will call it

Barbieco) that had a stock valuation of around $500 million, which the pitcher asserted was "far too low". He based this assessment on the simple observation that if one added up the value of all the subsidiary companies Barbieco held one got to around $750 million. He suggested that the stock was perhaps undervalued because there was "serious environmental liability" from one of its companies that was winding its way through the state court system in California. If the state found judgment against the company it could cost anywhere from $25 million to $ 1 billion. However, the pitcher thought that this judgment was not going to happen, and that there would be a mistrial. He based this inference on an analyst's report from UBS which also argued that Barbieco was a buy opportunity. Much of the future value of this company depended on how one felt about 1) stock valuation versus asset valuation of a company, 2) the outcome of an environmental liability case in California, and 3) the fact that an analyst at a big bank (UBS) was encouraging investment in Barbieco. And as soon as the pitcher mentioned an analyst's report, I got to witness the first of many conversations about how this club felt about the advice one might get from analysts.

On the one hand, went the argument, one should not follow analysts too closely or trust them. Most simply, if an analyst has already noticed the investment opportunity one is arguing for, it is probably too late for one to make money. On the other hand, club members regularly used analysts' reports and judgments to prove their theses. In this particular instance the pitcher neutralized the club's concern with relying on an analyst's report by offering that this report was useful because it meant that, "this stock trade was on people's radars, not for the particular advice". So the pitcher was splitting the baby: sure it is bad that an analyst has mentioned this, but we are alright because we are not using the analyst's strategy. The pitcher further muddied the issue by letting on that the analyst's report he was talking about was 2 months old. This time

frame could be bad as it would suggest that the situation the pitcher was talking about was old news.

The presentation went on. The student pitcher walked through the other of the two linked holding companies (we will call it Kenco). He talked about the particulars of the companies that Kenco owned, pointing out oligopolies, commodity cycles, and neighboring industry considerations—all the facts he felt that one should know about Kenco. It eventually came up that Kenco did not have a particularly high trade volume—that is, of the total stocks in Kenco that existed a relatively small number were actually traded on a day to day basis. When someone asked why this was, the pitcher explained that a tycoon had assembled Kenco and only allowed 20% of its stock to float and trade publicly. The tycoon did this (in addition to a series of LBOs and roll ups to keep companies buying each other) in order to prevent other people from doing anything with the stock and to avoid taxes. All together this strategy would let the tycoon keep the prices of the stock high and use stock sales as a source of cash should the tycoon need it. This in turn led the pitcher to suggest that Kenco was overvalued at around $4 billion, when in fact its book value was just south of $1 billion. Because the stock was overvalued he was suggesting that the club should short Kenco. However, given the low trade volume, this would be hard to do[8]. Here is where the pitch got interesting.

The pitcher pointed out that this tycoon had just died, and he was worth $8 billion. This tycoon's two heirs were daughters who "had only been involved in charity their whole lives." The pitcher said that he, "didn't mean to be sexist, but he predicted that they would sell whatever they get and keep doing charity…to support their charity". The investment club thought this was very funny and all started laughing. So the pitcher was building his whole pitch around the availability of stock from two heiresses who he was convinced were going to sell their stock in

[8] Also, the club was not sure if their brokerage account would let them short stocks.

order to fund their charity habit. When the glee subsided, someone pointed out that the daughters might not sell their stock and instead settle for a healthy 4.8% annual dividend. Again, where did all this intel come from? Much of it came from the investment advice website Seeking Alpha.

Eventually the conversation came back around to the pitcher's valuation of Barbieco and Kenco. The pitcher had predicted a relatively narrow profit if his thesis worked, somewhere between two and four percent of the money they invested. This meant that the pitcher's valuation of the particular companies he wanted to buy parts of would have to be on point. In fact any type of investing, private equity especially, requires a plausible valuation of a company. The pitcher noted his valuation numbers came from Seeking Alpha articles. From the club, someone pointed out that, "people on Seeking Alpha are shit heads". Again, the whole club laughed. The critique went on, saying of the particular valuation the pitcher was using that a "monkey could do the valuation and get to 900 million or 800 million," dollars, so one should not take too much stock in it, especially if one is trying to get a precision return. Moreover Seeking Alpha's public postings are available via the internet archive, so there really is not much that is proprietary, secret, or investment-actionable on it. At a later meeting, a representative from Seeking Alpha came by the club to recruit contributors in exchange for a premium subscription. The premium subscription he noted was typically bought by hedge fund investors, and it gave an investor access to articles prior to their going public. Since the pitcher was not on this premium version of Seeking Alpha, and since many of his analyst reports were old, the criticism in the room suggested that he was not using good information to make a case about how one might find value in his investment thesis.

The club carried on its discussion of whether to invest in Barbieco and Kenco. Ultimately, the margins were too narrow, and betting on the behavior of charitable heiresses and

a California environmental liability case were simply too risky for these apprentice investors and as far as I know they abandoned this investment opportunity.

6. Value arguments and arguments about value

While there is a lot of interest in the above account of an investment club's pitch meeting, I want to narrow our analysis to the treatment of the investment research site Seeking Alpha specifically, and analysts more generally. For this is the point in the conversation where the apprentice investors transition from talking about the facts of an investment (the pragmatics of the conversation), to the rules for accounting for those facts (the meta-pragmatics of the conversation). Sometimes Seeking Alpha provides the pitcher and the club necessary background information for them to value companies like Barbieco and Kenco. Other times Seeking Alpha's contributors are "shit heads" and "monkeys" who do not know what they're doing. Perhaps more seriously, whatever the competence of analysts there is a danger in using their arguments about value, as investing is time sensitive and if an analyst has written about a stock, much like the *New York Times* style section writes about a neighborhood, it is probably already passé. Criticizing the use of analysts points towards a fundamental truth which I will discuss more in subsequent chapters, namely deciding on value has specific temporal considerations, and if someone has already had a particular good idea it is likely no longer valuable. In their critique, apprentice investors are noting this truism about investing. So here we have an example of investors making arguments about value (the company will be valuable because it is tycoon chairman died) and arguments about what makes a good argument (the club's fraught relationship with analysts generally and seeking alpha specifically). Generally, I argue, and will show over the course of this essay, that this is an example of a typical form of meta-pragmatic speech that investors use to make their arguments about what is good to invest. These meta-

pragmatic moments point to the assumption and tensions built into a specific historical moment. A brief detour into linguistic anthropology is necessary to clarify what I mean by meta-pragmatics, and to point to the significance of this type of conversation.

Lucy, in his introduction to the edited volume *Reflexive language: Reported speech and metapragmatics* notes that the, "reflexive capacity of language…is the capacity of language to represent its own structure and use" (Lucy 1993:1; cf. Jacobson 1985). That fact that language is capable of talking about itself has some significant implications for culture and meaning systems. Most basically it opens up a level of communication and human interaction beyond simple representation. Language is not just used to describe the world, it is used to comment on how it talks about the world. Silverstein notes that the "metapragmatic characterization of speech must constitute a referential event, in which pragmatic norms are the objects of description" (1976:48; cf. Lucy 1993:17). That is to say, when metapragmatics come up we are witnessing a moment when the norms of a social situation are under discussion. In this particular case, whether or not a particular source is even appropriate or good for an investment value argument (in this case it is not because the pitcher has his evidence out of time). One comparison from Lucy's *Reflexive language* will help illustrate this characteristic of language:

In an article, 'Generic versus metapragmatic dimensions of Warao narratives', Briggs (1993) reports that among Warao speakers in Eastern Venezuela there are occasions when shamans tell stories, "narratives of the ancestors" (1993:181), such as those of the origins of the sun. Learning many of these types of story makes one a good shaman. Often these stories are learned in dreams and trances that carry one's own spirit to the house of dangerous spirits. For shamans then, one type of authority in story telling comes from stories learned by shamans in trances. To illustrate how these stories are received socially, Briggs shows three examples of

shamans telling the same story, that of the coming of sunlight to the Warao speaking people, in front of three different audiences. Briggs shows the various ways that the shaman is able to keep the floor, keep his story going, hold his audience, and so on. At one point, a shaman is questioned as to whether he is telling the appropriate version of the myth, whether a bird was sent to witness the original spreading of sunlight, and the shaman reports that he learned it from a dream. Briggs writes:

> Since this element is not present in other tellings, it is challenged by one of the sons-in-law. When Tomás asserts that he learned his version in a dream, the criticism is quickly withdrawn. [1993:197]

Although bantering continues over whether this variant of the myth is correct or not, in this moment, an assertion of dream sourcing quieted criticism of this version of the myth. So just as using an analyst's report is admissible provided one explains that one is not using their reasoning, just their facts, so is an odd variant of a myth acceptable, provided one explains that one learned it in a dream. In both instances moment of metapragmatic reflection, moments of speech about speech, ultimately becomes a conversations about the norms of a situation and how the participants ought to apply them.

7. Towards a general theory of financial action

One of the pitfalls of much early anthropological analysis was that, in the absence of credible written historical documents, anthropologists described many people ahistorically, in terms of static, deterministic, rules-bound culture systems (Wolf 1982). The above introduction has tried to salvage what is useful in epochal and systems thinking and provide a plausible, process based theory of individual action that allows financial people to make and re-make the worlds in which they live. In describing the history of one of the first LBO or private equity details, KKR's purchase of Houdaille, I introduced the notions of paradigms, epistemes, or epochs, to get at the

way in which in a given historical moment certain things seem possible that may not have before, and may not hence. KKR really does seem to have crystalized a new space of possibility in their demonstration of what a really big LBO could look like. These are the circumstances not of peoples' choosing that they still need to reckon with. Yet, I reject the idea that we can understand history and social life by focusing on what a few powerful individuals can and can not do. Simply put, individual lives never quite look the way they're supposed to when compared to the pattern. Mike's story of stumbling into private equity was meant to illustrate this and point to the utility of wedding a theory of practice to a theory of history that pays attention to how larger spaces of possibility change. I introduced Lave and Wenger's idea of legitimate peripheral participation and saw how Mike apprenticed himself to this new historic moment and fitfully worked his way into the center of private equity's community of practice at the head of his own successful private equity firm. Mike tried out various investing strategies based on his increasing understanding of how leveraged finance works and eventually made a lot of money. Like any good master craftsman, Mike is also interested in apprenticing younger people in his industry. To round out what this theory of practice looked like, I suggested that ongoing arguments about value on the pragmatic and meta-pragmatic lever are the ways by which people make arguments about investments and what counts as investments. These moments of meta-pragmatic awareness and deliberation also point towards the norms and assumptions that make up an epoch or a space of possibility. Over the course of this dissertation, much of my data will be in the form of investment stories in which investors are parsing the pragmatics and meta-pragmatics of what they do. That is, investors are thinking about how valuable something is, and whether or not they're even making the right argument. In micro, this is how spaces of possibility and

investment paradigms change. In retrospect we can see people like the investors of KKR providing inflection points to these changes.

The story of this dissertation is this particular way that private equity investors have stepped into and negotiated with a moment of historical possibility, all in order to make money and accumulate wealth. This is a story of how they understand the particular historical conjuncture that lets them buy companies with debt, and manage businesses and industries in which they will never work. In what follows, after reviewing anthropological concepts of value and time and explaining the methods of my study, I will go deep into how private equity investors understand value—identifying value, creating value, and realizing value. I will also explain how they know the timing of their investments—what makes for good, bad, or weird times, and how that knowledge structures what investors think is possible. I will map their episteme and flesh out their paradigm by way of how they learn how to invest. Time and value will let us understand how investors are constantly learning how to buy and sell companies, and then manage them, how they research deals, and how the deal process forms a total social fact drawing together disparate aspects of American society, thereby structuring the historical conditions under which private equity investors find themselves. This type of explanation will let us see the ways that private equity investors, such as Mike, are able to interpret larger structural changes in ways to make money—what David Harvey or Karl Marx might call a crisis of accumulation and a subsequent reorganization of modes of production—as a totally natural, totally normal, and totally reasonable opportunity to create value and profit from that. This type of analysis will allow us to compare private equity investors to other cases in the anthropology of finance, and to compare the anthropology of finance to other cross societal cases of wealth accumulation. What is more, the comparison my analysis of private equity investors allows will

show that in crises of accumulation—when people stop making money in one way—there is no preordained way that people will rearrange production to make money anew. They're always in the process of figuring out something new. After all, and as we will see, there is an efflorescence of different investment strategies that pension funds now lend money to aside from private equity.

Methods, or How to Study People Who Do Not Want to Be Studied

> Anthropology is a profession in which adventure plays no part; merely one of its bondages, it represents no more than a dead weight of weeks or months wasted en route; hours spent in idleness when one's informant has given one the slip; hunger, exhaustion, illness as like as not; and those thousand and one routine duties which eat up most of our days to no purpose…It may be that we shall have spent six months of travel privation, sickening physical weariness in order to record—in a few days, it may be, or even a few hours—an unpublished myth, a new marriage-rule, or a complete list of names of clans. [Lévi-Strauss 1968:17]

For many reasons my project should have been impossible. As an anthropologist, understanding why and how private equity investors buy, manage, and sell the companies that they do required a number of things not allowed for in the world of my informants, and unanticipated, or unexplained in the world of anthropological theory and methods as well as in anthropologies of people who work in finance[9]. At a minimum, I would need to talk to people who work in private equity, venture capital, and investment banking firms. Many such firms, especially as they get larger, specifically forbid their employees to talk with researchers or journalists. What is more, many such firms, again increasingly as they get larger, have public relations specialists to manage the firm's relationships with the rest of the world, and compliance officers to manage workforce discipline in the service of firm policy. Even beyond the rarefied world of big banks with propaganda and police specialists, smaller firms, which employ the bulk of the people with whom I did speak, are often contractually forbidden from talking about the specifics of their work. Since private equity by definition deals with private companies (not traded on a public, regulated, stock exchange), there is often no publicly available information for such companies. In order to do the necessary research to decide if a company is a good investment, private equity investors enter into a series of contracts and agreements, gagging themselves and preventing them from talking specifically about the companies in which they

[9] It is worth noting that these problems are not unique to the financiers I studied. These problems can arise in any situation in which secrecy is important.

have an interest. Violation of any of these taboos could lead to a firm firing an employee, and an employee contemplating the prospect of a ruined career.

Even more generally, there was a concern with the image of the industry. The year I finished my undergraduate degree, 2008, America was well into the sub-prime mortgage crisis and subsequent depression. In the fall of 2011, Occupy Wall Street kicked off a series of encampments and protests, criticizing, among other things, the outside role, prestige, and wealth that financial capital had attained globally. As I started my fieldwork in June of 2012, Mitt Romney was well into his losing bid for the presidency. Barack Obama singled out for relentless criticism Romney's time at Bain Capital, a prominent private equity fund (e.g., "Steel" posted by "BarackObama.com" 2012). These larger events and issues came up in the background of my research.

So, given the volatile context of research as well as the low-profile business practices of private equity professionals, extended participant observation proved impossible. All my attempts came to nothing. This is a problem for an anthropologist. Participant observation is anthropology's stock in trade. Our basic research method is to go and hang out (Bernard 2011:277), to be present in the lives of people we are trying to learn about. We believe that through this semi to unstructured immersion, over years, in the lives of people we study, we get to know how they see and live in the world. Over the last 40 years, there have been calls within the discipline to leave alone the poor brown and black people on the peripheries of capitalism, people who have made up the majority of anthropological studies, in favor of studying up, or studying those with power and wealth, studying those who make the material conditions of many of anthropology's traditional subjects (Nader 1972; Gusterson 1996). Yet this studying up is hard

to do if people have the power or the opportunity to decline the polite offer of anthropological immersion. What, then, is one to do?

In what follows, I will review the methods I used to study private equity investors, as well as the methods that failed. I will also review the kind and quality of my data, and suggest what it is I can say about those I study.

1. From where does my question come?

Again, the goal of the study was to understand why and how private equity companies buy, manage, and sell the companies that they do. It will do so by showing how private equity investors understand value and time, and research and do deals. Private Equity investors are an excellent example of the anthropological imperative to study up, thereby making good on its promise to study all people everywhere. As of 2013, there were around 9,000 private equity firms, employing nearly 22,000 people. These 9,000 firms were managing $3.5 trillion of other people's money (Fogarty 2014: 4). With that money, in 2013, they did 2,836 buyout deals in which they bought companies with borrowed money. To be clear, these 9,000 firms bought controlling, managing stakes in 2,836 other business. While private equity deals come in many sizes, a review of a few of the top ten largest buyouts of 2013 starts to provide a sense of the variety of companies that are potential investments as well as the extent of private equity's management mandate[10]. The largest deal in 2013 was for H.J. Heinz Company, which 3G Capital and Warren Buffet's Berkshire Hathaway took private for $28 billion. H.J. Heinz is a food processing company that owns numerous brands—from Heinz ketchup, to Ore Ida potatoes, and TGI Friday's (Heinz). The second largest deal in 2013 was MSD Capital and Silver Lake taking Dell Inc. private for $24.9 billion. The third largest deal was for BMC Software, the fourth for

[10] All subsequent deal facts about the top ten deals in 2013 come from Fogarty (2013:92).

upscale department store, Neiman Marcus Inc. and the fifth was for Smithfield Foods[11]. All told the top five deals totaled $70.875 billion, and affected 211,900[12] employees. It bears emphasizing that not only did private equity firms marshal $70.875 billion to buy companies that employed that many 211,900 people, just in the top portion of the 2013 league table, but that all of these businesses were different. Heinz is a food processing company; Dell makes computer hardware, BMC is a software company, Neiman Marcus is an upscale clothing store, and Smithfield is best known for its pig butchering. Even so, all of these companies ended up controlled, in one way or another, by private equity investors, people professionally apprenticed in finance, and often bedecked with MBAs (see the sociological appendix for a specific breakdown of educational attainment among my sample of firms). It bears noting that these mega deals are not typical of most private equity deals, and most private equity people with whom I worked. Knock a few zeroes off, make the companies much smaller, and have a more intimate deal process, and one starts to get towards what is typical. Yet, big or small, there is the constant of financial ownership and control of a business. They all make use of the paradigm that KKR set.

Given the scope of the companies private equity can invest in (any with a price tag and within the scope of their investment mandate), given the amount of money that can be marshalled in a deal, and given that the end result of a private equity deal is ownership and control of a company, this is a perfect opportunity for studying up. Laura Nader, in her essay 'Up the Anthropologist: Perspectives Gained from Studying Up,' said:

> Anthropologists have a great deal to contribute to our understanding of the processes whereby power and responsibility are exercised in the United States. Moreover, there is a

[12] Employee numbers for Heinz, Dell and Neiman Marcus come from Forbes's largest private company list. Employee numbers for BMC Softward came from the company website, and employee information for Smithfield came from page 22 of their 2013 Integrated Report. Full citations are in references.

> certain urgency to this kind of anthropology concerned with power (cf. Wold, 1969), for the quality of life and our lives themselves may depend upon the extent to which citizens understand those who shape attitudes and actually control institutional structures. The study of [people] is confronted with an unprecedented situation—never before have so few, by their actions or inactions, had the power of life and death over so many members of the species. [1972:1]

Nader identified studying up as the natural extension of anthropology's ambit (see also Stavenhagen 1971). To their credit, anthropologists, who always studied the elites of whatever society they found themselves in, turned their view towards people who were simultaneously more powerful and closer to home (a few examples: Warner et al.'s 1963 study of social statuses in a New England town; Marcus and Hill's 1992 study of inherited wealth in America[13]; Gusterson's 1996 study of Nuclear Weapon's Scientists; Yanagisako's 2002 study of Northern Italian Factory Owners)[14].

Given the resources and companies private equity as an industry has control over, the case for studying up is an obvious one. There are numerous studies of industrial change in America (again, to take a few examples: Warner et al. 1963; Wallace 1978; Dudley 1994, 2000; Fraser 2001; Warren and Tyagi 2003; and Lane 2011), and yet none of private equity investors. What anthropology of finance there is does not study private equity investors. Rather, it focuses on middlemen and Investment Bankers (Ho 2009), futures traders and arbitrageurs (Zaloom 2006, Miyazaki 2013), contracts and collateral (Riles 2004), or how gender plays out in finance work (Fisher 2012). None of these anthropological accounts of finance deals with private equity investors—people who use some combination of their own, their investors', and borrowed money to buy an ownership stake in a company for a relatively long time for the world of finance--upwards of ten years. What has been written on private equity investors tends to be

[13] Which directly answers Nader's question "How on earth would a social scientist explain the hoarding patterns of the American rich and middle class?" (1972:5-6).

[14] It bears noting that despite Nader's discovery of a problem within anthropology, sociologists have been doing social scientific studies of elites since at least C. Wright Mills and *The Power Elite* (1956).

either character-driven, non-generalizing journalism (Burrough and Helyar 1990; Carey and Morris 2010) or society-wide economic generalizations about employment or GDP or the health of companies taken in some aggregate (Ravenscraft and Sherer 1987; Baker and Smith 1998; Applebaum and Batt 2014). In short, no studies of which I am aware have dealt with the issues of who private equity investors are and how they make sense of their world. The first impulse for an anthropologist to do this is to spend time with investors, to do participant observation, to embed in a firm and immerse oneself in the rhythms of daily life.

2. The Dilemma

And participant observation is exactly what I set out to do. Geertz, in his book *The Interpretation of Cultures*, suggested that more than any theoretical commitment, it was the method of long term field work, "ethnography," that distinguished anthropology from other social science (1973:5-6). Jeffrey Cohen gives some sense of the place Participant Observation Field Work has in the discipline at the start of his article 'Problems in the Field':

> "Participant observation is one of the cornerstones of anthropological research (Bernard 1995:136). Used with intensive interviews and central to long-term fieldwork, participant observation helps us experience daily life firsthand, clears a path to understanding, and acts as a point of reference for local practices that might otherwise remain obscure or strange to the passive observer (Jorgensen 1989:9; Dewalt, Dewalt, and Wayland 1998). In its mythic structure, participant observation is the rite of passage that all anthropology students endure. It is described as the most important act, the "being there" that leads inexorably to ethnographic understanding (but see a critique by Van Maanen 1995:2). In more realistic terms, it is a way to strike a balance between subjectivity and objectivity" in our research (Clifford 1986:13) and systematically investigate everyday activities in an effort to "Establish patterns of interaction and activities that others can check and build upon" (Whyte 1997:19). [2000:316-317]

In sum, there is a feeling in anthropology that, unless one does open-ended participant observation fieldwork, one cannot do ethnography. If one cannot do ethnography, one cannot describe culture; and if one cannot describe culture, one might as well go home.

An ethnographic fishing expedition would have been wonderful, and much less difficult to plan than the project I undertook. But, the 100 firms I contacted, drawn from a sample frame of 353 firms that sponsor the New York Private Equity Network[15], declined. Some said that they were just winding down a fund and that it would not be an interesting time to observe things. While some had a policy against research and researchers, the vast majority never responded to my emails and phone calls. Of the 100 firms I contacted, two expressed positive interest—a few phone calls with mid or upper level people. But both ended in radio silence. One firm in particular seemed fated to work out. We had a few phone calls; a midlevel executive had been a journalist and was sympathetic to what I was up to. She asked me to send her an email explaining myself, so I sent my most current explanation (they subsequently got much briefer):

> Columbia Anthropologist Introduction
> 6/27/13
>
> Dear [],
>
> I hope this note finds you well. Thank you again for taking the time to talk with me. As per your request, an explanation of my project follows.
>
> I am an anthropologist at Columbia University, working on a dissertation on private equity investors. I study why and how people make investment and management decisions and the larger culture of private equity firms. I have been conducting life and work history interviews with people in private equity and other investment professions for the last year and am moving on to a more office-specific stage of my research.
> I'm looking for a firm for the upcoming academic year at which I can watch the investment and management process unfold firsthand. [the firm] would be a particularly good research site because its focus on [a particular] sector gives it a coherent set of investment priorities and expertise. My hope is to start slowly, interviewing members of the firm, talking about life and work history. Then, if [the firm] is comfortable working with me, I would move into an on-site observational role.
>
> Should [the firm] be amenable to working with me, I would be more than happy to share my findings with the firm in whatever format is most useful--presentations, reports, cultural assessments etc. In addition, it should be noted that my funding comes from Columbia or external granting agencies. As such I require no financial commitment of

[15] This is a networking organization for young to midlevel professionals in private equity in New York City.

> any kind from [the firm]. One further note--anthropologists have an obligation to those they study. As such I maintain the confidentiality of the people I work with.
>
> Thank you again for your consideration. I am happy to explain my work further, and send along any appropriate supporting documentation from the university.
>
> All the best,
> Daniel
>
> Daniel,
>
> Thank you for your note and for your interest in [the firm]. Sounds like an interesting project, but we are going to pass.
>
> Best of luck,
> [the name]
>
> Dear [the name],
> Thanks very much for getting back to me. It's a bummer it won't work out. Should you have any advice for me, or know anyone who or any firm that might be keen to participate, please do let me know. Otherwise,
>
> Take care and be well,
>
> Daniel

That was that. This was in fact the only exchange in which I was able to say what I was up to to a senior employee of a Private Equity Firm. It was enough to make one pine for the days of a colonial mandate:

> I also knew that a study of the Nuer would be extremely difficult. Their country and character are alike intractable and what little I had previously seen of them convinced me that I would fail to establish friendly relations with them. [Evans-Pritchard 1940:9]
>
> I proceeded to Nuerland (Leek country) with my tent, some equipment, and a few stores bought at Malakal, and two servants, an Atwot and a Bellanda, picked up hastily at the same place [Evans-Pritchard 1940:9]
>
> It would at any time have been difficult to do research among the Nuer, and at the period of my visit they were unusually hostile, for their recent defeat by Government forces and the measures taken to ensure their final submission had occasioned deep resentment. Nuer have often remarked to me, 'You raid us, yet you say we cannot raid the Dinka'; You overcame us with firearms and we had only spears. If we had had firearms we would have routed you'; and so forth. When I entered a cattle camp it was not only as a stranger

> but as an enemy, and they seldom tried to conceal their disgust at my presence, refusing to answer my greetings and even turning away when I addressed them. [Evans-Pritchard 1940:11]

But, likely for the best, there was no imperial hegemon backing my research endeavor, compelling folks to tolerate my presence and let me live among them. In fact, largely with the goal of shedding such imperial baggage, anthropologists now try to work towards consent in research or at least a situation in which both the studier and the studied are getting something out of the relationship. This brings up a dilemma for both studying up and working as an interpretive anthropologist. Nader rightly calls for anthropologists to do less of what Evans-Pritchard was doing, and study more of the people who Gusterson or Marcus are getting to know, who would be studying people near their own society who have resources and power. Yet to faithfully undertake anthropological research when studying up, one has to reckon with the fact that one will not be able to compile hundreds of page of idly collected inscriptions of culture. This place is where the anthropologists who are deliberate about methods are helpful.

Given that scholars see the need to come home (one rough metric of this is the 1,034 times that Google Scholar claims that Nader's unpublished paper 'Up The Anthropologist' has been cited), a disciplinary fixation on participant observation to the exclusion of other methods is not being particularly helpful. It imagines an anthropology that needs to have participant observation to succeed. Limited access pushed me to conduct a project which sought the same type of insights and data that participant observation brings using a mixture of methods—ethnographic interviewing, semi-structured interviewing, systematic observation, network analysis, document analysis, and even some participant observation. Often, all of this comes up in the course of participant observation. But because it lasts so long, and because it has a romantic veneer, anthropologists are often unwilling to be explicit about what exactly they are

learning and hope to learn from their fieldwork. One hundred Private Equity firms saying no forced me to be extremely deliberate about the data I collected.

3. The Solution

A few sentences above I enumerated a number of methods I used to gather data. The ability to do any of that work came from the networks of helpful informants I built and the worlds they kindly opened. I noted that my spree of cold calling came one year into my field project. In the year leading up to the summer of 2013 I was doing background research focused around interviews. Unlike cold calling, people were willing to talk to me in the context of an interview. What is more, they were often happy to refer me to people they thought I should talk to. In total, I conducted 103 interviews with 83 people. In what follows, I will explain what the networks ended up looking like, how the interviews went and who I talked to. One can find an informant table and a list of my informant networks in Appendices.

Again, networks were the base of my project. The best way to think about them is as a series of branching tree limbs, each starting from one person or one event (or trunk). In total I had 28 discrete network starts, and they can be distinguished between starting with people or associations I had outside of my research (a family member's or friend's suggestion, a contact from an anthropology association, etc.), and connections I made explicitly for my research project (in an internship at a business institute, a business school's private equity conference, flyers at a business school, etc.). I ended up having more referral chains starting with personal connections (18) than I did with things I deliberately attempted outside of research (10). Yet the networks started explicitly for research were far more productive, generating 55 informants as opposed to 28.

Table 1. Source of Informants.

Type of Seed	Number of Chains	Informants Produced
Pre-existing the research	18	28
For the project	9	55

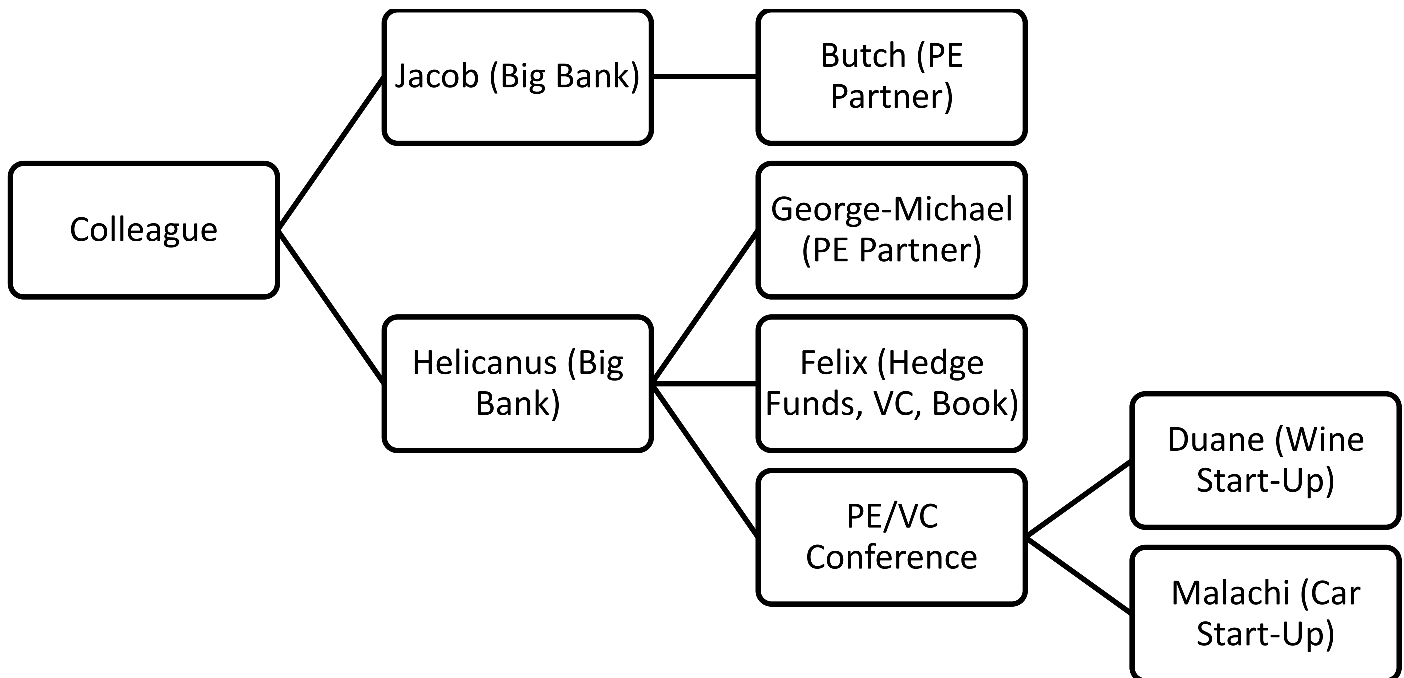
I will walk through the most productive informant networks that came from my own initiative in the project, and then discuss those that came from my pre-existing relationships.

Most of the referral chains my family, friends, and colleagues started were one-offs, that is, they provided one interview and no further informants (15 out of 18). A few, however, were exceptionally productive. Early in my project one of my colleagues (see Table 2, below for an illustration of this network) introduced me to a man (Jacob) her sister had dated, and a man (Helicanus) for whom she babysat, both of whom worked in different big banks. Jacob was my first interview of the project, and he was bombastic. At the end of the conversation he decided he liked me and provided an introduction to a friend of his named Butch who was a partner in a private equity firm. At that point, this part of the network went dead. This often happened. Most people after an interview or a conversation or two stop helping or went silent. This is one of the limits of interviewing—the research task is close-ended, and does not naturally or easily let one into other parts of people's lives. Goffman might say one never gets to see the backstage.

Helicanus ended up being a much more helpful informant. Not only did we have three interviews, but he pointed me towards one partner in private equity (George-Michael, who ended up being a brief interview and going silent); one person who had worked in venture capital, had worked in hedge funds, and was currently writing a book (Felix, who ended up being an excellent informant who gave three generous interviews spaced out over the course of the project); and my first conference (PE/VC Conference), an event designed to match Private

Equity and Venture Capital Funds (the money) up with companies that were looking for capital (people who need money). Despite this event having a sticker price of around $1000, the organizer of the event (which I will explain in more detail in the chapter on value) let me in without charge provided I hand out nametags and sponsors' materials. The PE/VC conference was an excellent opportunity to do some participant observation, as well as to meet a few people. Even though I collected nine business cards, only two people from the PE/VC conference agreed to follow up with an interview (a pretty typical proportion). These two people were both working in start-ups, one marketing alcohol (Duane), and one selling cars (Malachi). My colleague kicked off a chain that led to seven informants as well as to my first conference and opportunity to do participant observation.

Table 2. Colleague Informant Network.



Again, the above was an exceptionally productive informant chain that started from a person I knew before the project started and with whom I will have an ongoing professional relationship after the project ends. In contrast to this are the ten informant chains that came from

things I did specifically for the project. Of those ten chains, four were public conferences for which I bought tickets. I will walk through one of those to give a sense how these progressed (Table 3 gives a visual of the informant chain).

Buzzing in the back of my head all through this project was the imperative that I use my and my school's networks. Though I was never too clear, especially at the beginning of field work, what this was supposed to look like. So shortly after the cold-calling debacle, I joined as many private equity themed linked-in groups as a I could. One of them sent the following conference advertisement to my inbox:

LinkedIn Groups

- Group: [name of group]
- Subject: Hear ONLY From Private Equity Investors

Are you tired of hearing pitches from your competitors at every private equity event?

Wouldn't you rather hear from leading investors on what issues matter most to them, how they're allocating capital, and other critical issues to the success of your private equity firm?

On December 4th, we are hosting [New York One], a full-day conference where investors and ONLY investors will speak and share insights with the audience. [website]

This is an affordable conference where you can hear directly from leading LPs and network with your private equity peers while enjoying catered meals at the [A University Club] New York.

Every New York conference we have held recently has sold out so reserve your seat today: [website]

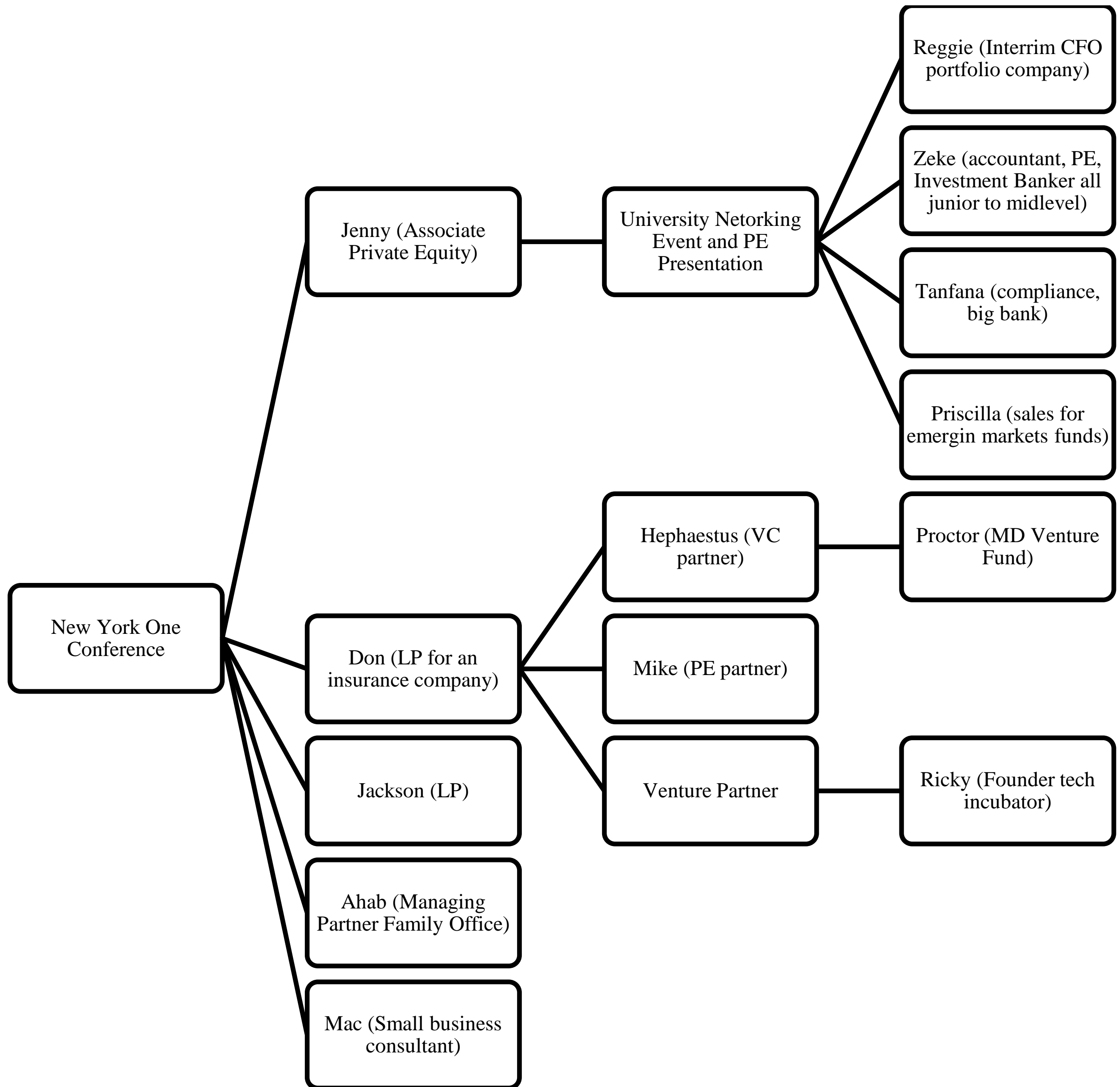
[Signature Block]

P.S. [New York One] is one of four conferences we are hosting in New York in December. Be sure to register for our Family Office Workshop, Capital Raising Workshop and Private Equity Networking Breakfast as well: [website]
Posted By [...] [e-mail 10/15/13]

By the Fall of 2013, my interview schedule had slowed down dramatically. I had tapped out all the people my friends knew who worked in finance, and had exhausted their connections as well. So I decided to go to this conference. The advertised price was around $400 for one day, no breakfast. I called the organization and pled poverty. They reduced the cost to around $200. I

reasoned this was much cheaper than, say, my colleague's ticket to India, so I took the plunge and bought the ticket. At New York One I collected a dozen business cards, and of those twelve, five people agreed to talk with me (one private equity worker, two limited partners, one family office worker, and one consultant to small businesses). One of the limited partners was able to refer me to two venture capital partners, who each referred me to one more VC partner, as well as one PE partner. The one private equity worker I met at New York One was an excellent informant, and referred me to a university networking event, focused on private equity, that she was organizing. From that event I collected four business cards, and conducted four interviews (two private equity workers, one compliance worker, and one sales person of investment products to wealth managers). In total, this one linked-in advertisement led me to 14 informants and two events.

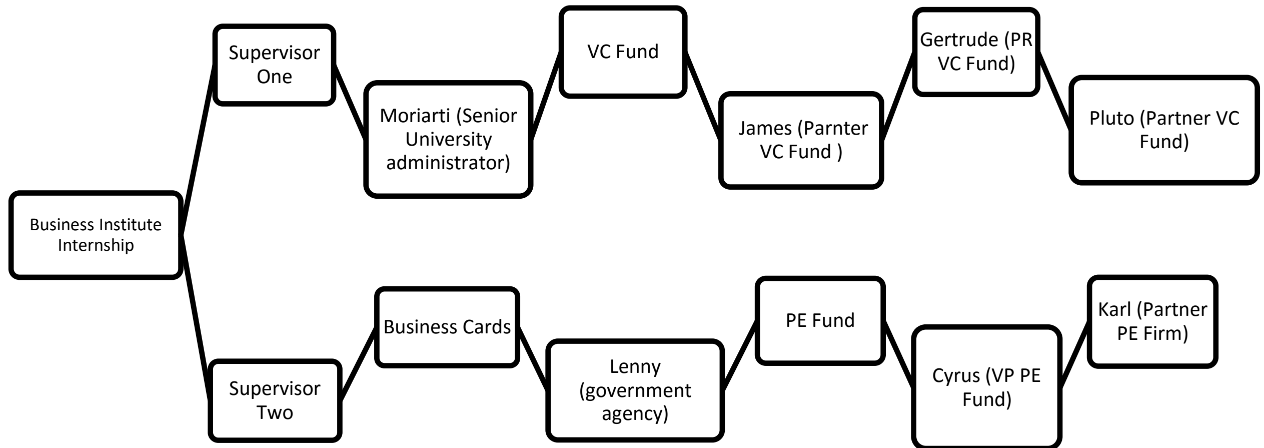
Table 2. New York One Network.



A walk through of one more event is useful to give a sense of how long it would take to build and use these networks. Table four shows the informant network that I was able to build from an internship I worked at a business institute. My internship started in September of 2013. My last interview with Pluto, an informant at the end of the chain, happened on August 12, 2014. My first interview with Karl, another informant at the end of a chain, happened on March 21,

2014 (the same day as the young finance conference in Table 13 of the networking appendix). In theory, I am still trying to schedule a follow up interview with Karl's assistant.

Table 4. Business Institute Informant Network.



What follows is an excerpt from my correspondence with various people at Pluto's VC firm, trying to find time to interview. The excerpt will give a sense of what e-mail scheduling is like. The full email exchange is attached in Appendix 3.

1/29/2014
Daniel -

Please meet [the assistant], who manages [Pluto's] calendar. [The assistant], please meet Daniel. If we could please find time on [Pluto's] calendar in the next couple of weeks for me, [Pluto] and Daniel to meet, that would be great.

Thanks!
[Gertrude]

1/29/2014

Good to meet you [the assistant]. I hope you're well. Thanks very much for helping coordinate this.
Thursdays and Fridays tend to be my best days for scheduling. Tuesday and Wednesday before one also work great. I hope this helps.

Take care,

Daniel

1/31/2014

Nice to meet you, Daniel.

Next week is completely booked. How about 2/11 at 1 pm?

Regards,

2/1/2014

Dear [The assistant],
Thanks again for helping with this.

1 PM on the 11th might be a bit tough. Let me give you my complete availability that week and if anything works we can go for it. I am Friday is completely open, Thursday is completely open, Wednesday is free except for 2:00 PM - 4:30 PM, Tuesday is free except for 1:00 PM - 4:30 PM, and Monday is a nightmare, but I am free before 9:00 AM and after 4:30 PM. If anytime in there works please do let me know. And Wednesday is negotiable, I can push things around if need be.
Take care,

Daniel

2/3/2014
Hi Daniel,

Would Friday at 4 pm work?

2/3/2014

Dear [the assistant],

This Friday the 7th at 4 PM works great. Thanks very much for finding the time. This will be at [the firm's] office, right?
Take care,

Daniel Souleles

2/3/2014

Yes it will be at [the firm's office], Daniel. See you then!

2/3/2014

Hello again! As it turns out, [Gertrude] will be out on Friday so we have to reschedule. Would you be available on Monday the 10th at 11am?

*

3/21/2014

Dear [the assistant],

I hope this note finds you well. It was very nice to meet you in person yesterday. Thanks again for scheduling some time for me to talk with [Pluto]. I enjoyed the conversation, and was hoping to schedule a follow up. Is [Pluto] available at all in the next month? Would it be best for me to send along my availability?

Thank you again and take care,

Daniel

3/24/2014

Very nice meeting you, Daniel. Wy don't you send me your availability and I will try to accommodate.
Thanks.

3/24/2014

Thanks very much [the assistant]. Here are my next three weeks. With luck something works!

The week of April 1: 4/1 before 1 PM; 4/2 before 2 PM; 4/3 all day; 4/4 all day.
The week of April 7: 4/8 before 1 PM; 4/9 before 2 PM; 4/10 all day; 4/11 all day.
The week of April 14: 4/15 before 1 PM; 4/16 before 2 PM; 4/17 all day; 4/18 after 2 PM.
Best,

Daniel

3/28/2014

Hi Daniel,

[Pluto] is going to be traveling and his calendar is over booked.
Can you give me 3 more weeks out after the below?

Kind regards,

3/28/2014

Sure thing!
The week of 4/21: Tues 4/22 before 1 PM; Weds 4/23 before 2 PM; Thurs 4/24 all day; Fri 4/25 all day
The week of 4/28: Tues 4/29 before 1 PM; Weds 4/30 before 2 PM; Thurs 5/1 all day; Fri 5/2 all day
The week of 5/5: Tues 5/6 before 1 PM; Weds 5/7 before 2 PM; Thurs 5/8 all day.

Hope this helps!

Dan

5/14/2014

Oh Daniel!! I can not believe how busy [Pluto] has been. He is traveling all the time. Would you please give me some more dates in June.
He is overbooked in May!

Thanks for your patience.

The higher up an individual got in a firm (analyst, associate, VP, Partner/MD), the more difficult it was to schedule any sort of conversations. The above email chain points to most of the causes. Sometimes I am forgotten in a busy season at an office. Sometimes the person I am trying to talk to is overbooked. Sometimes the individual has to travel to far-flung locales on a moment's notice. Both times I met with Pluto I had to wait for around 20 minutes.

To this point, I have not spent much time on the content of the data I gathered. This is intentional. A large part of studying up is negotiating access and building rapport. Understanding the dynamics of networks of finance professionals is every bit as useful as knowledge of the cultures that those networks structure and bound. Nader notes that, "the most usual obstacle is phrased in terms of access. The powerful are out of reach on a number of different planes: they do not want to be studied; it is dangerous to study the powerful; they are busy people; they are not all in one place, etc" (1972: 18). Nader goes on to note that "[That] the problems of access are any different or at least any more problematic in studying up in the

United States is a proposition which at any rate has not been adequately tested. Anthropologists have had problems of access everywhere they have gone; solving such problems of access is part of what constitutes 'making rapport' (1972:18). She is right—anthropologists have problems of access studying up or down. Sometime people do not want to talk. What is more, there are frequently elite networks that are welcoming. Shamus Khan was able to return to his boarding high school as a faculty member and conduct his study *Privilege: The Making of an Adolescent Elite at St. Paul's School*. The school even allowed Khan to use its real name (2012). Firmly in the world of finance, though working in publicly traded markets, Caitlin Zaloom (2006:8) was able, through a family friend, to start her research and get a job as a runner for the Chicago Board of Trade. Similarly one of Miyazaki's mother's close friends "introduced [him] to the manager of a derivatives unit inside a securities firm where [he] later conducted field research. Without this introduction, the project would never have taken off" (2013:xi). An occasional strategy is to get a job in the organization one is studying. Ho got work in an investment bank, though not as an investment banker, in order to gain general background knowledge: "as a financial services consultant within an investment bank, I was trained and immersed in the perspectives and mores of Wall Street financial practices" (2009:14). Ho (2009) was later able to use the network of people she met at her investment bank as well as alumni connections from Princeton to make an informant network and talk to people about investment banking. Sometimes an anthropologist is able to find an informant that seems to open a whole world or network. Fisher, in her study *Wall Street Woman*, notes:

> My actual "entry" could not, however, have transpired without the enormous interest, help, and insight of a then middle-aged woman returning to school for a masters in liberal arts at Columbia University with a focus on anthropology. I met Madeline Winters in one of my courses on American culture. She came from the higher tiers of New York and American "society"—what some might call "old money." She was (and continues to be)

> a major activist and fund-raiser for women's issues in the city and the nation. I think it was about mutual passion for women's rights that initially bought us together. [2012: 20]
>
> Madeline, her investment-banking friend Mindy Plane, and I sat down for a 7:00 AM breakfast at Le Brasserie on East 53rd Street. They collaboratively came up with a list of about twenty first-generation Wall Street women whom I could contact at their recommendation. An astonishing number of the women—nearly all of them—agreed to participate in my study. [2012: 21][16]

It should be apparent by this point that I encountered no such magical informant or golden connection. Make no mistake, I would have leapt at each of those opportunities and run as far as I could have with them. Yet it did not happen. Even in the event that friends and colleagues referred me to people, they were often tangential to private equity (though immersed in finance of one sort or another), and often did not open any significant networks. I began to feel sympathetic to Hugh Gusterson's lament in attempting to study nuclear weapons scientists, "When I arrived in Livermore I had to figure out how to study, first, a laboratory with 8,000 employees whom I was forbidden by national security laws from observing at work…" (1996:32).

Insofar as there was any breakthrough in my research, it was finding a place where private equity people could be private equity people in a semipublic place. This is where a lecture Gillian Tett had given at the 2011 American Anthropological Association conference proved quite helpful. She noted that her reporters at the *Financial Times* needed to find a way to cover credits and derivatives markets. She likened the financial world to an iceberg with public markets like stock and futures as above water. Beneath the water were lending, derivatives, insurance, and all the financial engineering that makes modern finance work. She also realized that her reporters were doing fairly conventional reporting, that is mostly re-writing bank press releases. Her dilemma was how her reporters could get to see and observe finance workers who

[16] If only!

are swaddled by armies of PR workers, and do their business in private. She realized that she should go to conferences. She notes that people in finance regularly hold conferences. What is more, in her talk she observed that such conferences hold a structurally similar position to Tajik marriage rituals that she studied for her graduate work. Both marriage rituals and finance conferences offer a back door way to look at bigger issues in a social sphere, “they pull together a scattered group and through a series of formal and informal rituals that allow that group to restate its core social networks and restate its cognitive maps of how the world works” thereby “allowing the society to be reproduced through generations”. Practically, both marriage rituals and finance conferences allow one to see a far flung group of people in one place, often without a buffer of security of PR flacks.

Not only did conferences seed some of my best informant networks (see the New York One conference above as an example), they also provided data in their own right. Each conference was structured around a series of talks, question and answer time, a meal or two, and unstructured networking time. During the talks and question and answer time, I was able to take copious notes on a breadth of topics of concern to private equity investors, often presented by mid or senior level people in private equity. The New York One conference alone had panels on private equity and clean tech, venture capital portfolios, closed-pool funds and alternatives, private equity investing best practices, family office investing, and what is going on in the world of limited partners. At private equity conferences, I was able to see themes and topics I was talking about in my interview analyzed publicly. I also got to see how a room of finance professionals responded to and laughed about the topics I was trying to learn about them. I should also note that my age, race, and gender, as well as my school affiliation helped me out considerably. Taken together, as a be-suited white male in my mid to late 20s, and as a student of

Columbia University, I could pass as a financier (or at least a potential financier). My informants would joke with me that I was doing this all to get a job in finance, and never quite believed my demurral. A few times, when I explained I was an anthropologist, people were surprised saying they took me for either a financier or someone looking for a job. Taken together, how my informants saw me as potentially working in their industry, and the industry's strong norms towards apprenticeship, certainly helped with the easy rapport that will be evident in a number of the transcripts I present.

What ended up being successful for me was a combination of attending conferences, "beginning with a small number of contacts … [and] gradually expanding to a larger network" (2011:27) as Riles did in her study of legal reasoning in global financial markets, hustling and posting flyers around New York business schools, as well as the general anthropological openness to any event I was invited to or conversation with anyone who wanted to talk. Responding to the obstacles to studying hard to gain access to people Aguiar notes that, "In other words, obstacles to access are challenging but should not provide an excuse to avoid communicating to and persevering in studying up" (2012: 9). I agree. I found no informant with a skeleton key to the offices I wanted to observe. Not surprisingly, no one offered me a job in private equity (though I applied for a few). I found where private equity workers were private equity workers in public and ploddingly traced out informant networks. If nothing else, my sample is probably biased towards the friendly.

4. What I Can Say About Private Equity

Regardless of how I collected my data, whether from interviews, or watching people at conferences, or sitting in on business school classes and events, I took lots of notes. I used these notes to develop two different types of information—data about the meaning and use of

individual concepts, and investment story data talking about the life of a particular company's voyage to becoming an asset. I will explain more about each, in turn.

In the chapters that follow I will outline the native use of time and value as well as explain how doing deals works in those locally defined terms. What lets me develop these grounded definitions in the absence of simply sitting in a private equity meeting room are all the notes I have taken from interviews, conferences, investment meetings, and other context. All told, I have just shy of 1000 pages of notes from 103 interviews with 83 informants as well as 16 conferences and events, all with multiple panels and presenters. In all of those notes the term or concept of value appears 661 times, and time appears 1,774 times. If I am interested in understanding the breadth and extent of those concepts in the investing process, I need to analyze and interpret the use of and debate over these terms. Some help comes from Weller and Romney their book *Systematic Data Collection* (1988). In this work Weller and Romney explain the methods by which anthropologists can exhaust and map the extent of variation in the contents of a cultural domain. For example, how many investors does one need to talk to before one has heard all the ways in which people describe a private equity acquisition? Weller and Romney also show structured ways that one can collect and map this knowledge.

Their findings, while not directly applicable to the methods and questions I used, do offer some insight into how big cultural domains are. Weller and Romney observe that, sensibly enough, the more agreement there is in a cultural domain, the fewer people one needs to gather the variety of a particular cultural form. They specifically note that if one wants to answer a set of questions with a 99% confidence level, and if one need have a highly competent group of people in a cultural domain, after six people one has likely exhausted new answers (1988:12). This is both powerful and limited. Think for a moment about the days of the week, an area of

specific knowledge which many anthropology grad students likely have a high degree of competence. Weller and Romney are adding precision to the point that if one were trying to figure out what the days of the week are and what different kinds of days there are, one does not have to talk to that many people. Similarly, the world of private equity seems to be a cultural domain with fairly high cultural competence—the hiring process ensures that (again, see the sociological appendix for a thorough enumeration). People often pass through undergraduate education, some type of investment banking or financial service works, perhaps a graduate degree in business, and finally into private equity. At every step of the way there are rites of passage and gatekeepers excluding those who do not fit for whatever reasons. Moreover, my informants talked about private equity as an apprenticeship business, emphasizing the desirability of emulating those that came ahead, including their cultural knowledge.

I however did not use Romney and Weller's methods of choice—pile sorts, free lists, triadic pairing and so on. My data did not lend itself to multidimensional scaling and confidence intervals. Instead the bulk of my interview work was semi-structured and open ended. I asked informants to talk about 1) their family occupational background going back three generations, 2) how their career compared to others in their families, 3) how they got into 'business' (a catch all term that no one had a problem responding to), 4) the different types of jobs they have had, 5) what they did at those jobs, 6) typical tasks, 7) when tasks went well, 8) when task went poorly, and then 9) examples of all of those. In short I was seeking scripts, themes and stories. What were the different ways that people invested? And what were the different ways that people explained and understood the investments they made? This type of data is more complex; it is not just how many different types of companies are there, how many categories exist in the world of private equity investing. The questions concern the different ways that investors narrate

and understand a complex process given the ingredients time and value. How many of these types of interviews do I need to conduct before I reach saturation, that is before it is likely that no new answers will be forthcoming and that there are diminishing insight for the effort invested.

Greg Guest, Arwen Bunce and Laura Johnson answer exactly this question in their 2006 *Field Methods* article "How Many Interviews are Enough?: An Experiment with Data Saturation and Variability". Guest, Bunce, and Johnson collected sixty interviews, thirty each in Nigeria and Ghana on "self-reported measures of sexual behavior;" they were interested in examining "how women talk about sex and their perceptions of self-report accuracy" (2006:62). Guest, Bunce, and Johnson's research protocol had "six structured demographically oriented questions, sixteen open-ended main questions, and fourteen open-ended sub questions" (2006:63). There findings are striking. Again, the question concerns: how many of these interviews an anthropologist needs to do. They say:

> After analyzing all sixty interviews, a total of thirty-six codes were applied with a high frequency to the transcripts. Of these, thirty-four (94%) had already been identified within the first six interviews, and thirty-five (97%) were identified after twelve. In terms of the range of commonly expressed themes, therefore, very little appears to have been missed in the early stage of analysis. [Guest, Bunce and Johnson 2006:73]

After six interviews most main themes show up; and after 12 interviews it is diminishingly likely that new information will appear. To return again, to time and value, across 16 events and 103 interviews, I have in excess of 600 instances of value, and 1000 instances of time. It is hard to imagine a general use of time or value within the world of New York Finance that I do not have

As I will show in the following two chapters, this focus on these two terms allowed me to reduce each discrete instance of value or time to a propositional statement, that I could then sort (cf. Propp 1968:21-23, talking about the reducing fairy tales to their functional elements). To give an example of this method, here is one instance of value from my field notes. This case

comes from an interview with an informant named Phil, who we will get to know a bit more later:

> …we've been trying to get into that company to see if they want to sell, because some of their divisions might be really attractive to other people, but the owners of the company don' really know it, really don't know the **value** of the company and, you know, private company…[9/7/2012]

I turned this into the statement, "It's hard to know the value of a private company," which I ultimately sorted as statement number ten with 67 other statements under the general category of value as "Incalculable and Intrinsic." While this mode of interpretation invites obvious subjectivity, after all, it is easy to imagine other propositional statements or definitions emerging from the above interview extract, I accept this. By doing field work, anthropologists use themselves as data collecting and analyzing tools. This type of data generation is the privilege and limitation of our social science. My hope is that by explaining how I got my data, pointing to the ways in which I opened myself to my informants, and attaching my propositional statements in appendices, I will make the process of my generalization as transparent as is practicable given the incredibly high data to written material ratio, the large amount of excess data, that field work generates.

Beyond individual terms, my second type of data was first hand investment or research stories about particular companies. I collected 43 of these narratives from all manner of companies—everything from publishing companies, to landfills, to bus manufacturers, to a company that makes stairs. In what follows, I will be making use of these stories to illustrate both the concepts of time and value, and the flow predictable flow of the deal process: research, purchase, management, and eventual sale. As I will demonstrate in subsequent chapters, and whereas every company is unhappy in its own way (cf. Tolstoy 2004), the deal process is

stereotyped and predictable. Despite having ample room for debate, discussion, and play in creating and assessing value, Private equity investors go through roughly the same stages in the same order with all the companies they consider. The difference in the stories is simply the timing of when a company is excluded from consideration or if it makes it through the gauntlet of the deal process. Oddly enough, in Propp's analysis of functions in Russian folktales he notices something similar, observing that the "*sequence of functions is always identical*…the absence of certain functions does not change the order of the rest" (1968:23). The folktales that Propp analyzes always end and resolve in a particular way. By contrast, my investment stories simply end at different points along the same investment process. Put differently, the form of the deal process is always the same, but how far a company makes it through the exact terms and structure of the value debate a private equity firm is able to research varies with each possible investment. This form that investment research and storytelling takes allows for comparison across many different kinds of companies. One more thing that varies in this process is that different firms, depending on their specialties and experiences may evaluate the same firm differently, or identify different bits of significant information. We will see this in particular cases in following chapters.

Finally, at the close of my project and as I drafted my dissertation, I offered to circulate chapters and drafts to all of my informants. I invited them to think of themselves as the experts on what I was writing about and be candid when I got things wrong. Generally their response has been, detailed, positive, and supportive. They mostly think I got things right, especially with regard to value and the deal process. Ultimately 50 of my informants said they wanted copies of my dissertation and to date eight informants have read my dissertation and offered feedback. In cases in which I was obviously in error I have simply revised what I say. However, far more

often my informants interpret things differently than I do. The issue is not so much factual as shades of meaning, as in the significances of a particular accounting statistic. In these cases I have added a footnote explaining what texture I might miss in my formulation.

As noted above, I would have leapt at the opportunity to stay in a private equity firm long term and watch the tedium of daily minutiae unfold. I would have done what my anthropological inheritance would have demanded and conducted open ended closely followed field work. But, people do not always want to let you into their lives. My resolution of this dilemma was to be specific about what I wanted to learn from fieldwork, what it is that we actually learn when we embed and try thick description. And then I tried to collect that data in all ways open to me, without a gate-keeping informant, or a connection that turned into a job.

The problem of access is repeatedly noted in literature contemplating studying up. It is *the* problem social scientists need to deal with. Insofar as this dissertation makes a contribution to studying up, particularly in the mode of interpretive cultural anthropology, it is in the example of how I traced out my networks and how I found my informants, relying on nice people, and using every bit of social, academic, an institutional capital at my disposal as well as frequenting private equity's public places. I think I found the places where anthropologists can just show up and study private equity people.

Anthropological Theories of Value and Time

1. Introduction

In the introduction to this dissertation, I offered three examples of investment stories: KKR's pioneering acquisition of Houdaille, Mike's recollection of his career in private equity, and the undergraduate investment club's argument about the use of analysts' reports in deciding the future value of a company. Each of these stories turned on the valuation of a business. That is to say, each of these stories turned on investor's deliberation about the use and worth of a given set of companies. KKR found that Houdaille could borrow much more than it was at the time. Mike saw companies that just needed a change in management. The investment club weighed whether a group of heirs would sell their inheritance. Ultimately, these investors' successful recognition of value in a company should allow them to convert the value which they have recognized into money when they sell their investment. As I will show in subsequent chapters, this investigation of and argument about value is still very much the way private equity investors decide which companies to buy and sell and then how to manage appropriately. In fact, this conversation about value is at the center of what investors do, and is the key to understanding how they decide to buy and transform companies. Investors' search for value is also what allows one to compare one investor (say venture capital investors) to another (say private equity investors). They both seek value in companies, but have different standards as to what is valuable or not.

It should also be apparent by this point that investors cannot successfully find and then turn value into money at any given time. The undergraduate investment club makes this point most clearly. If other people have read the analysts' reports, then there is no advantage to having the information. They have missed their opportunity. Their timing was bad. This is what a fair amount of their meta-pragmatic deliberation over what counts as value boils down to: are we

getting out of date information? If so, we should not invest in a way this information suggests. Similarly, the KKR investors' strategy would not have worked ten years prior—they would not have been at the right historical conjuncture for their value arguments to be plausible or actionable. This also holds true for Mike—his whole career only makes sense given what a man with his skills could do at the time at which he was professionally coming of age. Simply assessing value in any of these situations is not enough; investors have to take account of the quality of time in which they find themselves (cf. Bourdieu 1977). Considerations of time and value as linked entities are at the root of investing decisions.

Just as considerations of time and value are central to investment decision making, so are the ways in which people understand value and time central to thinkers in philosophy and the social sciences. Regardless of the theoretical paradigm one uses, if one is writing about people and trying to talk about how they see the world, one must take account of what those people think is important and offer a theory of value. Similarly, if one wishes to offer a plausible account of how value is sought out, parsed and realized in a given social setting one will have to offer an account of how people understand sequencing and time. For things are only valuable at the right time (again cf. Bourdieu 1977).

In what follows I am going to offer an inventory of some central approaches to value and time. This is not an intellectual history, and is not meant to be an exhaustive literature review. Rather this is an acknowledgment and explanation of some major tendencies within social analysis in thinking through questions of value and time. Ultimately, explaining this inventory will provide the disciplinary context for the particular ethnographic case (that of private equity investors) that this dissertation is describing. Once I show the constellations that scholars have fashioned in their pursuit of understanding time and value, will we have a good idea of how and

where private equity fits, and in what ways private equity is comparable to other pursuits and contexts.

2. Value

At the core of the anthropological sensibility in which I have been trained is the desire to understand people on their own terms. Ruth Benedict called this value the tough-mindedness whose, "goal is a world made safe for differences" (1967[1948]:15). Because of this concern a welter of terms and typologies has grown up in the social sciences for categorizing what other people find important, their values, and for discussing those values across different cultural contexts. I will take them in turn.

The Labor Theory of Value

Perhaps the most famous of social scientific theory of value is Marx's reworking of classical economists' (Harvey 2010; Foley 2008) labor theory of value. This is ironic given the brief paean I just gave to anthropological sensibilities, for Marx's theories of value, and many subsequent reworking of Marx, do not take as their starting point how people apprehend the world, but rather the axiom that all value is derived from labor, that is, productive work in the world. *Capital Volume I* (1990[1867]) is a lengthy analysis of the way in which the product of labor is allocated, transported, and accumulated in an industrial, factory-based capitalism. Marx takes as his starting point the commodity, which he notes has both a use value and an exchange value. For Marx, commodities are the instantiation or congealing of human labor. The value of the labor it takes (on average in a given society) to make a commodity allows one to determine the value of a commodity. Because a commodity has both a use and an exchange value, a commodity can be accumulated and traded for other commodities. Herein is the mystery of the commodity fetish: for Marx, in a capitalist system, the commodity owes nothing to the person

who made it. The commodity can become alienated or estranged (cf. Marx 1978[1844]) or separate from the person who made it. When the capitalist goes to market, exchanging money for commodities and vice versa, the individual laborers matter little to his exchange. What matters is the current value, in aggregate, that the capitalist society ascribes to labor. This fact is the motor that drives capitalist competition and the systematic devaluing of the conditions of people who labor. Capitalists seek to reduce as far as possible the cost of variable capital, the cost of wages for labor, so that workers will produce value far in excess of what it costs to keep them employed. This is how capitalists make money. They are able to save the left over between the costs of production and value received in the market, i.e., the surplus value, and accumulate a store of capital which they can reinvest or spend on their own lavish lifestyle. The fact of the commodity, the commodity fetish, and the fact that workers can be estranged from the product of their labor allows wealth to be accumulated in a capitalist system. For Marx and Engels, then, the political challenge was to get people to see through the mystification lent to labor conditions by the commodity fetish (the misapprehension that a thing or a commodity is worth something due to inherent qualities), and to get people to see that labor is the root of all value (Marx and Engels 1948[1848]).

These few insights into the nature of the commodity in industrial capitalism, the suggestion that labor is the source of all value, and the elaborate analysis of the laws of motion of capitalism have stimulated a gargantuan literature, in addition to no shortage of political movements, revolutions, and whole state apparatuses. Instead of reviewing this in any systematic way, I want to point to two ways that Marx's ideas about labor and value have been particularly

fruitful to social scientists: first in the realm of critical geography, and second in the ethnographic oeuvre of commodity studies[17].

David Harvey, in the course of a prolific career (around 20 books to date), has argued that that we can use Marx's theories of capitalist accumulation of surplus value to understand the physical distribution of wealth and misery in our world (Harvey 2010). In *Capital*, Marx observes the tendency of capitalists to compete themselves into crises specific to their mode of wealth allocation and production. One example he observes is the crisis of over-production in which capitalists simultaneously impoverish their workers and produce an overabundance of goods which their workers cannot hope to purchase. This brings the process of surplus value accumulation to a halt. When this occurs capital needs to find new markets for itself (as in imperial systems) or new ways for people to spend (such as in the increasing consumer debt in the United States over the last 40 years) (Harvey 2010, 2010*a*). David Harvey (2012) suggests that one way capitalism finds new spaces of production, accumulation, and speculation is in cities. He understands people living and working in cities to be the laborers who create cities by simply living their lives. Real estate speculations and development allows capitalists to alienate people from their own cities and to collect the profit generated from their uncompensated labor. Harvey's insight is to read Marx's processes of accumulation and alienation into the geography of everyday life.

Anthropologists have by turn taken Marx's starting point of the commodity as an invitation to investigate the social lives and commodity biographies of things (Appadurai 1986 and Kopytoff 1986). The insight that anthropologists offer here is that commodities take on different values depending upon the social situation in which they find themselves. While Marx

[17] This also sets aside the observation that, as Marx's theory requires, there is some single means of assessing labor value across cultures.

allowed that ultimately the value of a commodity came from the prevailing wage and value granted to labor in a given society, anthropologists in this tradition seem to be breaking with a strict or orthodox use of the labor theory of value. Anthropologists instead seem to be seeking to find out how social situations create value for and ascribe value to objects in the course of their flows. Bestor (2001) did this for tuna, Walsh (2004) did this for sapphires, and West did this for coffee (2012). All started with a commodity which they followed. And all tried to understand the object in terms of the social worlds through which it cycled. One early example of paying attention to commodities in social life, Taussig's *The Devil and Commodity Fetishism*, examines the way that the coming of capitalism and the profit derived from either sugar cane harvesting or silver mining in Latin America are seen as being made possible by the work of the devil. This devil is understood in the local, peasant, Latin American context, and to deal with him is to mark oneself for misfortune. Taussig argues that this conceptualization is a response to the alienation of wage labor. Here we start to see the limits of the labor theory of value as a strict or rigid description of social life. Anthropologists who have followed commodities know that they can acquire value out of all proportion to their labor cost, and in fact the labor of creating value is not isolated at one moment of production forevermore. People can add value in circulation and use. At the risk of offending doctrinaire Marxists, I agree with Graeber's assessment of Marx's theory of value:

> [It] is not an attempt to produce a scientific law, which can demonstrate how specific units of labor ultimately determine the prices of specific commodities, but rather, an attempt to answer a fundamental *existential* question [assuming that we do collectively make our world, that we collectively remake it daily, then why is it that we somehow end up creating a world that few of us particularly like, most find unjust, and over which no one feels they have any ultimate control?] [Graeber 2013:222-223]

This perspective allows anthropologists to walk a middle ground. They can take Marx's analysis of labor and its contribution to value in social life seriously, but they need not slavishly aver that labor is the only and one true source of value.

Ethic and Morality

In the troika of classical sociological theory (Marx, Weber, and Durkheim), seminars often offer Weber as a counterweight to Marx. Whereas Marx cares little for how people feel about their social lives, going so far as to write of folk understandings of life as the work of false consciousness, Weber takes a keen interest in a people's ethic and their moral and spiritual commitments. This focus in turn allows one to understand why people craft their material lives in the way that they do—it is due to their ethical and moral commitments. In Weber's (1990[1905]) most famous work, *The Protestant Ethic and the "Spirit" of Capitalism*, he suggested a theory to explain capitalism's rise that was both at odds with Marx and took seriously the religious convictions of protestant business people. Rather than the circulation of the commodity form or the accumulation of surplus labor, Weber suggested that the explanation for capitalist accumulation lay with the otherworldly commitments of protestant spirituality. Weber noted that Protestants believe in predestination and disavow the power of good works to bring salvation. As such if one is saved one will show outward signs of salvation such as industry and abstemiousness. However, there is no guarantee of salvation and one should not presume that one is saved. This collection of existential dilemmas led the protestant, in Weber's estimation, to find success in industry and business and not enjoy the material reward of such a career. The wealth that protestants accumulated in their enterprises would need to be reinvested in those same businesses. For Weber the secret of capitalist accumulation lay with historically particular protestant notions about salvation, specifically how salvation happened. If one wanted to

understand why people work and hoard the way they do in a capitalist system, one needs to take seriously those people's deepest presumptions about the world. One has to start with their ideas.

This approach to social life found a receptive ear with Clifford Geertz, himself a product of the Harvard Department of Social Relations, Talcott Parsons's midcentury attempt to unify the social sciences in a syncretic disciplinary form. In fact it was Talcott Parsons who first translated Weber into English. In turn it was Geertz, while arguing for a symbolic conception of culture in his programmatic essay, 'Thick Description, Towards an Interpretive Theory of Culture', who said:

> The concept of culture I espouse, and whose utility the essays below attempt to demonstrate, is essentially a semiotic one. Believing, with Max Weber, that man is an animal suspended in webs of significance he himself has spun, I take culture to be those webs, and the analysis of it to be therefore not an experimental science in search of law but an interpretive one in search of meaning. [Geertz 1973:5]

Again, as opposed to theories of value that emerge from the centrality of labor and the laws of capitalism, Geertz is in search of meaning that people create and thereby constrain themselves. Yanagisako (2002), in her study explaining the actions of Northern Italian factory owners, has deliberately opposed Marxist theories of class action and formation to theoretical approaches that take account of the desires of individual capitalists to make and maintain a particular family form. It is these capitalists' commitment to a particular idea of family life, and how it should work, and how it should exist across generations that ultimately structure how they run their factories.

Weber's ideas about the interrelationship of economic forms and ideas about how life should work have dire predictions for the future of capitalism as he saw it. Weber worried that while a particular religious commitment set in motion the accumulation strategies that mark industrial capitalism, religious faith would not survive the threats of bureaucratization and

routinization. The withering of religious commitment and the disenchantment of the world would lead to an iron cage of bureaucratic rationalization which would hold the "last men…specialists without spirit, hedonists without a heart, these nonentities [will] imagine they have attained a stage of humankind never before reached" (1990[1905]:121). While the general disenchantment that Weber forecast did not come to pass (Luhrmann 2012), social observers such as Richard Sennett (1998; cf. Fraser 2001) continue to think about the relationship between the form of work people do and their moral and ethical lives. Sennett, in *The Corrosion of Character*, surveys the landscape of American white collar work in the wake of a generation of corporate outsourcing, layoffs, and the rise of finance capital. The type of person he finds is a deeply troubled and troubling one. Sennett's worker is a precarious employee of a company that has no long-term commitment to that employee's well-being. Moreover, Sennett's employee works increasingly long hours away from home and can make little positive sense of the work the employee increasingly does. Here, perhaps, we run up against the limits of a Weberian approach to social life. Sennett's worker finds himself working in a world that is in many ways foreign to his understanding of how people should exist together. Increasingly, Sennett's worker is locked into the iron cage that financial capitalism has imagined. If the ideals of the particular workers that Sennett followed actually crafted their economic circumstances, the work place would likely exploit them less. What this approach to social life cries out for is a theory of power or exploitation, or perhaps even Marx's law of motion of the capitalist mode of production. It is easy when following a course of study focusing on ethics and ideas as the foundation of social life to become untethered from larger social processes.

Value, Solidarity, and Society

Rounding out the big three of classical sociological theory and approaches in the social sciences is Durkheim. Durkheim (1984[1893]) started his intellectual project with a dissertation investigating the way in which groups of people mutually reinforced each other and created societies. Durkheim refined the idea of the society, and took its interconnections as his unit of social analysis, his social facts (1982 [1895]). For Durkheim, society is a thing, *sui generis*; it exists in and of itself and is not reducible to the individual psychologies of people (and this is one of the quickest and easiest criticisms of Durkheim's work [Lukes 1982]). The challenge of this manner of social analysis is identifying social facts, those concrete, empirically observable manifestations of a given society, and then analyzing them. One such social fact which Durkheim noted was solidarity, that is, the way in which people are mutually and interdependently connected to each other in a society. Durkheim suggested that we might hypothesize an evolutionary trajectory to society and offered two forms of solidarity—mechanical and organic. Mechanical solidarity was that of the undifferentiated horde, societies in which people do not specialize and are interchangeable in their functions. It bears mentioning that Durkheim was not working with historical or archaeological data but was offering an evolutionary conjecture. By contrast the society that surrounded Durkheim and cried out for analysis (cf. Tilley 1984: Chapter 1) was one characterized by organic solidarity. Durkehim's idea was that one could imagine dense, crowded industrial society as an organ system, with each specialized profession playing an indispensable part. Just as a body needs a heart to pump and circulate blood and lungs to oxygenate blood, so does a society need a farmer to grow food, and bricklayers to build structures to afford people places to live. Durkheim also held that we might identify socio-pathologies when one part of society is no longer able to contribute to the organic

whole as in structural unemployment. This situation would lead to anomie, or even suicide (Durkheim 1979[1897]). In Durkheim's reckoning, value emerges from these solidarities; and in his writing on religion (2001[1912]) he portrays societies coming together in electric rushes of effervescence and fellow feeling. Durkheim held that religion was simply society reflected back on itself, and that effervescence was simply the thrill of melting into a collective and feeling the pull of solidarity. For Durkheim, value in society was a manifestation of healthy solidarities.

The idea of society as something separate or culture as a superorganic (Kroeber 1917) has not aged well. For the same reason that one cannot use only a material Marxist social analysis to describe people's lives, we cannot simply use Durkheim's idea of an abstract, set aside society. As Weber observed, while there may not be causal relationships between people's beliefs and their social reality, there are certain elective affinities (Weber 2002 [1905]:36); individual and group beliefs do seem to have some shaping effect on social life. For this reason anthropologists have tended to gravitate towards the work of Durkheim's nephew Marcel Mauss, and his contributions to French Sociology. In *The Gift: The Form and Reason for Exchange in Archaic Societies*, Mauss (2000[1950]) builds on Durkheim's notion of a social fact, and suggests instead a total social fact, or a moment when the entirety of social life comes together and remakes itself via the processes of gift giving and exchange. In this conception of social life we are allowed a few things unanticipated in Durkheim's sociology. First, exchange and movement allow for a theory of change. This concept is similar to the argument I made in the introduction of this dissertation in appending a theory of practice to larger epochal theories of history. Second, exchange and movement give a space for individual motivations, yearnings and lives to filter up and make larger patterns of social life. Just as there is space to imagine an individual, there is a space to imagine someone reflecting on his or her own life.

I will argue, in chapters on the private equity deal process, that conceiving of societies and systems in the vein of Durkheim and Mauss can be a particularly powerful social analytic, provided, of course, one keep in mind the fact that societal processes are not partible from the people that anthropologists talk about.

Cultural and Symbolic Systems

The above excursion into classic sociological theory explained some of the more common tendencies that come into play when social analysts attempt to explain how things have and hold worth in social systems. In practice, solidarity, the labor theory of value, and ethics and morality do not so much make separate and partible approaches to social life, but different tendencies in thinking about how the world works. In fact, many of the more insightful social analyses try to weigh and balance the sides of life these theories illuminate. One strand of anthropological theorizing has seized on Geertz's above articulation of a semiotic view of culture and explained that the symbolic conceptions that people use to understand their social worlds are in fact the core of any accurate description of social life. Sahlins' (1976) book *Culture and Practical Reason* specifically argues against classical economic ways of understanding a person. Sahlins suggests that there is no such thing as a rational individual decision maker, for all ideas of rationality, indeed any such concept receives its significance from the background noise and radiation of culture and meaning systems. Moreover, language is no stable refuge as meaning only occurs as a result of relative significance (Saussure 1986[1916]). Anthropologists such as Janet Dolgin similarly posit that there is no such thing as human life or culture without first mediating life through symbolic constructs (1977).

These are substantive claims, staking out intellectual territory. Economists cannot claim to be a basic or universal science of human social life because their hypothesized decision

making individuals are always embedded in local meaning making systems. Similarly, a biological reductionism would not be sufficient to give an accurate portrayal of human social life, because symbolic representation is somehow an emergent property of human sociality (cf. Sahlins 1976, 2008). Ultimately, this is an argument about how the world works and how we might best understand human action and groups. Yes, the notion of the labor theory of value and the mechanics of capitalism may illuminate or cohere historical trends in some mode of production, but people will always understand and act in their lives based on symbolic meanings systems. Some, particularly cognitive anthropologists (Holland et al. 1998), have developed systems, schemas, and modes of analysis for how individuals understand and fit into culture systems. Taking a different, more Maussian approach, David Graeber has suggested a synthetic theory of value, one that seizes on movement and circulation in social life and the advances of symbolic anthropology. I will be revisiting and elaborating on this theoretical approach in the chapter below on private equity ideas of value. For now, suffice it to say that Graeber's theoretical contribution to understanding what people find important in their lives is rooted in the ethnographically derived realization that human life in all places and everywhere is embedded in deeply felt meaning systems. For this reason, I find Graeber's approach to the analysis of social life to offer the best chance of describing with any degree of fidelity the lives of the investors I am studying.

Perhaps the most significant difference between classical sociological thinking and anthropological theories of symbols and values is the anthropologist's reliance on and access to the ever accumulating ethnographic record. Durkheim could posit some prior stage of mechanical solidarity both because it fit with a contemporary evolutionary sensibility and because there simply was not enough ethnography or archaeology to contradict him.

Anthropologists by contrast are involved in a dialectic relationship with the findings of their long term, immersive field work. This in turn lends a primacy to fidelity in social analysis to the way in which the people anthropologists study interpret social life. However, one problem with early symbolic anthropology was that it had a tendency to portray a static model or an ahistoric social world (cf. Roseberry 1982). As I noted in the introduction to this dissertation, the challenge when faced with a static model of society is to somehow enliven it and create a space for social change, and the heterogeneous population of the social world. This is what Graeber does in his theory of value, and this is, largely speaking what practice theory does for the anthropology of value.

Practice Theory

Anthropologists who are interested in issues of circulation, wealth accumulation, and value (and who have read Mauss) are keenly aware that a static map of a culture system does not explain why goods end up distributed the way they are in social life. This is where practice theory helps—the type of theory that shows how people make and remake their social worlds in the course of daily life. Bourdieu (1977), in his *Outline of a Theory of Practice*, critiques social analysis which did not pay attention to sequencing and time. To take one example, in the instance of a return gift obligation, the time at which one makes a return makes a difference. Even at the level of day to day pleasantries, sequencing, time, and process make a difference. If someone greets another person, saying hello and asks how that person is, this greeting demands a fairly immediate response (c.f. Goffman 1967). If instead the responder looks at the person inquiring, broods, reflects, and then answers after a few minutes of silence, one will have perpetrated a rupture in social life. The only exculpatory excuse one might muster is that one is out of sorts, not feeling well, preoccupied. Otherwise one will be marked as a rude or antisocial

and likely receive greetings less often. Time makes a difference in the immediate and in the delayed response with which someone answers a pleasantry. However, the socially significant difference is the amount of time in which the response comes. Manipulation of the timing between gift and return obligation makes up no small part of economic anthropology and the anthropology of exchange (Malinowski 1966[1922]; Strathern 1971; Weiner 1992). Just as the commodity following anthropologists observed that things take on different values in social life depending on where they are, being mindful of theories of practice reminds anthropologists that value is also a product of the temporal sequencing of social life.

David Graeber (2011) has made much of the idea that value must be realized at a particular time in his book *Debt: The First 5,000 Years*. Graeber argues that debt is best understood as a social relationship and obligation, one that is founded on a promise to reallocate wealth from debtor to lender. Put another way, debt is a social relationship premised on a hoped for future. This is why debt can bind and cohere, and bring an unpleasant (at least to the debtor) future into being. In another corner of anthropology, Miyazaki (2013) has described the ways in which arbitrageurs, financiers who make their money exploiting differences in the price of the same item in different markets, are able to do their work because of their understanding of how the future relates to their current search for value and profit. Miyazaki's arbitrageurs at various times believe that they can bring a harmonious, balanced utopian market system into being via their exploitation of inefficiencies across markets. For these arbitrageurs, their profit seeking in the immediate present allows them a timed process to create a valuable new world in the indeterminate future.

Value Redux

Private equity investors insist that value is central to the work that they do. Similarly, social scientists have spent a lot of time investigating wealth, production, circulation, in short the typologies and distribution networks of value in human societies. When private equity investors say they seek value in a company, the social scientists can recognize this as a complex symbolic assessment of a company, as well as one part of on an ongoing process of creating value, and investors. The point about process is an important bridge. Things, people, businesses, groups, and other beings or entities, only have value at a given time and place in social life. Neophyte investors made the point ably; there is a time value to investment intelligence. Now we turn to inventorying the social scientific tool kit for time.

3. Time

I do not take Bourdieu’s (1977) critique of social analysis that lacks a theory of time and sequencing lightly. Understanding how time is signified, acknowledged and reckoned in social life is essential to understanding the mechanisms of any system for producing and realizing value. As we will see in following chapters, private equity investors are aware of and have ideas for time and its passage in all the work that they do. Any adequate social analysis of their investing will have to appreciate the temporal aspects of their activity and reasoning. However, getting one’s bearing in the literature on time can be difficult. One often finds time to be a slippery concept or to mean several contradictory things (Munn 1992). Simply sorting through its usage in English can be difficult as ‘time’ can mean count, duration, repetition, a sense of history, or even a resource. Given the varied treatments that are possible, in what follows I will start by explaining some of the contours of debate in the philosophy of time, and then point to the different ways in which social scientists have described time. An eclectic borrowing from the

anthropology of time will allow me to make sense of the ways in which private equity investors constrain themselves and their investments by virtue of their own understanding of time and its passage.

The Reality of Time

Given that time, history, age, and all sorts of other temporal considerations suffuse our everyday lives, and given that many of us could hardly escape clock time if we tried, it can be unnerving to find that a good number of philosophers maintain that time is unreal and, "that all appearances suggesting that there is a temporal order to things are somehow illusory" (Markosian 2014). But this is the philosophical inheritance left by J. Ellis McTaggart in his 1908 article 'The Unreality of Time'. McTaggart starts by noting that our notion of time demands a past, present and future. He then identifies three conceptions of time, an A, a B, and later a C series. The A series is incremental time; it is any event's progression from past to present and ultimately to future. The B series by contrast is simply relative time. Something happens after something else. We are only alumni after we graduate—pure, ordered, discontinuous sequence. The C series is almost non-temporal; it is sequence lacking direction. If one were to run through the alphabet backwards, while the direction changes, the sequencing would be the same. McTaggart suggests that at a minimum time must consist of an A series and a B series. However, neither can exist by itself. A solo B series would simply be discontinuous jumps from event to event with no theory of change. The A series is necessary then for a B series to get from even to event. However the A series itself is internally contradictory, as any event will be past present and future at some point. McTaggart explains the dilemma as follows:

> The A and B series are equally essential to time, which must be distinguished as past, present and future, and must likewise be distinguished as earlier and later…We cannot explain what is meant by past, present and future. We can, to some extent describe them, but they cannot be defined. We can only show their meaning by examples. "Your

> breakfast this morning," we can say to an inquirer, "is past; this conversation is present; your dinner this evening is future." We can do no more…the distinctions of past, present and future are essential to time, and that, if the distinctions are never true of reality, then no reality is in time. [1908:463-464]

In distinction to most of the arguments that have and will come in this dissertation, McTaggart is offering a logical assessment of time. Given that time, the way he understands it, requires a past present and future, and some way of shuttling between these states, McTaggart finds he can come up with no satisfactory accounting for time, and therefore declares it is unreal. Surely anthropological analysis would be much simpler were fieldworkers able to banish contradictory meaning systems from fieldnotes. But alas—different disciplines, different methods. McTaggart's point, however, should suggest that anthropologists should be wary of any universalizing notion of time (*pace* Gell 1992) or squeezing time into some universally legible frame of analysis. This is the case since, even were we able to wrangle ethnographic data into such a coherent representation, time, as McTaggart understands it, is perhaps not the best way to explain the human experience of a temporal ordering to the world.

However philosophers ultimately resolve this logical conundrum, in addition to the caution with over generalization, McTaggart leaves a few other useful distinctions to social analysts. Noting the difference between the A series, the B series, and the C series offers a portable set of analytic distinctions. The A series is useful in narrating events and finding theories of causation. The B series gives a language for the more schematic parts of social life, such as rites of passage. And the C series gives a language for invariant sequence in which temporal ordering does not matter. So whereas time itself may not be real, McTaggart and philosophers following in his wake afford anthropologists useful caution and categories of analysis for considering time in ethnographic contexts in which people persist in acting as though time were real.

The Culturally Constructed Nature of Time

As I mentioned above, one approach to making sense of other people is Durkheimian social analysis (1982[1985]). In this conception of life, groups of humans have societies and societal bonds (solidarities) based on their density and level of technological development (Durkheim 1984[1893]). For Durkheim, the qualities of a society are near metaphysical (2001[1912])—society is an emergent characteristic of human groups, non-reducible to individual cognition; and each group has its own society whose underlying patterning structures much meaning in life. This idea of society and its order affords an intellectual tool kit which creates a society as an internally coherent unit of analysis. In other words, this type of social analysis can introduce a profound relativism and sense of the unique or preciousness of the society under examination. Since societies are sui generis, this approach is acceptable. In future sections I will point out the pitfalls of this type of societal analysis in relation to understanding different conceptions of time. For now though, it is worthwhile examining what anthropologists—particularly British social anthropologists--learned about time by taking Durkheim's invitation to see societies as internally coherent and individually particular social systems.

Within anthropology, one of the more famous accountings of time is Evans-Pritchard's (1940) explanation of its meaning for the Nuer. Evans-Pritchard described two temporal systems, that of ecological time, and that of structural lineage time. Ecological time referred to the way in which Nuer divided the year between rainy and dry season, and how this affected their settlement patterns and cultivation strategies. It entailed repeated cyclical rhythms across daily and annual periods. Depending on where they found themselves in ecological time, which arose from their geographic location in the Southern Sudan, Nuer village structure and locations would change,

and the type of cattle rearing and subsistence activities they relied on would change (cf. Mauss 1979[1950). Then there was structural or lineage time. Evans-Pritchard reasoned that at any given time there were four living generations (1940:106), and Nuer people understood themselves to exist in positions relative to their own sociological elders or youth. Things seemed to exist in a static B time series for the purpose of social analysis. Thus, people lived in two states simultaneously: one of repeated cycles and one of fixed social positions through which one passed during a lifetime. Evans-Pritchard also famously stated that rather than a sense for time awareness to which he was accustomed, Nuer were fortunate in having their two manifestations of time, for Nuer consequently must never have the feeling of hurry or being late, or punching-in. Nuer were fortunate for they only experienced ideas of time which were deeply intertwined in their sociological organization or in direct response to their immediate physical environment.

This habit of thought, looking for societally specific definitions of time, finds more general applicability in explanations of society that rely on special forms of ritual time. Often anthropologists will theorize that in the course of ritual some timeless or time-resistant ideal of society comes into being (Lévi-Strauss 1966; Turner 1995[1969]; Geertz 1973a; Bloch 1986, 1989; Gell 1992). Much of Bloch's (1986) work on circumcision ritual of the Marina of Madagascar points to the way in which symbolic relations of power remain relatively durable through time. Ritual affords an opportunity to pause ongoing time and reorganize the present to make it look like an idealized social reality. Ritual also affords the ability to bring two types of time together—idealized time and ongoing, messy, present social time. Bringing an idealized version of timeless social life into a messy present has its political uses as well (c.f. Bell [2009]1992). As we proceed in analyzing private equity investing, we will see the value of creating an idealized future embodying the promise of a particular investment thesis about a

company, and then using this idealized future as a justification for acting on the present. Chasing a utopic future, one in which companies are efficient and everyone makes money, is a large part of what private equity, and many other forms of financial investing are about.

This theoretical approach to social life has its limits, though. For one, there is not much of a theory of change. E.P. Thompson (1967) famously wrote about the way in which conceptions of time changed with the emergence of capitalism and the standardization of time reckoning via clocks and thereby factory work time. Another issue with this approach to social analysis is that it tends to make a group of people strange and radically separate, outside of history and oddly in their own time (Fabian 1983; Gell 1992; on Thompson specifically see Glennie and Thrift 1996). Fabian (1983) specifically makes the point that radical Durkheimian temporal relativism is part and parcel of anthropology's colonial inheritance, and a tool to make people look stranger than they in fact are.

Gell (1992) spends much of the first third of his book on time arguing against temporal relativism, suggesting that the time that people experience, whatever that is, is not relative. What is relative is the significance people give to it. People everywhere experience the same yearly round, only some people change their family's habitation with the season (Mauss 1979[1950]). While temporal relativism can be a powerful analytic tool in making sense of a group of people's conceptions of time, the social analyst must keep in mind the tendencies in anthropology to create a bounded, temporally weird other. In other words, this type of analysis can make people seem much more unusual than they actually are.

The Flexibility of People's Temporal Awareness

One critique of a homogenized sense of particular societal time is the simple fact that people are generally able to operate in and around a number of different temporal systems.

Evans-Pritchard's description of the Nuer existing in both ecological and structural/lineage time should suggest that the Nuer are not stuck in any one particular mode of temporal awareness. Furthermore, the fact that one of the times that the Nuer use is ecological time points to the way in which Nuer used a system of temporal awareness and significance that responds to their environment. Even the great theorists of ritual--Lévi-Strauss, Turner, Geertz, Bloch or Gell—all set ritual time against some more quotidian, everyday time, usually having to do with crops or markets, or politics, or some sphere of life that was not as ethnographically weird and thereby interesting. Glennie and Thrift's (1996) criticism and correction of E.P. Thompson's claims for a kind of capitalist time relies on the point that there was no epochal and total disjuncture at which point all time became capitalist. Rather, there were still other temporal rhythms in people's lives—religious, familial, etc., and capitalism's time was just one of many. Glennie and Thrift (1996) also point toward the need for more complex models of time and temporal complexity in people's lived world. The following discussion of Time and Space will pick up this mode of thinking about time. For now, though, it is worth noting one instance of the existence of multiple times in the anthropology of finance.

Miyazaki's (2013) account of arbitrage traders talks about how, for a time at least, the people who Miyazaki followed in Japan simultaneously believed in the possibility of a utopian future predicated on perfect market equilibria and an intractably fractious present. This fractious present had them participating in multiple markets in multiple time zones. They lived in a present and believed in an oncoming different future. In like fashion, many of the financiers I will describe operate on a day to day basis in a kind of frenetic A-series time in which time is carefully rationed and incrementally plodded through. These financiers also use epochal notions of time that more resemble the B-series—certain events, a market crash, say, followed by a

recovery, have a knowable, predictable sequence. Moreover, investors will make decisions based on either or both conceptions of time. They will assess an epochal conception of finance and investing, and practically plan action in the A-series. Much of my following chapter on time will show the way this distinction functions in the context of private equity investing.

The Relation of Time and Space

Since it is both empirically suspect and out of fashion, anthropologists should no longer presume that each society has its own singular and bounded sense of time. This is where the relation of time and space offers a useful theoretical intervention. When one sees time and space as interrelated, that a particular time has particular physical qualities, one is able to make complex and layered models of time.

Key to doing analytic work that seizes on the connection of time and space is the chronotope as developed by Bakhtin (1981). Bakhtin was a literary theorist, and saw the chronotope as a name for "the intrinsic connectedness of temporal and spatial relationships that are artistically expressed in literature…What counts for us is the fact that it expresses the inseparability of space and time" (1981:84; cf. Bear 2014:7). That is to say, one cannot consider time, in the context of a story, without considering its tangible, physical, and spatial qualities. Any event (or any investment) would have "its own *rule-generating force*, its own *order*…Events would end up being interwoven with these rules, and would find themselves participating in this order, subject to its ties" (1981:100). Taking one example, Bakhtin (1981:86ff) describes the time-space relationships present in 'adventure time,' a quality of time he finds in Greek romantic novels. In adventure time, space and time are essentially flat. We follow one intense story of a hero, but nothing around that hero changes. All is setting. In adventure time, things change for the hero but not for the rest of the world, its peoples, or its

nations. It is particularly noteworthy that Bakhtin develops this theory in the context of literary criticism and in relation to the bounded universe of literary stories. Much of the data this dissertation is based on comes from the stories and arguments investors have with each other. I will be identifying the tropes of time with which they make sense of their investments. I will argue that the particular time in which they situate their investments has constraining qualities on the action they take. Put another way, the stories investors tell themselves happen within something like a chronotope, an assumption of a quality of time (not adventure time, but recession time, or boom times maybe) that has direct, tangible effects on the qualities of potential investments.

Given that time and space are interrelated, and given that people make temporal assumptions about the physical qualities of life is, chronotopic thinking is a useful analytic approach, one that makes descriptions of how people see time as being much more believable than older mentalist, society bound ideas of time. Yet we need to make one further intervention to avoid flattening people into one chronotope. This is where Laura Bear's (2014, 2014a) writing on timescapes is useful. In a special issues of the *Journal of the Royal Anthropological Institute*, Bear essays to understand the qualities of modern time. Specifically, she wants to know how it is that people who labor are made responsible for aggregating and ordering the various time demands present and lined up in capitalism. To do this, she develops the idea of timescapes, actual physical landscapes containing elements that function in all sorts of different timescapes. She describes the Hooghly River (2014:80-81) as one such case. The Hooghly has all sorts of accretions—wrecks, buoys, seasonal and tidal variation, as well as religious significance. Pilots have to weigh and consider all these different temporal rhythms, in addition to the imperatives of capitalism if they want their cargo to arrive on time. Bear's innovation is the observation that,

yes, components of a given landscape do work on their own time logic, and we can conceive of the larger collection of these temporal elements as existing in a timescape (cf. Lucas about palimpsests and the layered times of archaeological sites 2001:37ff). In Bear's reckoning of capitalism, the timsescape is the space in which people work and become responsible for the varying demands of different chronotopes. In any given timescape, different temporal considerations come in and out and interact. Moreover, the dictates of capitalist time often run counter to the natural or vital rhythms that end up getting subsumed in industrial or business processes, In subsequent analysis, I will show the ways in which private equity investors orchestrate different people, processes, and businesses, all of which have different temporal logics attending their actions.

The identification of the time's relationship to space in a given chronotope allows social analysts to break out of a purely mental conception of time. The combination of different chronotopes into a timescape breaks away from a bounded and neatly contained idea of time. Ultimately this idea of time, that which is contained in a timescape will be analogically useful in explaining all the juggling that private equity investors do when they try to pull off an investment.

Time as a Sense of History

One final manifestation of time in social analysis is time in some sort of a historical sense. This is time as the past, future, and perhaps more importantly what the past and future have to say about the present. Both Eric Wolf (1982), and Johannes Fabian (1983) have explained the deleterious effects of anthropological analysis conducted in the eternal ethnographic present. When anthropologists examine people, and create a static model of their social life, anthropologists effectively erase their past and future. In addition to being bad social

science, these approaches leave little space for the dynamic uses and understandings of the past, present, and future, of history, that people have. I acknowledge that the literature on history (perhaps also thought of as what happened before the anthropologist arrives on site) even from an anthropological perspective is vast and I have no hope of giving it adequate coverage in a few pages. Instead I will explain some of the ways anthropologists have talked about the instrumental use of the past in social life. This will help to appreciate how private equity investors make use of their own past experiences when arguing for and justifying their own investment decisions.

I have already mentioned some of the instrumental uses of ritual in social life (cf. Bell 2009[1992]), and suggested that people use ritual to invoke a particular, perhaps sacred, ceremonial, special or older, social arrangement in the present (as in Bloch 1986). Anthony Wallace (2003), in his theory of cultural change and revitalization movements suggests that people, specifically prophets, put history to similar instrumental use. Wallace, who uses a homeostatic model of cultural systems, suggests that relatively stable cultural systems occasionally encounter stress of some sort or another (perhaps indigenous Americans dealing with European contact), and the cultural system, as represented by people's mazeways, what Wallace calls people's individual mental maps, stop working right. Wallace suggests that when a culture system is under stress eventually a prophet (cf. Weber 1993[1922]) may emerge to save things. At this point the prophet will argue for a reformulation of people's mazeways to cope with the new stressful facts of existence. The purpose of the prophet's mazeway reformulation is to change as little as possible so as to preserve as much as possible. The prophet will claim to be the true voice of tradition and whatever is essential and authentic in the culture group, and this in turn will allow the group a rebirth. While Wallace's idea of homeostatic, relatively bounded culture systems is passé, his point about the use of the past is still relevant. In his formulation,

prophets and revitalization movements are persuasive because they can formulate and speak for a dear or authentic version of a group's identity and past. In turn, the revitalization movement turns on returning to elements of an idealized past that the stressful current moment has pulled people away from. Handler and Linnekin put it nicely: "we suggest that there is no essential, bounded tradition; tradition is a model of the past and is inseparable from the interpretation in the present" (1984:276 cf. Hobsbawm 1992[1983] and Trevor-Roper 1992[1983]). This is exactly the use of the past that Wallace cites in his revitalization movement.

This idea of tradition as productive in the present can also be read in physical form and in a place. Abercrombie develops the idea of social memory, or "context-linked enactments of collective meanings, whose authority lies in its supposed source in the past" (1998:448). As with the chronotope, in this idea of social memory, time has a certain inextricable relation to physicality. However, unlike the chronotope, social memory requires that ideas about the past be read in a particular landscape. This is the difference between reading a history of economic decline in the burned out landscape of Detroit, and deciding that one should not buy stock because it is recession time. The chronotope suggests a more general relationship to the physical. Social memory enlists a particular place.

Temporary Coda

Given that time may not be a good (or at least universal) concept for describing the temporal aspects of social life, it falls to anthropologists to build models of local systems of meaning. When the subject is time, anthropologists have developed tools that allow them to break from bounded relativism and see how timescapes can be confusing and complicated. People can use the past instrumentally, and seem to see physical characteristics as tethered to temporal phenomena. In coming chapters, as I describe how private equity investors understand

different temporal systems, these complex theoretical tools will be indispensable. Private equity investors juggle multiple times across a volatile investment timescape. Private equity investors also look to the past to justify action in the present.

Taken together, the above anthropological inventory of value and time gives an appropriate grounding for analysis and comparison of the ways that private equity investors make money. In the two chapters that follow I will show what the conversation about value and time looks like from the point of view of private equity investors.

Finding Value: Secrecy and Private Equity[18]

[Toro 2012]

Writ large, if we take society as a "long conversation" (Bloch 1989:10-11), then the society of private equity investors is talking endlessly about value: What is value? How does one know value when one sees it? How does one create value? How can one monetize value? What is private equity's role in value creation? One informant went so far as to describe value creation as the great existential question in private equity. Private equity investors are moving from things they know about value—the aesthetic cultural assumptions about what is worthwhile in this world—to questions of making money from value, as this is the final arbiter of what is and is

[18] I presented a version of this Chapter at the American Ethnological Society Spring Meeting on April 11, 2014.

not valuable to an investor. Abstracting for a moment, knowing how private equity investors recognize, create, and monetize value allows us to see how exactly they evaluate investment opportunities, and in turn how they decide among possible future worlds which ones are worth spending time on (more on this in the following chapter). In what follows, I will review some informant theories and anthropological theories of value to sketch out the movement from aesthetic nonspecific ideas of value to monetary instantiations of value, and then back again.

1. Finding Value

The naiveté of an anthropologist can be astounding. I knew I wanted to learn about private equity, and yet, at the start of my project I had no idea that value would be an omnipresent topic of conversation among private equity investors. So I was not ready when the concept started taunting me. In June of 2012, around two months into my fieldwork I found myself in the posh grand ballroom of a New York City university club, handing out color-coded name badges, programs, and advertisements to participants in the New York One Conference (Table five of methods Appendix II). I had agreed to work for the day in lieu of the $975 ($1,275 the day of) charged for a regular admission ticket[19]. The purpose of the forum was to bring together people with money and people who need money, that is, entrepreneurs and business owners on the one hand, and investment professionals on the other. The day was structured into a steady rhythm of four 12 minute presentations followed by 15 minute networking breaks. The presentations started around 11:30 AM, and were done by around 5:00 PM at which point the conference moved to a library room, with a bar and live jazz. New to the project, new to networking, and still getting my feet about what exactly I was studying, I tried to explain to a couple of folks that I was an anthropologist interested in why and how private equity investors buy manage and sell the

[19] Though my informant, who worked at a big bank, was offered admission at $75.

companies that they do. Shortly thereafter I met the only openly hostile person I met in the course of the whole study.

A sloppy besuited old man walked up to me and a woman with whom I was talking. The woman had just finished a master's in finance and was curious about my project. The man asked a perfunctory question about what I was up to at the conference, and then cut me off as I started to answer. He then started talking to the master of finance and observed that even though this woman's English was not that great she actually knew the meaning of the words she was using, unlike me. As irritating as this was at the time, the guy was probably right. I was still trying to figure out how an anthropologist studies private equity investors. So I said fine, if you were doing a study what would you think was interesting. He said he would pick something like value—that would make a good thesis (cf. Ortiz 2013:64). Then he shifted his body and cut me out of the conversation. I went and got another drink and talked to an entrepreneur about his start up.

And in an odd way, the one obnoxious person I met in the entirety of my project was right. Arguments about value, how to create it, how to spot it, how to turn it into money, ended up being central to the ways in which investors decide what companies they are going to buy, how to manage them, and ultimately when is the right time right to sell them. In what follows I am going to talk through an example of a private equity firm buying a company, pointing out the way in which they created a value story, an investment thesis, for a logistics company that they bought. The premise of this story was that they were identifying value that no one else could see. This will lead into a discussion of value theory and secrecy and ultimately a discussion of the ways in which private equity investors use the concept of value to pick from possible futures and make investment decisions. I will point out that notions of value, both anthropological and

native, are best understood when we think about secrecy and how access to information structures possible judgments of value.

2. So I've Got a Port to Sell You

I ended up with 661 instance of value in my field notes, across interviews, conferences, and informal field work, and was able to reduce that to 182 different statement of what value is (see Value Appendix IV). In what follows I will recount an investment story told to me by one of my best contacts, Alvin, whom I have interviewed at length four times. Alvin is a few years older than I am, and I met him through a friend from school. When I met Alvin, he was an analyst, the most junior role at a small, middle market private equity fund. More recently Alvin moved into a management position at one of his firm's portfolio companies at which his hours are much less crazy. The following story is interesting because Alvin explains what he sees as the things that would prevent other private equity funds from seeing the value in this logistics company.

> Daniel : So the next one would be could you give me an example of when you decided to buy a company and why?
>
> Alvin: Yeah
>
> D: So the shipping company could
>
> A: Yeah remember we had a relationship with them for seven years. Probably six or seven, they tried to buy em one time before. Frankly they flunked due diligence. They didn't really have a CFO[20] had a third party accountant who did their financials for them and were terrible. No one knew what the company was making. [There was also some "family stuff"]. And so all these things, one of those things we had good numbers, some of this stuff was going on. Let's stick around for a few years. We're not going anywhere. We're still interested. And let's talk again so we talked again. They changed all the things they needed to change, they were getting audits every year.
>
> D: The guy…was looking for like a liquidation event? Liquidity event. He was looking for an exit[21]?

[20] Chief Financial Officer.
[21] Exit and Liquidity Event are terms that refer to the sale of a company by which an owner gets out of a company and gets paid.

A: Yeah yeah.

D: That was the relationships? How did he find you guys?

A: They'd hired an investment bank. Back six seven years ago to do this, they reached out to us. This is the kind of business that very few private equity groups would, especially back in the heyday when everything was getting bought and sold [before the 2007/2008 subprime crash], it was going to get swept under the rug

D: Because of the family thing, because of the…?

A: Well because it didn't make sense to a lot of people. Looked very low tech warehouse-y. It was a feeding frenzy out there. Not just tech, this is a, there is no sex appeal in this company, none at all. No one looks at this company and says aww man that looks interesting.

D: You gotta explain to me sex appeal.

A: There are businesses out there you look at them and say that's cool, you're doing something that's different I get it like, it's interesting, I like what this business does. If you drove out to see […] their headquarters […] half of the [private equity investors] would have turned away, I tell you

D: This is the epitome of no sex appeal, a warehouse business?

A: There were cats everywhere, like stray cats.

D: [laughs] that is so funny

A: And it's this run down warehouse, they had other warehouses around the country that were nicer and they had third party distribution, some air freight stuff, lot of other stuff, where you would have gone to see the business it's just, your average private equity guy, I didn't go to Wharton for this bullshit[22]. I want to see…

D: They're missing out

A: That's the thing, it's seeing the value in something that other people don't and the irony is…

D: You guys passed it up the first time

[22] Wharton is the business school of the University of Pennsylvania. Along with Harvard, in the world of Private Equity it is arguably the most prestigious place from which to get an MBA.

> A: Yes and no, we didn't, we said let's keep talking, we can't buy you as is, we would have gotten sued by our [Limited Partners[23]] We would have violated fiduciary responsibilities. You can't buy a company that just flunks financial due diligence. Did you have six million or 12 million EBITDA[24] …so that's how that all kind of shook up. He was good as his word he kept close to him. They got that sorted out and we got through the depths of the recession, he said let's talk about it and we got the numbers and we did a one off, and we bought it for what we said we'd buy it for. [October 31, 2013, 40:15-44:38]

So, Alvin notes that there were a few times in the past when they could not tell if it was valuable enough to buy. Alvin also points out that one way Private Equity investors determine value is the sexiness of a company. It does something they find interesting, and is the opposite of a dilapidated, family-owned, financially dodgy, warehouse business, complete with stray cats. Alvin feels that someone with an MBA from Wharton would find all this beneath him or her[25], and consequently miss the opportunity Alvin's firm found in the company[26]. These reflections on the variable perception of value in the logistics company at different times and from different people's vantage points, offer an excellent lead in for a discussion of what exactly finance people mean when they use the term value both pragmatically and meta-pragmatically.

[23] Limited Partners are the university endowments, pension funds, insurance funds, sovereign wealth funds, and rich people that promise money to private equity firms to invest.

[24] Earnings before Interest Taxation Depreciation and Ammortization. This is a measure of earnings that private equity investors pay a lot of attention to because it focuses on the amount of cash a company has on hand to prioritize and pay its debts. It ignores other measures that would normally be counted against earnings (taxation, interest, depreciation, and amortization).

[25] At other times Alvin and I have talked about the MBA's curse—after receiving a prestigious MBA one flies to high and cannot do the pedestrian work of running a business. One simply wants to have big ideas and make other do them. Alvin also is given to explaining why he is not getting an MBA and does not see its point. For many in the industry, however, one must have a prestigious MBA to advance.

[26] As it turns out, Alvin has many feelings about MBAs. As he reviewed the dissertation, he said that it is not so much that educated business people look down their noses at this kind of a business. It is more that MBAs are always looking "toward the future" and focusing on "growing industries". He pointed out that he worked with MBAs, even on this deal. He also suggested that all this might have to do with his own insecurity. It does bear noting that having an MBA is not required in PE. As my sociological appendix bears out, it seems reasonable to assume that just over 50% of PE people, VP and up, have an MBA, with a lot of variation from firm to firm. He also said that, "Alvin believes those grapes were probably sour anyway".

3. Value, Value Theory, and Secret Value

In the above extract, Alvin was kind enough to explicitly say that his firm buying the logistics company was due to their seeing "value in something that other people do not." In fact, and unprompted, the people I am studying use value all the time. I do not ask specific questions about value. I just ask people to tell me about their work, their lives, and the companies they invest in. In fact, the concept of value, recognizing value, understanding value, is often the pivot of a story, as in Alvin's explanation. So what is going on here? What do investors mean by value?

David Graeber has recently observed in an essay called "It's value that brings universes into being":

> The entire field of anthropological value theory since the 1980s has been founded on a single intuition: the fact that we use the same word to describe the benefits and virtues of a commodity for sale on the market (the "value" of a haircut or a curtain rod) and our ideas about what is ultimately important in life ("values" such as truth, beauty, justice), is not a coincidence. There is some hidden level where both come down to the same thing. [2013: 224]

By and large this heuristic, value as in the value of a thing to be purchased, and value as something a bit more inscrutable that is cherished or noble or worth devoting a life to, points to the ways in which investors use value. Value always needs to be translated. Despite Graeber's claim that "The value of 'values' in contrast lies precisely in their lack of equivalence" (2013: 224), for investors, value *always* needs to circulate from the realm of the noble and the aspirational to the realm of price—that is after all how one keeps score (Smith 1976; Brooks 1987). To reiterate, for investors there *must* always be an equivalence between value and values. What is more, arguments about what is valuable allow private equity investors to readily convert value into wealth. This cycling of value into wealth is ultimately what financiers generally and private equity investors specifically do. Similarly, Miyazaki observes that arbitrageurs need to

toggle between the explicit values of futures contacts and the value of their underlying asset (2013:47). Karen Ho (2009) has made emphatically clear the power arguments about value and shareholder value can have among investment bankers and their society. Caitlin Zaloom (2006:19) has observed the use in trading value in the form of futures contracts, separate from their commodity substrates. So private equity investors' understanding of value is step one to seeing how they buy, manage, and sell companies, controlling around 3.5 trillion dollars in wealth (Fogarty 2014: 4 & 14), and doing 2,836 buyout deals and 5,979 venture deals (Fogarty 2014: 4 & 85-98), all in 2013.

As noted above, value showed up around 661 times in my notes across 182 different instances. The overwhelming picture that emerged is that value can be reduced to two big reciprocally related tropes: 1) abstract value which always needs to be turned into 2) accountable value. We will start with the more abstract concept, probably corresponding more closely to Graeber's values as opposed to countable value: One can feel the value of a deal; or value can be captured; a clean company has understandable risks, a clean company has value. Of course value and money often are reciprocal: Money has a time value—it is worth more now than in the future; the future price of doing business affects the current value of a business; or when value is pursued over the short term and at the expense of the long term it can be seen as shortsighted and greedy. These notions of value as abstract, or non-count and non-priced, speak to the metaphor work and sequencing that are both necessary and prior to converting value into money. As Sahlins noted, "… there is no material logic apart from the practical interest, and the practical interest of men in production is symbolically constituted" (1976: 207). In Alvin's case, his firm saw the potential for value as something hidden, something that other credentialed investors would not see. They read the warehouse company in a way other investors did not, and came to

the conclusion that it was worth something and would be worth something. Alvin's firm could see past the cats and the questionable finances and the distinctly un-sexy warehouse into the realm of value.

But this vision is never enough. At some point figured and metaphorical processes must convert into the tangible, in this case, money. This is where the second, related way of looking at value enters. This is where value need turn into something countable, that is, money. Value can be quite pedestrian. People I talked to were specific about the actions or things that convert value into money: the price value of a company is known from three to five years of financials or the amount of debt to EBITDA[27] a company can take based model[28]; or value from a business risk perspective can mean industry sector, competitors, market position, profitability, liquidity, management, governance, and financial sponsorship; or most simply, value is a thing one demonstrates by making money on investments. Then there is the even more specific realm of value and the investment firm: again, how one creates value—borrowing money, that is, leverage versus changing how the company does business, that is, operational change—this is the big existential PE conversation happening right now; or a private equity firm's value can come from having invested in a lot of business previously, thereby knowing best practices, other people's ideas, accounting and finance; or two big things PE does is capital structure [29] and add value—if one cannot do those one should not be in PE. All told, this side of value has to do with known processes and known heuristics that express value in an eminently pedestrian and relatively noncontroversial fashion.

[27] Again, Earnings Before Interest Taxation Depreciation and Amortization..
[28] Financiers generally, and Private Equity investors specifically will make interrelated predictive spreadsheet models of a company's performance. These models both serve as an argument for how a company might perform in the future and a technology for testing a company's ability to handle any number of future exigencies. For example, one could see what would happen to a company's profit were one to double the interest it would need to pay to service its debt. EBITDA would and IRR might show up on one of these models.
[29] Capital structure is a combination of the debts a company has and the way it manages those debts.

These two valences of value, the near mystic aphorisms and their relations to time on the one hand, and the practical enumerative proscriptive framing of value on the other, sketch the way that value ideally cycles into wealth for private equity investors. Yet there is more to this. Not everyone has access to the financial statements and records of a private company. Not everyone sees the same information which might allow them to make value stories about fought over companies. Even if they have a company's dearest internal records, not everyone knows how to interpret this information or whether it is even important and counts in the conversation. Not everyone can see past the cats. In that same essay, Graeber suggests that we see "society as an arena for the realization of value" (2013:226). That these societies might be, "imagined as a kind of game where the players are vying to accumulate some form of "Capital," but at the same time there is a kind of higher level game of dominance, subordination, and autonomy …"(2013:228). That they are vying for capital is the obvious glib answer to why private equity investors invest the way they do. But here, for a moment, it is worth working backwards through some of the reasoning and scholarship that allows Graeber to imagine social life as game in which people compete over what is valuable as well as the right to assign value. This will help us as we go forward, especially when I am arguing for how to best understand a private equity deal—the whole sequence of buying, managing, and selling a company.

Over a decade before publishing the above essay on value, meant to clarify some of his theoretical claims, David Graeber wrote a book, *Toward an Anthropological Theory of Value: The False Coin of our Own Dreams* (2001). In it Graeber argued for a synthetic approach to understanding social life, one that combines theories of value, what people find important in their lives with anthropological theories of exchange, theories that describe the movement of goods and people in social life. Both theoretical traditions draw on issues long of concern to

anthropologists. Taken together, a theory that explains not only the flux and flow of wealth in human life, but the reasons people think that wealth is important in the first place, bring us back to the foundational work, at least in anthropology, of Marcel Mauss's *The Gift: The Form and Reason for Exchange in Archaic Societies* (1990[1950]). In *The Gift,* Mauss was bringing together some early ethnographic studies and puzzling through the fact that gifts are personally demanding and require some kind of return. There is a universal phenomenon of giving, receiving, and reciprocating and giving a gift demands some kind of socially acceptable return thereby creating the grounds of and logic for ongoing relationships (cf. Parry 1986). Cycles of exchange have a tendency to grow and pull in all forms of social life. In later chapters I will engage more closely with Mauss's ideas about why gifts are given, and how some exchanges take on an overwhelming importance in social life that they earn the designation, 'total social facts'.

In his invocation of anthropology's past, Graeber points to a never completed project of Clyde Kluckhohn to establish an anthropological project that would show, "what makes cultures different is not simply what they believe the world to be like, but what they feel one can justifiably demand from it ... the comparative study of the practical philosophies of life" (2001:5). This is anthropology as the comparative studies of value. But Kluckhohn lamented that, "When it comes to intrinsic or "absolute" values, it must be admitted that methods and concepts are not yet available," but that "The norms for ethical conduct are to be discovered from the ascertainable knowledge of man's nature, just as the norms for building a bridge are to be derived from physics" (1963:243). It is out there, but as of 1963 anthropologists could not quite grasp a comparative theory of value. Fortunately for Kluckhohn, anthropology has made much progress in the half century since Klukhohn's above cited book, *Mirror for Man* came out.

It was symbolic anthropology particularly that allowed an anthropology value to have a stable empirical foundation.

In ‘Thick Description: Toward an Interpretive Theory of Culture’, the introductory essay of *The Interpretation of Cultures*, Geertz offered a “semiotic” definition of culture drawing on the ideas of Max Weber, a sociologist who had argued that the particular commitments to predestination nestled in Calvinism led to ideas about the future and saving money that was particularly congenial to capitalism (Weber 2002). For Weber, values shaped social life. Geertz drew on this tradition, “believing, with Max Weber, that man is an animal suspended in webs of significance he himself has spun, I take culture to be those webs, and the analysis of it to be therefore not an experimental science in search of law but an interpretive one in search of meaning” (1973:5). This is a fuzzier version of the Sahlins quote I offered above. That Sahlins quotation came from *Culture and Practical Reason* (1976), a book concerned with arguing that, far from self-interested individual actors, all human ideas of significance and meaning come from symbols which are products of the shared language and meanings systems people have (cf. Saussure on Invariance 1986[1972]:71ff; cf. Dolgin et al. 1980). Geertz and Sahlins in turn embody two different ways that anthropologists have gone in attempting to study symbol systems, and in turn value. Following Geertz, some anthropologists tried to gain “access to the conceptual world in which our subjects live,” (1973:24), by treating cultural products as texts (Roseberry 1982:1017). This led to a stream of anthropology in which reporting work took increasingly varied narrative forms, attempting to manipulate language and play with the form of ethnographic representation such that anthropologists could represent different cultural systems and forms with greater fidelity (Clifford and Marcus 1986; Marcus and Fischer 1999). Following Sahlins and Saussure, another stream of anthropologists have sought to systematize the search

for symbol, meaning and value by way of schema or culture scripts (as in Holland et al. 1998, Holland and Quinn 1987, Ortner 1989, Sahlins 2004). Other anthropologists have picked up on the typology of signs that philosopher Charles Sanders Peirce developed, and described their ethnographic data according Perice's systems of signs (Daniel 1984, Povinelli 2011:88f). The use of Peirce's typology of signs allows for both a nuanced discussion of the function and nature of particular symbols, as well as a vocabulary for cross case comparison. Whichever way anthropologists have approached the imperative to think of human culture systems as made up of group-based, symbolic meaning systems, it is clear that anthropology has come a long way since Kluckhohn's lament about not having the tools to study value comparatively. My inventorying of the various forms value and time takes for private equity investors fits neatly into this tradition.

Exchange theory talks about life in motion. It has a rhythm and a plot. Mauss, in *The Gift* (1990[1950]) reviewed a number of systems of exchange, such as the competitive, destructive potlatches on the American Northwest coast, whose goal seemed to be to crush rivals under the weight of return obligations, and was largely documented by Franz Boas (1970). Another case that Mauss pays a lot of attention to is that of the Kula exchange in Melanesia which provides a vantage point on what exchange theory is capable of illuminating about social life, and how it has evolved. In anthropology, Malinowski (1962[1922]) first reported on the Kula exchange. He noted that it was a "form of exchange, of extensive, inter-tribal character…carried on by communities inhabiting a wide ring of islands, which form a closed circuit" (1962[1922]:81). The exchange itself was made up of two types of jewelry, 'soulava' or red shell necklaces travelling clockwise from island to island, and 'mwali' or shell necklaces travelling counterclockwise. "Each of these articles, as it travels in its own direction on the closed circuit, meets on its way articles of the other class, and is constantly exchanged for them"

(1962[1922]:81). The exchange of necklaces and bracelets is no mere hobby: Kula traders make lifetime exchange partnership, and "side by side with the ritual exchange of arm-shells and necklaces, [traders] carry on ordinary trade, bartering from one island to another a great number of utilities, often unprocurable in the district to which they are imported" (1962[1922]:83). It was the comprehensive nature of the Kula exchange that interested Malinowski and prompted Mauss to include it in *The Gift*. It was no simple exchange; rather the Kula brought together different aspects of social life: special trade relationships as well all manner of other trade. Malinowski also observed that, "the Kula is not done under stress of any need, since its main aim is to exchange articles which are of no practical use" (1966[1922]:86). Elaborating on the use of the shell necklace, Malinowski reported that "they are used with the most elaborate dancing dress only, and on very festive occasions such as big ceremonial dances, great feasts, and big gatherings where several villages are represented;" (1966[1922]:87). Going on, he noted that "with reverence [the owner] would name them, and tell their history, and by whom and when they were worn, and how they changed hands, and how their temporary possession was a great sign of the importance and glory of the village" (1966[1922]:89). What Malinowski was picking up on was the way in which a particular item could hold value for a group of people despite it having no (to him at least) easily recognizable pecuniary worth. Why go to all the trouble to sail dugout canoes over treacherous seas to haggle with trade partners over shells that by definition one could not keep indefinitely? Anthropologists since Malinowski have considered this question (e.g., Weiner 1992; Munn 1986). Graeber in summarizing Munn gets at her contribution. He notes that in Munn's telling if "someone else hails from overseas, giving food creates alliances that one can then activate so as to act on increasingly higher levels of exchange more durable

valuables like shell ornaments or canoes, and by doing so exercising even greater control on intersubjective space-time" (2001:44). Crystalizing her argument, Graeber points out that:

> Munn starts from a notion of activity. Value emerges in action; it is the process by which a person's invisible "potency"—their capacity to act—is transformed into concrete, perceptible forms. If one gives another person food and receives a shell in return, it is not the value of the food that returns to one in the form of the shell, but rather the value of the act of giving it. [2001:45]

And here is where we see the full potential of the value theory that Graeber is describing. It lets us see a picture of social life in which we can both pay attention to what stuff people find important and then how they act in the world via the precepts of exchange that Mauss identified (giving, receiving and reciprocating). Paying attention to objects, people, and wealth in motion too, gives a physical, tangible analogue to the maneuvers that private equity investors embed in their language about value. The Kula is a particularly good example of an exchange for understanding what happens in a private equity deal. Sometimes there are sequences of exchange in which wealth and power are shuffled around social life in such a way that the act of exchange draws in all sorts of people in a given society. Ostensibly, Trobrianders are just trading bracelets and necklaces. But it turns out those exchanges precipitated feasting and voyages alongside which all sorts of other less prestigious exchanges and interaction happen. Those necklaces and bracelets carry histories, told with pride, and are the physical instantiation of one's past exchange relationships, one's ability to trade in the future, and one's social potency, what Nancy Munn would call one's or one's community's "fame" (Munn 1986). As I will demonstrate in the coming chapters, Mauss noted special qualities for these types of overwhelming exchange that draw in and rearranges lots of people and wealth. He called them total social facts. For now though, it is worth observing that in using Graeber's ideas of social life as a game or contest or tournament of value (cf. Beidelman 1989, on agonistic exchange), I am explicitly linking private

equity investors' hunt for value to larger anthropological inquiries into the nature of value and the dynamics of exchange. Once we have an idea of how a group sees value, we can start to observe the logic of exchange in their social life. This, in turn is a good place to pick up with private equity investors' seeking and finding value, and adding some considerations to Graeber's idea of social life.

A good place to start with learning about why private equity investors act the way they do, is to understand the nature of private equity's competition over value, that investors argue about and create value and then turn it into wealth. What we also need to realize is that the information they need to create and find value is not easy to obtain. This gets us to a place where the sociological thinking on secrecy is helpful. After all, in the first instance, before money is made, private equity investors are competing over pitch books and proprietary data rooms, financial statements and time to understand them. They are competing, bidding, over the knowledge that lets them devise investment theses and plans. They are competing over the raw material that lets them predict the future, thereby creating and cashing in on value.

In his article "The Sociology of Secrecy and of Secret Societies," Simmel is keenly aware of the value and unequal dispersion of knowledge in social relationships. He writes, "relationships … as a matter of course, [rest] upon the precondition that they know something about each other" (1906:441). Furthermore, "Confidence [in knowledge of another], as the hypothesis of future conduct…is sure…to become the basis of practical action" (1906:450; see also Luhrmann 1986). So for Simmel, knowledge of another makes the confidence that is necessary for any kind of social relationship. Since relationships and social action are based on knowledge, this is why variable access to information, this is why secrecy, is so profound an element of social life.

> Secrecy secures, so to speak, the possibility of a second world alongside of the obvious world…Every relationship between two individuals or two groups will be characterized by the ratio of secrecy that is involved in it. Even when one of the parties does not notice the secret factor, yet the attitude of the concealer, and consequently the whole relationship, will be modified by it. [Simmel 1906:462]

If one does not have the information or the tools to value a company, one's assessment and efforts at the creation of value will not result in profit. Writing on Simmel, Hazelrigg notes "The secret is the ultimate sociological form for the regulation of the flow and distribution of information" (1969:324). If Private Equity is to convert value into wealth, then the investor must work through the problem of secret knowledge. Merten's account of the Enculturation into Secrecy among Junior High School Girls neatly encapsulates Simmel's observations, the dilemma of private equity investors, and even the data gathering dilemmas of studying people who are hard to access. Secrecy for lots of people is part and parcel of navigating everyday relationships.

> One approach to illuminating the tacit meanings surrounding secrecy is to consider what meanings secrets indexed…Once a girl learned the meanings that possessing a secret indexed, she could manipulate those meanings. This was the case, for example, when Gina said she was sworn to secrecy by a popular girl. In doing so, she did not make an outright claim of being the girl's best friend, but because important secrets (those that girls were sworn to secrecy over) were seldom shared with anyone other than a best friend, that was the meaning her claim indexed (see Corsaro and Rizzo 1988). So Gina used this alleged secret to index that she was Carley's best friend—a claim that if articulated explicitly would have provoked a challenge. [1999:130; see also Gusterson 1996: chapter 4]

What I am suggesting is that Private Equity workers collect secret knowledge in order to make arguments about a firm's value—investment memos, letters of intent, investment theses—arguments that ultimately move investment firms to spend and borrow lots of other people's money to buy someone else's business. An interview I conducted with a man who has roles as a bank lender, in a private equity firm, as a consultant, and finally as a for-hire Chief Financial

Officer, elaborated on the nature of this secret information. Lou was explaining to me the situations in which a company might hire him to be its temporary Chief Financial Officer:

> Lou: Or it's a situation where this is the kind of company where there are a lot of potential buyers and we can maximize value by getting the word out to all these potential buyers who will hire investment bankers to help us run that process
>
> Daniel: Thinking about this kind of list you have in your head and you go through this process of getting a company ready, the things you look for, can you give me an example of things you always find
>
> L: always a problem yeah, [pause] lots of things
>
> D: [Laughs]
>
> L: Trying to think of the,
>
> D: go into list mode if you want
>
> L: Probably the most common is the inability to understand what is really driving financial performance of a company. Most operators of medium sized companies, they've been successful but they don't really understand where their profits are really coming from. I know that sounds kind of dumb. But I think that is a fair way of putting it. So for example, they sell product or services to 100 different companies and they're constantly looking for new customers, and they're out there, and what they don't realize is there's only 20 of their customers providing 100 percent of their profit and the rest they're losing money on. Sort of a simplistic example.

Note, from a private equity perspective, there is a hidden way of understanding how a company makes money that is beyond the understanding of most entrepreneurs that Lou has encountered.

> D: They're not thinking about it in terms of the amount of money they're putting in with a particular or the amount of work they're putting in with a particular client vis-à-vis the return on the particular client. They're looking at in an aggregate sort of thing, where we're doing all this work and all this work generates this.
>
> L: Correct. I think that is a very fair way of putting it. For example I was having lunch with a friend today, she's the part time controller of a former client of mine that I've sold. So the new owners, they've been owning the company for three years now and the company's profits went down this last year. She goes, 'I'm really dreading the meeting cause they want to know why our profits went down, and I don't know.' How can you not know? You just do the analysis. It's like that, we're trying to figure out why we're less profitable than we were last year. That's a fundamental problem (it's different in their case) but if you're going to go sell your company and your profits are up or

> they're down and you can't explain to a potential buyer why, other than saying our sales went up, or our sales went down. That's usually not the answer. Maybe the answer, usually comes down to something…so that's just an example of the kind of miss that a lot of companies might have. And they can't produce the data, they might say, the reason our profits are down is because exchange rates went up. Well show me the data. Well we don't really capture that data. So it's all seat of the pants stuff, and Private Equity Firms, like all the people you might have met, that's not a good answer cause they want to know.

What is even more than there being a hidden way of understanding how a company makes money, entrepreneurial owners in Lou's eyes are often incapable of accounting for their business in such a way as to answer the questions that private equity buyers find important.

> D: This is just speculation, but do you think that part of that is the entrepreneurial drive or whatever it is that builds a business, there's this idea that you're just going to throw everything at the wall and see what sticks, and there is this backwards validation that you have these processes that produce this result
>
> L: Yeah
>
> D: but for whatever reason you don't think like an accountant to break down
>
> L: Right
>
> D: whatever labor that goes into a particular recorder that you're selling
>
> L: Right
>
> D: amount of whatever it takes the market to sell that kind of stuff
>
> L: Right
>
> D: For whatever reason you're finding that that is not a natural that kind of thinking
>
> L: Yeah. Right yeah if you ask most people that analyze businesses or are very analytical about analyzing other people's businesses they'll agree with you that most people who run these medium sized companies do not understand at the granular level what is really going on. They understand operationally, understand marketing, they understand manufacturing, but they don't understand profitability. But they're successful because they've sold enough product but they don't really understand what is happening at the edges. I think that is a fair assumption.
> [June 9, 2014, 1:26:55-1:31:38]

So one can understand a company operationally. One can understand a company's marketing. One can understand a company's manufacturing. One can even be profitable and successful, but there is still an understanding of the business one built that will elude one and render one's understanding of one's business unacceptable in the eyes of private equity investors. In the final analysis, both actual knowledge of a company can be secret as well as the techniques for understanding that knowledge.

4. Why Value is Important

> It is important to note that Angela seemed to apply the principle—share equally with friends—to secrets. Although it may be laudable to use this principle, Cathy pointed out to Angela that she needed to recognize that she has "different relationships with everybody." What Cathy did not point out was that by sharing her secrets widely, Angela decreased their value and the interest the others might have had in exchanging secrets with her. [Merten 1999:121]

The very name private equity points to the fact that the companies that such firms invest in are or will be going private. This means that equity shares, stock in them, are not available for purchase on a public market or exchange. Concomitantly, this means that there are no publicly available quarterly financial statements from which someone might figure value or price in a company. As Lou pointed out, even if one were the owner of a company, if one did not understand value the way a private equity investor did, features of one's very own company would remain opaque to the owner. It could be sexy and one would not know it. So, again, most information a private equity firm has from a company comes from either the company itself or an investment bank. If the purchase process turns serious there is a set period of time in which the investors will have access to all the company's financial records in a restricted physical location or in an online data room. This process is swaddled in legal documents—things like letters of intent, and non-disclosure agreements—which aim to control the flow and use of information.

Alvin and his firm would have gotten much of their information initially through the investment banker originally charged with selling the logistics company. In addition to describing the things that masked value, Alvin described a suite of improvements, in process or planned—everything from adjusting pricing, to revamping financial reporting and budgeting, and to installing systems for better tracking freight (this is along the lines of the systems that Chong's (2012) consultants use to rationalize businesses and in the realm of the type of granular analysis Lou referred to). In short, Alvin and his firm were able to see past the cats and imagine a future business looking the way their private equity firm thought it should. In short they saw a valuable company[30]. A company that would turn value into money.

Graeber in that same essay notes that:

> *If labor consists of all those creative actions whereby we shape and reshape the world around us, ourselves, and especially each other, material wealth only exists to further that task of shaping one another into the sort of beings we feel ought to exists, and we would wish to have around us.* [2013:224 italics in original]

This is exactly what American society has empowered private equity investors to do—reshape the world, using investors', borrowed, and their own money as well as the tools of value propositions derived from secret knowledge—in order to create the types of corporate people (corporations) they would wish to have around them.

[30] It is not just seeing value in a company. Sometimes a PE firm is able to bring value into a company because of the other companies it owns. To take one prosaic example an informant told me after reviewing a manuscript of my dissertation—all of their companies were on the same rental car account and consequentially spent much less on cars collectively than they would individually. Less mundanely, portfolio companies can even pool their purchase of raw materials like steel, buying collectively from a foundry instead of an intermediary.

Time after Time is Money

In the above chapter on value I argued that private equity investors are on an incessant quest to find value in companies, value that others cannot always see. The successful hunt for value and what counts for value lets private equity investors make money. Seeing private equity this way allows us to compare what they do in light of long anthropological concerns with value and exchange. However, as I will shortly show, this hunt for money is not open ended, and is in fact time-bound in specific ways. This chapter will proceed in sections: first, I will bridge my discussion of time and value, showing the ways that concerns for time intrude on the open ended hunt for value. Second I will both give an overview of how private equity investors understand their time boundedness and explain what, in anthropological discussions of time, will let us make sense of private equity investors. Just like Graeber's theorizing (2001 and 2013) let us see how private equity's concern for value connects them to wider social worlds, my discussion of time, drawing on the work of Gell (1992) and Bear (2014 and 2014b), will give me the language to show how the search for value is constrained by time. Finally, this chapter will end with two sections on different ways that private equity investors work with time: as a possible future that one can work towards, and as a finite resource that allows particular worlds to come into being. So the logic of this chapter takes us from time's effect on value, through anthropological ideas of time, and into specific private equity understandings of time. At the end, we will have an understanding of how private equity investors use both time[31] and value to understand companies.

[31] It is worth noting that I am using the word time in a number of different senses. In particular I have an overlap between time as a counter or flow of events, as a history and its marker, and time as a particular moment, circumstance or contingency. Private equity investors toggle back and forth between these two senses, largely relying on context to reveal the particular emphasis a given utterance demands. I will similarly use both these ideas of time.

2. From Value to Time: A Bridge

One very simple manifestation of the way that time constrains value is the time value of money, which distinguishes between a contemporary present and an ever receding future. The time value of money is simply the idea that money is worth more now than later; money has more value now than it will ever have in the future. *Investopedia* offers a simple illustration of this type of thinking:

> Congratulations!!! You have won a cash prize! You have two payment options: **A** – Receive $10,000 now *OR* **B** – Receive $10,000 in three years. Which option would you choose? If you're like most people, you would choose to receive the $10,000 now. After all, three years is a long time to wait. Why would any rational person defer payment into the future when he or she could have the same amount of money now? [Carther 2014]

The value of having the money now as opposed to in the future is a rational one. We, intelligent investors cannot imagine someone wanting that future money over now money. In fact, we have ways to represent this rational opinion about money mathematically. One such representation shows up in a calculation called the internal rate of return (or the IRR).

The IRR is used to assess the rate of return on an investment given how long it took to give back. Let us take a simple example. Let us say Kohlberg, Kravis, Roberts (KKR) bought Jimbo's Discount Flying Saucers for $1 billion. Let us say over the course of their hold period, KKR expanded Jimbo's Discount Flying Saucers to several solar systems in which the life forms care little for their safety. At the end of five years, KKR was able to sell Jimbo's Discount Flying Saucers for $2 billion, doubling their money in absolute terms. Again, if one were to offer an absolute measure of the return, the multiple of invested capital, ignoring the time value of money, one could safely say they doubled their money, giving one two times invested capital back. However, when one uses a simple formula for counting IRR, the investment only gives one

a 15% return—the equivalent of receiving $150 million instead of another $1 billion. Further illustration will explain what exactly is going on here.

Columbia's graduate school of business gives us the following simple formula for understanding the Internal Rate of Return:

Internal Rate of Return = ((Future Value /Present Value) ^(1/time of investment)) – 1

That is when one takes a ratio of how much one makes over how much one will make and adjusts it for time, then subtract one, one gets a percent telling one what one's rate of return was given that money is always worth more now. Here is a table showing how the rate of return for Jimbo's Discount Flying Saucer's changes through time:

Years KKR Held Jimbo's Discount Flying Saucers	**Amount of Money Invested**	**Amount of Money Returned**	**Internal Rate of Return**
1	$1 bn.	$2 bn.	100%
2	$1 bn.	$2 bn.	41%
3	$1 bn.	$2 bn.	26%
4	$1 bn.	$2 bn.	19%
5	$1 bn.	$2 bn.	15%

IRR is a rough and ready measure of performance that most, if not all, Private Equity funds use to explain their success. In this example, we can see how calculating the IRR for following years shows KKR's investment in Jimbo's Discount Flying Saucers to be decreasingly valuable. It is worth less the longer it takes them to return the same amount of money. There are many more complicated ways to find it than the simple formula I have given; and my informants told me about a fractious conversation criticizing the use of the IRR because of the way some claim it

distorts what PE investors do. Setting the conflict aside, the IRR is useful to us because it is a way that ideas about time and money go from abstract or even aesthetic judgments about when and why something is worthwhile, to a concrete formula that makes a value claim on an amount of money. In this case, a gnostic concept such as the time value of money gets turned into a formula which produces a percent which becomes a gateway to a value judgment about a particular amount of money. All of this starts with a simple, common sense assumption. Think back for a moment: money has a time value; it is worth more now than in the future. This is investor common sense. Never mind that one can come up with situations in which, no, actually it would be better to have money in the future (especially given that all investors understand that markets go up and down). This is a mode of economic thinking—ceteris paribus, all else held equal, it would be better to have money now than later. The future as it recedes is increasingly unpredictable; therefore, as money is closer to now it is more valuable. It can be the exact same amount of money, but the closer to now it is, the more valuable it becomes.

These types of assumptions, attitudes, and practices regarding time constrain PE investor's search for value. The assumptions built into an IRR structure how one can show success as an investor. At a basic level, the investing work that private equity investors do is constrained by their limited partner agreements. These contracts between the large pools of money that invest in private equity, and the financial professionals who run private equity firms, set basic terms such as how long an investment fund can live (usually ten years), how long an investment period in which one is drawing on investment fees lasts and seeking to find companies to buy, as well as the rules of evaluating success over time. Despite these agreements being a routine part of doing business in private equity, and despite there being very little difference in the structuring of fund investment behavior, these limited partner agreements are

hard to come by. While my informants were willing to speak in platitudes about LP agreements, even looking at specific agreements while we were interviewing and translating into generalities for me, due to legal constraints, no one was willing to show an LP agreement or even the form from which such an agreement was made.

As luck would have it, while I was writing up my dissertation in the Fall of 2014, the *New York Times* published an article on the secrecy surrounding these LP agreements. The *Times* noted that despite being subject to freedom of information act requests, due to the fact that PE firms often invest public pension money, it is still hard to get basic information. They note that the *Times* "made an open-records request to [the Teachers' Retirement System of Lousisana] for a copy of [their] limited partnership agreement with the Carlyle Fund. In response, the pension sent a heavily redacted document—108 of its 141 pages were either entirely or mostly blacked out. Carlyle ordered the redactions…" (Morgenson 2014). Again it is worth noting that private equity firms do not vary much in how they structure their funds and investor relationships (they all have similar investment and hold periods, and all participate in the same conversations surrounding IRR and other ways to model the future). Yet, there is a reflexive emphasis on secrecy:

> Many of the blacked-out sections cover banalities that could hardly be considered trade secrets. The document redacted the dates of the fund's fiscal year (the calendar year starting when the deal closed), when investors must pay the management fee to the fund's operators (each Jan. 1 and July 1), and the name of the fund's counsel (Simpson Thacher & Bartlett). [Morgenson 2014]

To give one example closer to our concern with time constraining value, as I reviewed the Carlylye Group's partnership agreement, I got excited that in the document's table of contents their section on "Valuation" was not redacted. I assumed that I would be able to see their

particular take on establishing the money worth of present and future investments. So I went to the section, starting on page 73, and found this sentence:

> 4.7 Valuation. (a) All determinations of Fair Market Value to be made hereunder shall be made pursuant to the term of this section 4.7. [Carlyle Partners V, L.P.]

Followed by three and one-half pages of full-page, blacked-out redaction. Suffice it to say, I have no idea the specific way the Carlyle group determines the monetary value of the present and future values of its investments.

Lest our stout hearts meet despair, again, it is worth remembering that private equity funds do not vary all that much in terms of how they do business with their investors. All the PE funds I came across cited ten years for the life of their fund (and the typical life of a fund in the industry[32]), the time after which they would have to return investor money and profits. All investors with whom I spoke about the assumptions nested in the above formula giving the time value of money confirmed that, yes, of course money is worth more now than in the future. It was even hard to imagine an alternative. They also noted that the various ways in which they use Microsoft excel to create charts which show the value of a company now and on into the future (cf. Lerner 2000:181-200) are both reasonably standard and the beginning of a much longer diligence or research process to investigate potential companies. Regardless of the method one is using to assess the future value of a company, one needs to have some assumption or arguments about what the future will hold for one's investment, and how one might possibly use the time that one has to realize that future. One has to have some ideas about how time and predicting the future work. Those assumptions, all that background metaphor work with time, are the primary

[32] It is noteworthy too, that when funds exceed ten years and cannot sell their investment companies they become "zombie funds". One informant described this as the slow, hollowing out of a fund. One cannot find a buyer for the companies one owns, one has exceeded one's investment period and can no longer demand fees to pay one's operating expenses. One's employees quit. With no staff, no fees, and no sales one remains the owner of one's inert investment companies and responsible to one's limited partners for debts one cannot pay. Ownership is frozen, and those companies one bought are not live in the sense that most companies are. One is in a zombie fund: a fund with no future (cf. Hutchison 2013; Wilkes 2014)

concern of this chapter. Once one starts to grasp how investors think through and describe time, given the constrained life of their investment funds and given their assumptions about the present and future value of money, the particulars of their investing starts to make patterned sense. They can only seek, find, and cash in on value when time allows.

3. Back to the future

At the end of the day, private equity's task is to predict the future[33]. In order to do this they spend time trying to figure out what the rules of the time that they are in may be and to what futures that time leads. All this ultimately serves the purpose of figuring out what will happen to their investment companies. When one knows what the future will be like, one can know how much time one needs to spend in order to make money. This is the overarching logic of their relationship with time.

Caitlin Zaloom (2009) offers a useful comparative case in her article 'How to Read the Future: The Yield Curve, Affect, and Financial Prediction'. Zaloom observes that "The future is unknowable. Yet in global financial markets, profits and protections of wealth depend on actions taken under this necessarily uncertain condition" (2009:245). Though the future is inscrutable, people in financial markets must have a way to approximate which future worlds they will end up in. Zaloom takes the yield curve of the U.S. treasury as a "widely used indicator of economic strength" (2009:247). The curve itself shows the future value of a U.S. treasury bond.

> The curve graphically depicts today's Treasury "yields," or the relationship between the interest rate and the time to maturity of a bond. The interest rate is particularly important because it defines the premium the market is demanding for the use of its money over time, a price based on the risk of changing economic conditions of the length of the loan. [2009:250]

And investors use the curve to know particular things about the future:

[33] Still impossible, as it turns out.

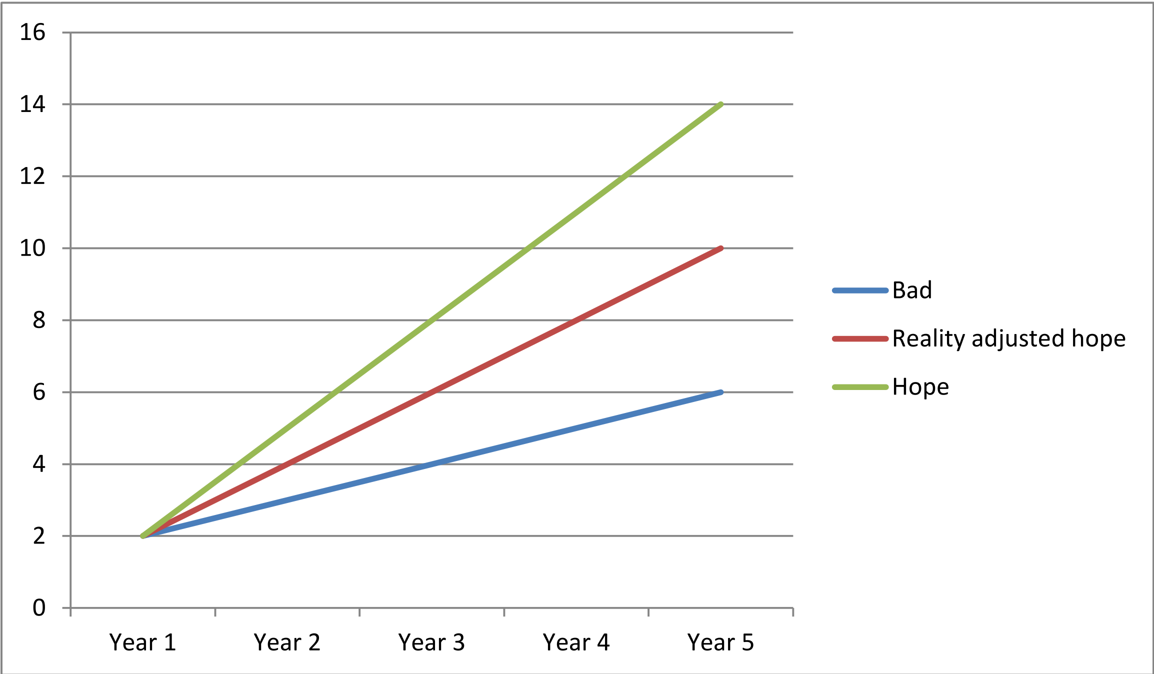
> Under ordinary conditions risk increases with time and so does the premium for borrowing money [that is, the interest rate goes up]; after all it is harder to assess economic conditions twenty years into the future than it is two years out…the flattened yield curve is a disquieting object for economic actors because it indicates a bending of the relationship between risk and time, a kind that requires explanation and the creation of new profit and policy strategies. A flattened curve provokes anxieties, raising the question: why does it look this way? What does that mean for the future? [2009:251]

The yield curve offers an augury, a suggestion of what the future cost of money will be and consequentially if investors can expect good or bad times ahead, with all their attendant possible worlds. For all its formal elegance and simplicity, it is a single interest rate curve plotted against time, and there is no consensus on what one should do with a given shape of the yield curve. Investors argue meta-pragmatically about how or if it should even count as evidence in assessing the qualities of time. Zaloom gives us a newsletter from the Wharton School of Business suggesting, "Don't sweat the inverted yield curve: no one really knows what it means" (2009:258), despite such curves often preceding recessions. "Experts hotly debate who is making the curve move and why" (2009:264). What is more, higher interest rates eventually mean that consumers pay higher mortgage rates and have less credit, corporations pay more to borrow money and service debt, reducing hiring and investing (Zaloom 2009:257). As a harbinger, the yield curve is loud and ubiquitous, though not quite clear.

The yield curve offers a market derived abstraction of what one element of the future could look like—in this case, the price of borrowing money. Bond traders, hedge fund managers, academic economists, central bankers, corporate leaders, etc. all take this prediction and puzzle through what future worlds they will inhabit and what future world they will have to labor within. If a recession time is coming then money will be hard to come by, and people will buy less of whatever one is selling. Moreover, there will be fewer opportunities for credit and selling

businesses. Private equity investors have a multiplicity of tools, like the yield curve to let them assess what the future holds, how near any given possible world is, and what it costs to get there.

One of my informants, Loki, sketched a different kind of curve. I met Loki at a university conference. He had worked as an operator in a business, as an investor and now worked as a placement agent, matching up general partners (PE fund leaders) and limited partners (the people with money to invest). Because of his work he was familiar with dozens of private equity firms. Against time, Loki plotted three horizontal lines showing the value of a company. All three lines start at the same value,



let us say $2 billion. The center line shows how the company is forecast to grow with an unexceptional intervention on behalf of Private Equity. The Bad line shows what happens to the company's future value if investors run the company poorly, possibly continuing the way things were. The Hope line shows what happens if the company is managed the way that PE investors think they can manage a company. In sketching this to me, his point was that the further along in time one goes, the more difficult it is to move a curve. At year 2, the difference between Bad and

Hope is $2 billion in value, in year five it is $8 billion. As one goes further in time, it becomes more and more difficult to go from the world in which a company is doing poorly to the world in which a company is doing as well as it needs to be doing.

> Loki: the second thing that you need to know is that time is a cruel mistress. And these people feel enormous pressure to deal with the time bound constraints of their discipline. And they are keenly aware of the time and the passage of time. And the better they are the more aware they are. The more aware they are the more successful they are. The less successful is generally because they don't have a keen enough sense of time. You can actually graph it. You can show their sense of time with the investment decisions they make you can predict whether they will make good investment decisions based on how they see time.
>
> Daniel: Could you elaborate a little?
>
> L: … Let's say you get out to year two and a half. Here somewhere. And you're here. You're below your reality adjusted target. What would it take to get here. Wow! That's huge, considering how far you've come and how far you have to go…the real cruelty of time is that your partnership is set up for a limited period if you don't get your leadership in properly you won't have enough time to change the organization and move the slope of those curves.
>
> D: When I get on the subway, and I know it takes me 50 minutes to get to Columbia. And I get on…45 minutes before I need to get to some place, I'm late. And I get to sit with my lateness.
>
> L: Exactly. So they've got a fire under their ass, it's just like burning in them. If they're good. It's because they sense this.[26 March 2013][34]

This sense of time is a sense of how and when one can move between various possible worlds. Gell observes that, "our considerations are determined by the fact that, although our maps show

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[34] This conversation was much more complicated. The ellipses contain a long oration on IRR (I will also discuss this in the following chapter on value), or internal rate of return, one of the ways that success in private equity is measured. Private equity usually makes money in an absolute sense, that is, it is rare to sell a company for fewer dollars than for what one bought it. But, private equity is also an illiquid investment, that is, getting one's money in and out is difficult. One forgoes the opportunity to spend one's money as one pleases when one invests in private equity. The IRR is a formula that allows one to compare the return on one's investment against what one might have done with the money given the same time in other projects. One quirk of the IRR is that the same nominal money return is worth much more the faster one gets it. So if one's company is on Loki's bad curve, as soon as one realizes this, one should, in his words, 'sell the fucker,' and 'get the fuck out.' A fast cheap return, can look better in terms of IRR than a mediocre slow return.

All this gets back to an idea that investors have—the time value of money. Money is worth more now, concretely, in the present, than it is in the future. Loki was going into great depth explaining the financial theory behind the IRR, how absurd it is as a measure, and how many institutional investors do not use it in their own accounting and evaluation of investments.

us many possible futures, there is in fact, only going to be *one* future, and we had better make sure that that future is the one we want it to be" (1992:255). An understanding of possible futures and how private equity investors figure out which futures are possible lets us see how they understand the potential and constraints of their actions. Every time they say things like sometimes, all the time, any given time, good times, bad times, weird times, or this is just like that one time, private equity investors are throwing up flags, explaining how they understand the dynamics of the time they are in and the future they wish to occupy.

It was not always the case that anthropologists, as Gell did above, used philosophically nuanced ideas about time, in this case that engage possible world theories, to explain their ethnographic data. As noted above, for much of the discipline's history, anthropologists embraced an idea of time that allowed different societies to have their own particular and mostly unintelligible ideas of time. Some anthropologists thought that other's perception of time put them in other worlds (Bloch 1989). Many of these ideas grew out of Durkheim's sociology, which had a peculiar notion of societies and the knowledge they produce. Durkheim suggested that, "Society is a reality *sui generis*; it has its own features which are not found, or not found in the same form, in the rest of the world" (2001:17-18). In turn, individual social forms were simply manifestations of that unique entity or organism that is a given society. This let Durkheim say of religion that, "Religious representations are collective representations that express collective realities" (2001:11). In this telling, religion and all its manifestations such as ritual, revival, etc., are simply reflections of a particular society's unique components. This is an extreme idea of relativism, that when applied to time, mystifies more than it explains. Though mentioned above, Evans-Pritchard's reflection on Nuer conceptions of time is worth quoting at

length to point out how strange this sociological attitude can make other people's experience of time sound:

> Though I have spoken of time and units of time the Nuer have no expression equivalent to 'time' in our language, and they cannot, therefore, as we can, speak of time as though it were something actual, which passes, can be wasted, can be saved, and so forth. I do not think that they ever experience the same feeling of fighting against time or of having to co-ordinate activities with an abstract passage of time, because their points of references are mainly the activities themselves, which are generally of a leisurely character. Events follow a logical order, but they are not controlled by an abstract system, there being no autonomous points of reference to which activities have to conform with precision. Nuer are fortunate. [1940:103; cf. Lévi-Strauss 1966:235; Geertz 1973:360ff;]

Nestled in the above explanation is a presumption that because the Nuer do not have the kinds of words we have for time, they cannot talk about time the way "we" can. Their time is either ecologically based, tracking the wet or dry season of the Southern Sudan, or is based on the structural consistency of their age grade system through which succeeding generations pass. Either way, due to their society's particular and inescapable logic, they exist in a strange, seemingly timeless social present.

As I insinuated above, there is a problem with seeing time as the unique and static outgrowth of an irreplicable social system. For one, it prevents social systems from changing: "if all concepts and categories are determined by the social system a fresh look is impossible since all cognition is already moulded to fit what is to be criticized" (Bloch 1989:5). Perhaps more damaging, insisting that time is particular to one or another society's logic, and not something more general or universal, or the consequence of interaction, anthropology was able to establish, "a science of other [people] in another Time" (Fabian 1983:143). This allowed, "an ideological process by which relations between the West and its Other, between anthropology and its object, were conceived not only as difference, but as distance in time and space" (Fabian 1983:147; cf. Gell 1992:Part I). Take the above example from the Nuer. Even though the British had recently

seized the Southern Sudan and violently put down Nuer revolt, and although the Nuer even remark to Evans-Pritchard that they no longer war with the Dinka as they had been accustomed, Evans-Pritchard describes Nuer society as a more or less static arrangement, complete with its own temporal logic (Evans-Pritchard 1940:11). Not only does the above approach to time suggest an unchanging society, but it cuts that society off from the larger world historic currents that affect it. We do not know how Nuer time ideas changed, if at all, with British occupation and violent pacification. We cannot know. It is beside the point. If a given society is *sui generis*, and time comes from society, then this radically relativistic point of view precludes this society having any changes due to interaction with other people. As Eric Wolf (1982) observed, this makes for a people without history.

Fortunately for anthropologists, this critique, led by the likes of Fabian, Gell, and Bloch was productive of a new, more open anthropology of time, which allowed both change in temporal sense, more universalistic temporal concepts, and the ability to see the ways that larger historical processes affect time (as in Bear 2014 and 2014*b*; Gell 1992). Bear focuses on "doubt about, and conflict in representations of time," and the way that "time thickens with ethical problems, impossible dilemmas, and difficult orchestrations" (Bear 2014:6). Far from Durkheim and Evans-Pritchard's walled off static societies, Bear sees a proper accounting for time coming from disagreement and mess, and her inquiry centers around how laborers work in settings in which ideas about time are multiple, overlapping, and contradictory. Gell gives a general vocabulary, drawing on the philosophy of time, thinking of possible futures and how people imagine they get to them, given the particular possibilities they imagine are, their culture allows as, and their experiences foreground as plausible (Gell 1992:Part II Time Maps and Cognition). These two conceptions of time are useful for our purposes, because we are interested in how

private equity investors understand their investments' futures, and thereby push around other people's ideas of and expectations for time (e.g., the people in a company, or the people PE investors hire to do work for them). Now, in what follows I will use this relatively recently found anthropological flexibility and walk through the ethnographic particulars of time for private equity investors.

The word 'time' showed up over 2,000 times in my research, and well over 1,700 times as a stand-alone word. In addition to having more artful meaning for private equity investors, it has a quotidian significance of which most English speakers are aware—time signals clock-time reckoning (what time are we meeting our investors at per se?), as well as multiplicity (*that* company sold for nine times earnings?!). These uses did not have any special bearing on time as a symbolic construct which tells one things about investing. So after excluding those uses of, weeding out unclear uses of, and accounting for time coming up multiple times in the same conceptual sense in the same field note excerpt, I was able to write 199 different propositional statements that use time (for a full listing, see the time appendix). My subsequent sorting of these statements led me to two general notions of time: 1) the qualities of the present that allows one to predict possible futures (cf., again Gell 1992) ('exciting times' are when firms have the upper hand and a lot of firms are raising capital; 'in a decline' it takes a long time to build a fund; a 'time-frame' is a bounded length of time in which a particular activity can reasonably be expected to happen within); and 2) time is a finite resource which one can spend and run out of, and which one must deploy expeditiously in whatever investment tasks one has set for oneself (cf. Bear 2014*b*) (time is a thing one can invest; building a company takes a lot of one's time; one can spend all one's free time on work stuff and with work people).

4. Moon shots and predicting the future

As difficult and slow as it was to gather informants, often when I got a chance to explain myself to someone important, I needed to do so in the presence of many people. It is just what the social situation seems to demand. Someone, at a dinner, a networking event, or a conference, would think I should meet someone else. I would get introduced, and the new person would want to know about my project. Do you have any findings? Ahh I see, that is fascinating, tell me more. The easy bonhomie of networking would move the conversation along. At any given time there would be a half dozen people half listening to this conversation, chiming in if they were interested and moving on if they were not. When conversations would come to a polite end, we would exchange business cards[35], and I would know in a week or two via email response if they had any interest in talking to me.

It was in one such conversational crossfire that I met Baugh. Table Eight of Appendix II shows the connection. In the wake of another conversation at a crowded lunch table, he introduced himself and said he thought what I was talking about was interesting. He had been thinking about this a lot as he worked in a firm that had been bought-out. In fact, he had worked in the management team that had bought the firm out. It was a large US manufacturing concern: we will call it Moonmade. The team that bought out Moonmade had spent their career managing companies for a private equity firm. They had decided to strike out on their own, figuring they did not need their financial overlords anymore. Things went poorly.

Seven weeks and 22 emails later, Baugh and I found time to talk. I met him at one of the libraries at his business school; and that is where we did the interview. This business school's library tucked away their few stacks of books on another floor, out of sight. Its main room was a large open floor, with dozens of tables, constantly occupied with noisy group work. Ringing the

[35] I collected 121 business cards.

pit were two stories of study rooms, all glass-walled. One could see anyone at any given time in the library. However, due to the din, one would often have trouble hearing the adjacent person. All this made for a sort of half-functional panopticon. It was in this anonymous noise that Baugh told me, at length, what went wrong with Moonmade:

> Baugh: When I got there I viewed it as a large publicly traded [] company. But in reality the company was quite different. Really what it was was, it was the creation of the CEO who was an operating partner [with a big PE firm] for [much of his career] and was probably their most successful operating partner. And what he had done, over the course of his career [with the big PE firm] had come in and done turnarounds and gotten out. He had been tremendously successful. I mean in his last exit he made around $100 million. And what he did eventually he said quite frankly I don't need [the PE firm anymore] and I've got my management team in place, the same management team I've used with [the big PE firm] time and time and time again, that I'm going to now do this independently. And what he did was he actually went into [Moonmade], started buying up shares of the company and then he eventually did a proxy war, and he took the company over. And then his goal at that point was to grow the company through acquisition, just like he had done [at the big PE firm] stream-line it, extract the efficiencies and then flip it. Sell it and exit. [30 April 2014]

This did not end up working out for Baugh's boss or Moondbeam. I will explain why shortly. For now it bears noting why Baugh's boss thought he would be able to 'grow the company through acquisition', 'stream-line it', 'extract the efficiencies, and then flip it'—typical private equity strategies all. Baugh's boss saw Moonmade as similar to the companies that he had spent his career buying and flipping. Baugh explains that it was the fact that he had done this type of operation 'time and time and time again' that led him to believe he could do it one more time. The time he was in now looked like times he had invested in, in the past. This time that he found himself in suggested that the future would be a rich one. In fact, this way of thinking is representative of one of the major ways that Private Equity Investors use time to understand their investing work. The investor identifies an analogous past time that he or she knows and by some combination of logic, gut reasoning, and formal diligence, and then argues and decides that a future time will do the same. If he or she is right, he or she has predicted the parameters under

which he or she will be able to make money. This is a way of thinking that lets one describe the conditions under which one will be investing; this is a way of thinking that lets one guess at the future. Stories executives tell about the past become "an abstract manipulable version of reality" (Gell 1992:25), a comparative model for how an investment should work. This type of mythical, historical, or just analogical reasoning is particularly illuminating here because Moonbeam did not do what Baugh's boss thought the past said that Moonbeam would do.

When Baugh's boss, and his coterie of 40 or so managers, finally bought control of Moonbeam, a company of around 10,000 employees, its stock price was in the low twenties. Shortly after the take-over, its stock price went up to $25 per share based on expectations that Baugh's boss would deliver a repeat performance. Baugh's boss had a target of $30 per share, at which point they would sell the company and cash out. Baugh figured that markets were trading on the management team's track record with the big PE firm. Then the market for the key product that Moonbeam produced started to disappear. Subsequently the stock price tanked to below $2. Another problem for the management team was that Baugh's boss required everyone in management to make monthly investments in the company's stock—the few examples he gave me were around 10% of a person's income per month.

Moonbeam's new management's strategy to make the company worth more was to buy a bunch of smaller manufacturing companies and facilities and add them on to Moonbeam itself, firing people and closing offices that do duplicate work. Again, this is a typical private equity strategy, and one that had worked well for Baugh's boss in the past. However, at the time the companies and facilities they needed to buy were relatively expensive. One measure that private equity companies use to assess a company is EBITDA, or in a given year, a company's earnings before interest (on debt), taxes (because debt interest is tax deductible), depreciation, and

amortization. EBITDA is taken as a shorthand for how much money flows through a company, and concomitantly how much debt a company can support, as many private equity deals require a lot of debt (also called leverage), to happen. Part of the value that private equity investors are supposed to bring to a company lies in 1) their creditworthiness (people lend them money at terms non-financial buyers may not get because of how they can change a company's structure), and 2) their ability to understand finance and accounting such that they can pay off all this debt. EBITDA is a measure of revenue that lets one ignore taxes and debt because private equity investors are presumed to be able to manage those in such a way that they do not affect how much cash a company has. Depreciation and amortization are accounting concepts that represent the deterioration and loss in wealth through time of physical assets in the case of depreciation, and intangible assets such as the value of a brand identity in the case of amortization. Neither of these directly affects the amount of cash a company has. So again, private equity investors generally take EBITDA as a good stand in for how much cash a company will have on hand in a given year to pay down debt obligations ('manage a capital structure'). People disagree on what multiple of EBITDA is the appropriate price for a company. The number I heard most often was six times EBITDA[36], so six times a company's annual cash flow. Below this tended to be a bargain or to indicate there was something wrong with a company, and above this tended to be expensive or indicate an unusually secure business (such as one with a long term government contract), or a competitive market (a lot of PE firms are trying to buy the same companies). When I was doing my research, 2012-2014, PE people generally agreed that it was a good time to be selling companies as there were a lot of PE firms competing over them, pushing prices up to 8, 9, and ten times EBITDA.

[36] Though, this varied by industry.

So the EBITDA of the companies that Moonbeam was buying becomes a decent indication of how good a deal they were getting. Many of the acquisitions that Moonbeam made were at seven times EBITDA, what Baugh called 'ungodly sums of money for these companies'. Baugh speculated that today, the plants and companies they were buying, would likely go for one tenth of what they paid. What is more, he noted that while most manufacturing companies comparable to Moonbeam had a debt to EBITDA ratio of 3.5, that is they could pay down their debt with their cash flow in three and a half years[37], Moonbeam's debt to EBTIDA ratio was above 7. So they had an unusually high amount of debt; they were paying too much to buy companies; and the market for Moonbeam's products was going away.

The situation inside the company itself was grim. He noted that the management team had a reputation for being ruthless. They would get into a company and fire all the leadership. Additionally they were managing for debt, spending much of their free cash servicing it, which meant that they did not have money to reinvest in the company. Baugh described it as 'almost unbearable' for employees to work there. He noted that they had far fewer employees in their factories than their competitors. They would regularly receive things like raise reductions. He noted that he walked into facilities run by Moonbeam's competitors and one would see people walking around everywhere. One would go into one of Moonbeam's facilities and it would be empty. I asked Baugh if he thought that his boss and the management team had learned anything from their failure:

> Daniel: I'm curious to hear your sense, what is the management team thinking about all of this? What lessons did they learn?
>
> Baugh: I don't think that they've learned any lessons. If you were to ask them what went wrong, they would say they were coming off the top of a really good cycle.

[37] Upon review of a draft of my dissertation, Phil pointed out to me that while this year to debt thinking is logically correct, it sounded weird to him. In practice things do not work this way. One cannot spend all of one's cash flow on debt, however miserly one is running one's business.

> And you know just a really timing issue. They were just in the wrong place at the wrong time. As far as they were concerned they were able to prove this business model over and over again. [30 April 2014]

So they did not do anything wrong. Moonbeam's new bosses just were in the wrong place at the wrong time. This business venture was not like all those old times with the private equity firm, and consequentially, Moonbeam was headed for an unanticipated and unprofitable future.

The Moonbeam management team failed to quickly raise the stock price to $30 per share and cash out. In large part, they failed because Moonbeam's management got time wrong. The Moonbeam example above illustrates one of the two most frequent uses of time—by understanding the qualities of the present one can know reliably and predict what future one is headed for. This is the sense of analogical time that I used Gell above to highlight. This idea of using analogy goes forward into the future too. One assesses the present based on one's understanding of the past to assess the likelihood of a particular future. This means something like: one should invest in the right time; or exciting times are when firms have the upper hand and a lot of firms are raising capital; or even the 'stars align' and one is 'in the right place at the right time' when one has good managers and EBITDA doubles. Time can be interesting when deals happen for unusual reasons and do not proceed as they should. Time can be funny when the future is not clear. Of course time can be bad: a recession is a 'terrible time' to look for work; or when an underlying market is declining, it is hard to sell a company; or even a difficult time frame is when it is hard to raise a billion dollars for a private equity fund. Take the example above of the 'wrong place and the wrong time' for Baugh's boss's investment in Moonbeam. Baugh's boss bought Moonbeam at the peak of a rising market, at which point prices were highest just before the 2007-2008 recession. Baugh's boss also bought Moonbeam on the

precipice of a structural change in the US economy in which the type of business Moonbeam did was disappearing. For these reasons it was the wrong time to make an investment.

Working with a big private equity firm for decades at a time, they had an inventory of situations, investing times, investment stories, in their head. This type of specific time inventorying goes a good distance too towards explaining what people mean when they say someone is an experienced or seasoned investor. Often limited partners will seek general partners who have been through at least one market cycle, both up and down. Moonbeam looked like it would be predictable. Baugh's boss had no problem imagining and acting on a future world in which the company would be in an investment just like many of the investments they would done in the past. However, they misjudged the time in which they would be investing in Moonbeam.

These ideas of time, possible times, and time space, are made clear via a detour into some theorizing about what happens in a given time. This is where Alfred Gell becomes helpful. I have alluded to the fact that investors, in talking about time, are making claims, not just about the past and the present, but about the future. Gell gives us an explicit model with which to start thinking about potential future worlds. In his *Anthropology of Time*, he has suggested that "conceptual models we make of the 'real' world, represent the world as being *capable of being otherwise* than we believe it to be, actually. The world is as it is, but we think it could be otherwise, it may be otherwise than we think" (1992:217). Gell is noting that people are capable of imagining the world otherwise than it is. People do this all the time when they think about their possible futures and what actions they should make for them. I am suggesting that investors do this specifically by deciding what time an investment will be able to exist in. I followed up with Baugh, asking

him to tell me what he thought about his boss and how his boss would likely say he got caught in the wrong place and the wrong time:

> D: What is your take on the whole thing?
>
> B: My take on the whole thing? My take on the whole thing is that I don't think. I think there is a little more to that, they weren't buying intelligently. This is a group that was coming together in the 80s when private equity was very prevalent, when you were overpaying tremendously for things and it didn't matter because you could just hold it for a few years, you could exit and make a lot of money and pay down your debt. Things are harder now. It's harder now to make money in these types of businesses. And I think that that's one of the things that you know they weren't that great at. I don't think they really researched enough in perspective acquisitions; there was always this idea that as long as we get bigger, bigger is better. And that's not always the case. [30 April 2014]

Baugh's boss and his management team made a mistake about what was always the case, and what was part of one more limited time.

Baugh's observation that bigger is not always better gets at another way in which private equity investors use time. They talk about it as a finite resource, an asset that one can deplete. One spends time on work, family, priorities, hobbies, or other affairs or pastimes. One has to guard one's time, as it is very easy to lose. One can spend it on idiotic hazing, like tacit requirements for in-office face-time. In the case of Moonbeam, one can spend one's time foolishly growing through acquisition. That is, one can spend one's time on trying to bring alternative worlds into existence that prove impossible. Particular times require one to spend one's finite time on particular acts of labor to bring a desired possible world into being. If one thinks a company has potential to grow in a certain way, one has to spend one's time on it. Because one can only spend so much time, one must choose. This invokes opportunity costs:

> If we presume that a world once existed which we could have 'chosen differently' and suffered different consequences, that world would have had to have been different in other ways as well, for otherwise we could not have chosen differently, but just as we did...Even though opportunity costs become ever greater and ever more computable, they never cease to be, in the final analysis, subjective. [Gell 1992:219]

And it is to this universe of options on which private equity investors might spend their finite, very expensive, time that we now turn.

5. A time to spend

I met Phil early and interviewed him five times over the life of the project. He was one of my best informants, and I met him because he responded to a flyer I left at his business school. Phil was unusual among my informants in that he had private equity experience prior to business school, and his same firm hired him back at a promotion after business school. Phil wanted to give me a sense of what his due diligence process looked like, that is what his firm spent its time doing when it was preparing to buy a company:

> Phil: Yeah, so when you're with, I think the larger the private equity group[38] the similarity in job function or skill set is very can be very similar to banking, but when it's a small private equity group that changes a lot, you're not spending as much time modeling, you're spending much more time on due diligence you're spending time on talking to sellers or working with your management team. A CFO of a portfolio company calls you and says I don't know how to do this, help me, or help me figure this out and so you're trying to be a resource to a management team [7 September 2012]

Phil was trying to give the sense that as a PE firm becomes interested in a company, demands on one's time ramp up. One only has so much of it and one has to spend it wisely. One does not spend it on the financial modeling that makes up the bulk of junior investment banking (Rolfe and Troob 2000). In this part of finance, it is assumed one knows how to do financial modeling, and that is just one component of a much larger investigative and argumentative process. This is the process of building an investment thesis that will persuade one's firm's investment committee to buy a company. Simply producing a discounted cash flow analysis, or an LBO

[38] There are seven or eight mega private equity firms—the Apollos, Carlisles, KKRs, Blackstones, TPGs, Ares, or Cerberuses of the world—that manage dozens of billions of dollars, have huge staffs, and invest in a variety of financial products. The vast majority of PE funds, though, look like what Phil is describing. They have anywhere from three to a few dozen finance professionals, and act like investment generalists and only do private equity transactions.

model based on projected EBITDA would be laughable. One has to spend much more time on one's investigation than an investment banker might or a hedge fund investor would.

Phil continued:

> …yeah whatever you want to call the things that you do in every business, they're standard due diligence things, you're always going to check the environmentals, you're always going to see are there any litigation claims against the company, workers comp claims, and to do a lot of that you hire outside consultants…

Phil was suggesting there was a large holistic set of things that one, as an investor would need to know about a company before investing in it. I will return to the diligence process in greater substance in the chapter on buying and selling. But for now, these diligence tasks would inevitably take up more time than one had and require skills that one did not have, so one would have to hire outside experts.

> I think for whatever skill set you need to do well in private equity, one of the things you end up doing is you hire a lot of people to do the work for you, and so a lot of it is just scoping the engagement of a lot of those third parties, that's doing your job well, so you'll hire accounting people to go do what you call a quality of earnings report which is like an audit light and you say alright, they said they had twenty million dollars of EBITDA last year go make sure they did, ok then they'll go spend a lot of time, you know these are professional accountants, they'll go do that, then you'll say to the lawyers, and usually there's an army of lawyers, you have two environmental people and you'll say go check the environmental records and work with the environmental consultant to go do like phase one analyses of all their sites and you know benefits lawyers to go check that to make sure there are no pension obligations out there, so there's a lot of boiler plate standard stuff you do…

Much of what Phil described he implied happened regularly. He had a check list that he went through. Despite that, he would often find himself spending his time on more idiosyncratic endeavors.

> …but then to your point, you really dig in on elements of the thesis, you know, the company says they have a competitive advantage in their equipment because that's unique.
>
> Ok, how unique is that? So let's go do some research and we'll find that they own a machine, a really rare machine that was made in Germany let's call the manufacturer and

> say how many machines have you made of this machine in the last ten years? Let's just make sure that there's not just some competitor in somebody's barn that we don't know about, so we go. That actually happened… [7 September 2012]

Phil reviewed everything from environmental impact to barn inventorying. I am still not sure the best metaphor for the due diligence process. I suggested to Phil that it was like collecting fragments or shards, perhaps of a broken mirror, which one is trying to piece together. I like this, as it has the idea of a reflection, as well as loose glass which cuts one's hands. Another thought was it is like Pandora's box: once someone opens it, he or she cannot be sure what rushes out. But the diligence process is more banal than a world's worth of pestilence. One last thought we will settle on is the idea that the private equity associate is like a conductor, or better yet James Brown, the leader of a band of hired musicians from whom the investor demands absolute accuracy and precision. It is on these various investigators, consultants, and errant investigative projects that our private equity investor spends a lot of time in the lead up to an acquisition. One of Baugh's jobs was to seek companies to buy, and to seek buyers for the branches and divisions Moonbeam sought to sell. Much of Phil's job was to juggle the various research tasks that investor due diligence required. Not only did he have to spend time doing his own research on suppliers and manufacturing and competition in a particular industry, but he also had to coordinate teams of accountants, environmental consultants, and lawyers. Phil spent his time getting others to spend time in ways that harmonized with what his private equity firm was up to. This is what this second use of time looks like—one spends time to accomplish particular tasks. The time one has to spend is constrained by your limited partner agreements and the particular extent of one's workload in a given firm. As a private equity, an individual pays other people to spend time on that person's endless tasks as well.

In Laura Bear's recent special issue of the *Journal of the Royal Anthropological Society*, Bear argues for a model of labor that considers how people use the work they do to balance lots of different time qualities and resources as well as expensive time drains—what she calls 'heterogeneous timescapes'. She suggests that there should be " a comprehension of the acts of labour through which conflictual social rhythms, representations, and non-human time are mediated" (2014:20; cf. Munn's "projects" 1992:116). This endeavor is what Phil is doing as he spends his finite time on various work tasks. He is spending his (labor) time on orchestrating myriad different laborers—everything from accounting (the abstract fiscal year and its subdivision into quarters), to the company's relationship with the earth and environmental regulation (ecological time or bureaucratic time), to outstanding worker's compensation claims (the decay of the human body and human time). Phil's spending his time working on a deal, as well as all of his hired help's spending their time working on a deal, make a deal happen. Bear gives a similarly heterogeneous sketch of the various times her ship captains are responsible for wrangling in their work on the Hooghly River and on that river's timescape. Bear starts by describing the setting in which her captains drive boats:

> When they take command of a container ship to guide it safely up- or downriver, they do not simply enter into a domain of time-discipline in which they have to complete a task in relation to the tide and a deadline They also experience the journey as a product of a deep time depth of historical knowledge of the river manifested in charts, technologies, and their own skill. In addition, as they move in the waterscape, wrecks, man-made spurs, abandoned vessels, and beached buoys that must be navigated round create a sense of both historical depth and transition.

Bear reveals the Hooghly River as dense with different processes happening according to different times. A spur, a wreck, and buoys all have their own timespan, much as the parts of Phil's diligence project all have their own time logic. Much like the skilled juggling that private equity investors do, river boat captains':

> …labour involves a skillful manipulation of the non-human rhythms of the river and of the vessel they command. The use of different technologies in combination with each other, such as the chart and echo-sounder, demands a pacing of the body in relation to the various pieces of machinery and the river itself. In addition, the already complicated timescape of the Hooghly is also permeated with the ritual significance of the River Ganga.

Just as private equity investors see their skill revealed in the successful juggling of all the details of the diligence process, it is in the crucible of this work, managing various obstacles and contingencies that happen according to a jumble of time rhythms that river pilots see their skill.

> River pilots would assert that the river was a place of technological skill and labour and a man-made river that has taken its current physical form in the scale of human history as a result of the drainage and spurs of the British. However, everyone called the river the Ganga and claimed its origins in the Adi-Ganga. Their complex experience of the timescape of labour can therefore not be encapsulated by a focus on knowledge practices, technology time-discipline, or abstract representations alone. It is formed from the intersection of all of these and the way in which their labour has to orchestrate and reconcile incommensurable rhythms. [Bear 2014*b* 80-81]

A leveraged buyout is the sum of all the different people that must come together and all the time private equity investors must spend making things work in their timescape. Baugh's boss thought he was in a time in which he needed to buy other companies quickly and expensively, run his own company 'ruthlessly', and compel his managers to pour their own money into the company's stock. These required him to work with, and granted him some measure of power over, factory time, customer time, investor time, stock market time, his employees life-plan and life-savings time, as well as pride and status time—the drive that Baugh said his boss felt to prove his investment was sound. The difference between all those subordinate times, that of a boat captain versus that of his shipping company's order schedule, and Phil's or Baugh's boss's time, is that they are the referent to which the river pilots of the world have to measure. One informant once mentioned to me that he had been working with shipping companies. He said that lately he had 'spent a lot of his time' putting 'lots of information about the ships and their routes

and costs into a spreadsheet'. This meant that at any given time, he 'knew where a ship is supposed to be based on their fuel consumption.' They offer 'corrections' to their crews accordingly.

Toward the end of the above interview with Phil, he noted the boundaries and limits of the diligence process:

> so anyway, you get a lot of fragments but given all that, at some point, and this gets away from process, you just have to hit what we like to say, the "I believe button" I believe, I've learned enough, I've gotten the information I need, ok, you can never diligence perfectly. [7 September 2012]

Phil recognizes that his task is sisyphean. His and his firms' way out is to get to the 'I believe button'. It is that button around which all the other times and time-spending revolve. It is that button that Phil, and all the people working for Phil, spent their time on.

6. **Time to move on**

We can see the ways in which time constrains the hunt for value. Private equity investors do participate in tournaments of value, competing over companies and information, but they do so according to temporal constraints. They have to produce a future which they feel is plausible to attain. They also have to have the temporal resources to be able to get there. Gell spends much of his *Anthropology of Time* (1992) explaining McTaggart's A-series and B-series metaphors for time. Again, the A-series is time as sequence, time as flow. This series of things leads to that series of things. In short an infinite chain of actions and events leads from the present into the future. To make an omelet I must get eggs out of the refrigerator, then break those eggs in a bowl, then whisk those eggs, and so on. The B series, by contrast, is this after that with much less concern for sequencing and steps. I will drive after I get a car. One can only be married after one is born. The B series is general and schematic future events. Private equity investors' predictions of what companies are going to do well lives in the B-series. They imagine possible futures and

evaluate whether they can make them happen. Then particulars of the diligence process, the ceaseless marshalling of contactors and scheduling of one's own time, is the infinite imponderabilia of the A series. What is more, Bear helps us see how that A series manipulation that private equity investors do structures other people's time usage, and creates complicated, messy timescapes.

We are left however, with an open question. We have worked through a pragmatics of time and value. Private equity investors spend time trying to figure out the possibility of moving between possible futures and thus finding and creating and cashing in on value. Yet we do not yet know how they spend or waste their time doing so. At the heart and soul of what private equity investors do is deal-making—this is their total social fact. This is their potlatch. It brings everything together and sends back out again. Endless pragmatic and meta-pragmatic deliberations make these deals. Taken together, time and value are the abiding concerns when private equity investors make deals. Once we understand deals we can understand the actual investment process.

To Buy or Not to Buy

1. Preamble

For investors who make their livelihood buying, managing, and selling whole companies, private equity firms actually invest infrequently. To take one typical example, as of 2014, Phil's firm which had been around for nearly 20 years had bought a total of 14 companies, seven past investments and seven current investments. That is less than a company per year, and about one company for every investment professional working at the firm. This is not for lack of opportunity either. Phil pointed out that in any given year they will see hundreds of pitch books, advertising potential investments. From those hundreds of pitch books, the firm will select three, two, one, or none, in a given year to invest in. This situation occurs not just Phil's firm either. On a larger scale, of $3.5 trillion dollars promised to private equity in 2013, private equity firms had not invested $1 trillion (Primack 2014).

An ethnographic question presented itself to me in the course of my field work: given that private equity investors have more money than they are currently spending, and given that they invest in far, far fewer companies than they are aware of in any given year, how are they finding and selecting the companies that they do invest in? How do they get to Phil's 'I believe' button and buy a company? This chapter will answer that question by 1) showing the problems in finding companies, 2) discussing the nature of information available in the market for companies drawing liberally on the above notions of secret value and Geertz's idea of a bazaar economy, and 3) showing the process by which private equity companies make decisions. Ultimately, researching a company produces an abstraction that allows private equity investors to act—buy, sell, and manage. It is a standardized, knowable process that turns a company into a financial asset. Describing the way diligence works and how much time it takes will allow us to compare

one financier to another, allowing the anthropology of finance to move from individually interesting studies, to ones that are comparable.

2. Everyone hates a used-car salesman

Deal flow is the name for the cycling of investment opportunities a particular firm has. When one says one has proprietary deal flow one is claiming to have some source of companies to buy that others do not. One limited partner who invests with 60 or 70 private equity firms at any given time noted that everyone claims to have proprietary deal flow. One thing that particularly stuck in his craw was when private equity general partners said that their deal flow came from their Harvard MBA network, as it made their possible world too small. This comment is useful not so much for the anti-MBA animus, but for how some GPs think about where they get deals from. I also talked to some firms that described in explicit detail the way in which they would generate hypotheses about a particular industry (interstellar travel is booming and will continue to boom since humanity has decided to set aside war and greed in pursuit of exploring the heavens; therefore people will need affordable flying saucers). Once they had generated a particular hypothesis they would cold call companies that fit the bill (calling Jimbo of Jimbo's Discount Flying Saucers to see if Jimbo was looking to sell his business).

Using one's business school network, or cold calling in order to chase down an industry specific hunch, however, is not the way the majority of private equity firms find companies. The majority of businesses come via investment bankers. Investment banks, especially the large ones, occupy a central nodal space in modern finance. They facilitate all sorts of transactions. As we will see with the sale of a company, they bring buyer and seller together. They also create and sell or trade financial instruments—securities and swaps that trade based on interest rates, bonds, and so on. They also lend money and do conventional banking services for all manner of

clients—from retail to corporate. If one could ascribe a core or a leitmotif to what they do, however, it would be to manage the flows of money, to be in the middle (and thereby extract a fee) of the transaction when something needs to be created bought or sold. In the case of buying and selling a business, often when an owner is going to sell a company or take a company public, that owner will engage an investment bank to analyze the company, make a pitch book arguing why that company is right to purchase, and then distribute the pitch book as far and wide as their rolodex will allow. The pitch book itself is a specific genre of document advertising a company's past, present and predicted financials, as well as some general market and sector analysis, and an advertisement as to why a particular investment bank should be trusted. These books, however, are not treated with scientific rigor. They are designed to sell a company. The investment banker is a salesperson, standing between a buyer and a seller, trying to foster a transaction. To this end, investment bankers will create and underwrite debt to finance a transaction. That is, investment bankers will originate and sell loans based on their assessment of a transaction. The investment bank's corporate financiers will create debt, and the investment bank's salespeople will sell the debt to people who want to invest in a company.

Ho (2009) describes the process behind creating an investment banking deal (see also Rolfe and Troob 2000). Our question, however, concerns not so much the process as the reason that Private Equity investors pass on so many potential investments that come their way. It is useful, too, to remember that the majority of people in private equity worked for at least two years as investment banking analysts, creating pitch books, and trying to sell companies. So what are private equity investors worried about, given that their peers claim to be bringing them good deals? Ho reproduced the following chart, offered as a joke in a high profile investment bank:

Investment Banking Process	The Real Deal
1. Pitch Prospective Client. Tell them how great we are at raising junk.	1. Lie, cheat, steal and bad mouth your competitors to win the business.
2. Build financial model: historical performance and projected earnings and leverage ratios.	2. Manipulate projections so credit ratings are reasonable.
3. Analyze comparable high-yield issues to understand market rates and returns.	3. Select the most aggressive companies to show the client.
4. Due Diligence: Analyze the company and understand why it exists and will it exist tomorrow.	4. Boondoggle: build up your frequent flyer miles.
5. Drafting Sessions: Craft the perfect marketing document to bring to market.	5. Eat M & M's, ice cream bars, and cookies. Get fat!!!
6. Prepare Rating Agency Presentation.	6. Mask the company's weaknesses by concentrating on 1 or 2 strengths.
7. Prepare Road Show Presentation.	7. Same as above—Goal: To fool the investor.
8. Road Show: Grueling 8 days on the road.	8. Expense account—go crazy with the client's money!!!

[Ho 2009:106]

Ho's informant noted that this was intended as a joke at an investment bank. Why, then, would this be funny? In part it gets at the tension of being in the middle of a transaction in a sales role. Part of Ho's larger claims about investment bankers is that they are habituated to making and

disposing of transactions as quickly as they can. They are essentially in sales, and all of their habits of work and being support this perception. At their worst they have no stake in any company they sell, and are not obligated to back up the claims they make with a company's actual performance once someone buys it. One of my informants observed that when a deal happens investment bankers pop champagne, as they have made their money. By contrast, my informant says that his private equity firm passes out coffee as this is when the real work begins.

So, in some sense, investment bankers are seen to be unreliable, even or especially by people who used to be investment bankers. One informant noted that, when he worked in an investment bank, his boss would say things like, "this feels like a $100 million deal." This figure was his assessment of how much the company should cost, and it became the subordinates' task to build all of those financial models in an effort to back into this gut assumption from a managing director. Above we talked about how private equity investors seek to understand the value of a company in which they invest. If a company is private and has no publicly available financial information, and if investment bankers have as their goal fooling the investor, then private equity investors are stuck in an information-poor environment. Geertz offers a particularly useful model, that of a 'Bazaar Economy', in helping explain how people find prices in information poor environments.

Geertz describes the town of Sefrou, south of Fez, in Morocco. He notes that in Sefrou there is a core of 600 shops, and 300 trade workshops that operate on a more or less permanent basis, and on Thursdays, the population of Sefrou doubles with the opening of a regional market selling everything from rugs to grain (Geertz 1978:28, 29). He notes that here, as in many other market settings, "sellers seek to maximize profit, consumers maximum utility; price relates supply and demand; factor proportions reflect factor costs;" however, the bazaar begins to look

distinct when one realizes that "balances of information flows—that give the bazaar its particular character and general interest," are more salient for explaining what exactly happens in a bazaar economy (1978: 29). Much as in the market for privately held companies represented by suspect investment banks:

> …in the bazaar information is poor, scarce, maldistributed., inefficiently communicated, and intensely valued…The level of ignorance about everything from product quality and going prices to market possibilities and production costs is very high, and much of the way in which the bazaar functions can be interpreted as an attempt to reduce such ignorance for someone, increase it for someone, or defend someone against it. [Geertz 1978:29]

This is similar to the condition that investors face in purchasing a company. Just as the level of ignorance is staggering in both the bazaar and the purchase of a privately held company, so too is "the search for information—laborious, uncertain, complex, and irregular…the central experience of life in the bazaar" (Geertz 1978:30) as in the purchase of a company (c.f. Stiglitz 2002[39]).

However, Geertz's analogy can only extend so far. Both transactions—private equity and bazaar, happen in information scarce environments. But one central difference is that, in the bazaar, buyers seek to overcome the disadvantages of not having enough information via several strategies that exist because the bazaar is in Morocco and the participants are all physically proximate. Geertz notes that through a combination of universally trusted arbiters of truth (*umanā* 1979:192), ongoing exchange relationships, and itinerant bargaining outside one's

[39] The points that I am making about information poor environments and the ways in which private equity investors navigate and cultivate secrecy are similar to the observations about decision making behavior that Joseph Stiglitz (2002) suggests have led to a paradigm shift in academic economics. Stiglitz makes the point that much of neoclassical economics, which developed competitive equilibrium seeking models of economic life, was premised on actors having perfect information to make their decisions. Stiglitz, in turn, observed, and spent much of his career demonstrating, the way in which even slight information asymmetries wreck neoclassical, equilibrium seeking models of resource allocation, firm behavior, price setting, employment rates, or any number of other phenomena that economists note and analyze. It is further worth noting that a career spent making these observations seems to have led to Stiglitz's 2001 award of the Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel. It is always good to see economists catching up with sociologists and anthropologists, especially given that Simmel published his observations on secrecy in social life in 1906.

exchange networks to test prices (1979:225), all allow market participants, *suwwaqs*, to work through being in an information poor environment. Ultimately this combination of arbiters and incessant bargaining allows *suwwaqs* to pursue,

> …the critical task: combing the suq for usable signs, clues to how particular matters at the immediate moment specially stand. The matters investigated may include everything from the industriousness of a prospective co-worker or the reliability or a certain craftsman to regional variations in taste or the supply situation in agricultural works…[or] the price and quality of goods. [Geertz 1979:217]

By contrast, private equity investors are often making the purchase at a considerable physical remove, reserving onsite inspection and interviewing of people for a few days in a months-long process. So I follow Geertz in recognizing an environment for my financiers that is particularly information poor. Yet whereas for suwwaqs bargaining and interpreting signs in a close physical universe are the central tactics for gathering information, for private equity investors, their own private, in-firm 'diligence' process is the name of the game. In what follows I will describe how they deal with a poverty of information and a physical distance from the things that they buy in order to make arguments about where value exists and whether they have time to turn that value into money.

3. What to know and when to know it

Cyrus was about as good an informant as one could imagine. He had done his analyst work in a big investment bank, worked as an associate at a large private equity fund, and had moved up to be a vice president at another big private equity fund. We had two lengthy interviews, the second at his suggestion. In that second one, it seemed he had decided he wanted to walk me through his firm's diligence process thoroughly. As is turns out, the process that Cyrus describes is more or less typical of most of the other firms described to me. Some firms change who decides what at which point, and how often senior management is involved. But all

share a winnowing or funneling motion that gradually increases the analytic work and scrutiny on companies that survive longer in the realm of possible investments. As a company remains a live option, more and increasingly research is done on it. In what follows I will give Cyrus's explanation of the diligence process by which his firm works through 200, 300 or even 500 potential deals in any given year, and then will describe some investment stories from other informants to illustrate the ways in which companies can succeed or fail the process.

Cyrus had just been telling me about how attractive, from an investment point of view, his firm's specialty was, and how foolish it would be to turn a blind eye to investments in that particular space. But also, one needed to diversify, to spread the risk around: "you want other sectors out there to help pillow the blow." Pillowing the blow starts with the financial equivalent of basic research, "assessing investments, analyzing returns, [and] looking at trends." One "spends a lot of time," doing this work. "Luckily," for Cyrus and his firm, they have an "established reputation," and have "been around for a long time." For private equity, this idea means being around since the late 1990s, occasionally the 1980s. So given that Cyrus and his firm do this sort of basic research to build up their portfolio of investment companies, and given that his firm has a pretty good reputation and track record, how then do they find particular companies? They do this by being good citizens of the business social worlds that they occupy.

And Cyrus pointed out that, "we know enough that a lot of our deal sourcing comes from in-bound calls. People that know us that know that we are interested in investing in companies, x y z characteristics." These calls come from people who, "know the industry; former [industry specific] CEOs CFOs bankers someplace else, might recommend us or call directly." For Cyrus, this is building a "network." One asks "for meetings with people who might be on management teams that are in similar sectors, or have similar backgrounds with people that we know and we

ask for an introduction." They also "trumpet our past success," and point out that, "a lot of the people who have been managers of the businesses that we buy have done very well for themselves. We are a good partner and are not out to screw anyone."

Cyrus was doing all of this from a large, established firm. For them claims of proprietary deal sourcing are in fact believable, and this all-of-the-above approach, calling, networking, and conference-ing, likely represents reality at most respected firms. What is interesting though is their distrust of competition in the deal process. They do not want a firm to go to auction. Despite this desire, investment bankers often make this happen. Cyrus spelled out the process:

First, "let's say that a deal comes up. What happens is we will get some sort of preliminary amount of information." The first worry is that the deal is "a classic auction". The problem with an auction is that the price is "more competitive and the price that we have to pay for anything goes up." So they "avoid [auctions] if they can." But if it ends up being an auction there is a set process for turning a company into a possibility and that possibility into an investment. "Typically then we hold what we call a concept memo around, where the team writes an eight to ten page concept memo based on preliminary data, where they describe the transaction, describe the opportunity set, identify key risks key mitigants, competition, build a financial model that roughs out what a map might look like what the capital if the necessary would look like, what debt and what terms we think we could get." This is in sum the logic of the deal process—the ways they could lose money and the reasons they might not. They also start thinking about how they would borrow money and whether they could pay it back. They then take this conversation to their bankers, keeping everything "no name" for now to see what they might be able to borrow. With all that basic information they, "make a first round preliminary bid saying we're going to pay x y z for this asset." From that point forward, if they are

successful, this possible company will go to a firm's investment committee (senior investment professionals) to decide if "it's a prudent way to spend money." If it is, "they'll approve a budget to diligence, say it's a million dollars, to go out and retain market experts accountants, tax experts, lawyers, engineers, so forth and so on." This is the moment when the consultants, accountants, and other pilot fish start swarming. This is when private equity investors start moving other people's schedules around.

So, again, the first step in the process of taking an idea and turning it into an investment is the preliminary report. It is a basic argument in favor of a particular company. It offers a description of reality, a suggestion of ways to make money, a suggestion of ways that money making might not happen, and a financial model that argues how much money would need to be borrowed and how much money one could make on this investment. Also at this stage, a private equity firm would reach out to those experts who Phil talked about in the time chapter. Should this all work, a committee of senior investors at the private equity firm would approve ups of a million dollars in this case to spend on more formal research into whether a company would make a good acquisition. This point is also where the concept of a data room comes up. Alvin talked about secret value, and Lou talked about secret information that allows investors to make value claims. This place is where that information is kept. Data rooms are swaddled in confidentiality agreements and have access limited to the investors interested in purchasing a company. Private equity investors use this secret information to build up more robust arguments for why a company is valuable and how they can turn that value into money.

What follows is the heart of the diligence process, the six weeks in which "they open what's called a data room." This is a room (it used to be physical, now it is an online portal) in which all of a company's financial and proprietary data is compiled. Cyrus and his colleagues

take “whatever information that we are learning and earning in our pursuits and talk with our experts [to] com[e] up with a much stronger view of the risks associated with the business and the potential upsides.” As always, the decision is whether to invest or not to invest. One helpful image is that of a fractal—that is, an image whose general pattern repeats at whatever level of magnification at which one views it. Like a fractal, general patterns in how one formulates a thesis and makes an investment argument the same at whatever level of complexity one approaches a company. At the start, prior to the data room and the big diligence budget, Cyrus and his firm come up with a bare bones memo of risks, rewards, and potential debt opportunities, ultimately producing what Phil was calling an investment thesis. As diligence progresses, this thesis becomes elaborated, though in roughly the same proportions. Put another way, think of an abstract to a conference paper, to a journal article, to a book prospectus, and finally to a book. Except that all of this happens in six weeks and with a million dollar budget. Cyrus corroborates that, although they are working on the same problem, they are doing so, “though a much more complex model with much more granularity.” They also try to troubleshoot, coming up “with scenarios, that lead to hypotheticals: “Will we be able to meet our covenants? Will we be able to generate free cash flow? Will our management team make any money? Because an important part of private equity investment is having motivated management teams. When they make money, we make money.” If all goes well, they will make a second round bid. If the company likes what they offer, then they go into “exclusive negotiations where one sits down and negotiates a purchase and sale agreement over the course of week, hopefully less.”

And here, for the first time we have heard about a management team. So Cyrus and his firm are wondering about risks and mitigants—big picture business environment stuff; is it a good time to invest in this company? They are also thinking about the internal operation of a

business—will it be able to generate cash flow to service the debt we need to buy it; will this business generate value? And finally, will they be able to persuade management to do the work that Cyrus's firm thinks is necessary, specifically giving a management team an opportunity to make a lot of money, whch is key to a private equity dea?. Cyrus pointed out to me that they "spend a lot of time" cultivating their relationships with possible management teams.

Cyrus also noted that this process is all a balancing act. Diligence is expensive and one funds it with one's management fees. One's generic private equity agreement is for two and 20, that is two percent of the money limited partners entrust to private equity investors goes right into the PE firm as the fee for managing money. Twenty percent refers to 20 percent of whatever profit is made. These figures are generic—they often come with lots of caveats. So on a hundred million dollar fund, it is reasonable to expect that the firm gets $2 million to run its business. Cyrus suggested to me that they make a concept memo, and ask for diligence dollars or contingent diligence dollars on 50 deals. Of those 50 deals they put in a "binding bid" or a "proprietary proposal" on 12. From those 12, they might do three or four in a given year. Cyrus noted that lately they have been investing in even fewer companies because "it's been incredibly competitive out there. We have been more reticent about committing large sums of diligence dollars to some deals just because we view the competition to be ridiculous. The prices that people are willing to pay are astronomical." Recall the larger private equity environment—that $1 trillion capital overhang, pointing to more capital committed to private equity than they can spend. They have more money than they can spend, and there seem to be too few businesses to go around. Plus, despite being avowed free market capitalists, they shy away from the auction, a more open market setting, to find a price.

Cyrus continues, talking about post deal work, as it emphasizes more of the considerations that private equity investors make when they are crafting their investment theses.

> D: OK, so we're down to our three or four companies. What happens?
>
> C: First thing is if there is a management team already with the business, we spend a lot of our time in our diligence assessing their strengths and weaknesses, where they can be augmented or helped, we craft a management incentive program that essentially makes them large amounts of money, so long as we are making profit, don't earn into their carry unless we earn ours. The idea is to align them and incent them to extract as much value and work as hard as they possibly can to enhance the value of the business for us and our partners.

Extract value to enhance the value of the business. Beautiful. What is more, management teams—deciding if they were any good, as well as reading people in general—came up repeatedly as a challenge for private equity investors. If at all possible, PE investors would like to leave management teams in place. If that is not possible, they would like to use management teams with which they are familiar, as in the case with Baugh and Moonbeam. If that is not possible, things get interesting. One informant talked about hiring out psychometricians to carry out days of personality inventories. Another talked about lengthy life history interviews, on the premise that people tend to perform the same way repeatedly. Finally, one of the most honest informants I ran into said that he knew in the first seven seconds of meeting a management team whether they would be any good. Cyrus pointed out that, "we're buying the business in part because of the strength of the management team. Or if there is a huge hole and a glaring weakness you replace them."

And once one has a management team in place, one hopes that one's company has the "ability to grow." One does this by either "growing revenue or cutting costs." But growing revenue is easier, so Cryus and his colleagues focus on, "the person [in an organization] who is going out there and finding new contracts, new avenues of business." So in addition to having a

management team one believes in, one has to have a way to grow revenue in a company so that one's investment can make a profit and that the company can pay down the debt one borrowed to buy it. After all, the company is ultimately responsible for paying down the debt that private equity investors take out in order to but the company. Corporations allow one to limit liability in this way. It is near impossible to imagine a scenario in which a private equity firm would be responsible for the debts of one of its companies. All this debt allows one to get a company and act out one's 100 day plan.

Cyrus went on to explain the kinks one inevitably runs into when a company changes ownership. He pointed out, "Any time you have organizational change on the scale of a new owner, it's bound to cause, and rightfully so, people say what does this mean for me, is my job safe, who am I reporting to, I like the way things used to be and you are changing them on me. These are all fair things to say." He said that this was especially difficult as, often, the companies that they buy are "the only game in town…this widget manufacturer or whatever. We try to craft a message on the way in that helps people understand with the management team, here's who we are, here's what we are about, this is what we hope to do. All is well. Or maybe all is not well, and we think there need to be some changes." Cyrus reiterated that they "try to be as transparent as possible without everyone running for the hills." You need to be "able to 1) articulate your vision, 2) show real roadmarks how you are going to get that." Whoever ends up in the position being a manager has to "steward that change on." All this fits into the implementation of the 100 day plan. What management and the company will do, what will change and what will stay the same, is the way by which the private equity firm tries to bend reality to the plan it came up with justifying the purchase of a company.

Recall the above simile for the elaboration of the deal project: it is fractal; or it is like the ongoing elaboration of abstract to conference paper and so on in academic writing. The 100 day plan is the final elaboration of this strategy, and its implementation is its instantiation. The execution of the 100 day plan by private equity management is the abstraction made real, the word made flesh. It brings into reality everything that private equity investors decided in the course of the diligence process. Cyrus corroborated, "That's right…yeah so 100 day plan is an articulation of that strategy." Cyrus offered an example of a hypothetical manufacturing company that had to have a plant shut down in order to invest in a new "high-tech product line." "Those are the types of things we need to do to make our investment thesis work. These are the steps we need to take to actually put rubber meeting the road with an investment thesis." He also noted that there is an inherent awkwardness with employees surrounding all of this, because "When your company goes up for sale your job is instantly less stable than it was because you could be amazing at your job, but the new owner has a different idea of what he wants to do with the company." In the case of private equity, this alternative idea is to pay down debt and offer a return on an investment, and not necessarily reinvesting capital in the business. It "does not matter how good you are," if the new owners, "want something different."

In the above discussion Cyrus gave us the process of buying a company. It involves funneling and paring down investment possibilities. In parallel with this funneling, private equity investors build increasingly elaborated models accounting for the internal workings of a company and its ability to create value, paying off borrowed money and generating revenue growth. They also, especially in the preliminary stages of diligence, assess the larger industry and economic space for investment, seeing if it is a good time to invest. Finally, they assess the potential of management teams for the creation of value. These priorities, then, get turned into a

hundred day plan. In order to make sure that the 100 day plan gets carried out, investors are given the promise of lots of money.

The above description is a generic one, almost an ideal type of the process to buy (and sell) a company. Actual companies, however, perform and occasionally fail in all sorts of interesting ways. Remember, of several hundred companies in a given year, a private equity company will perhaps buy four. The next section will review three examples, from my fieldwork of stories about particular companies, to illustrate how the buying process works in practice, looking at three generic categories of diligence—larger economic and sector environment (investment timing), internal company performance (value potential), and the ability of a management team to execute on a 100 day plan (value creation).

3. Management Teams say the Damndest Things

Business Cards (Value Creation, People)

Ruth had worked as an analyst in a big private equity firm, and was currently employed as a financial appendix to an operating company's CEO. She was telling me about management teams, how her private equity firm assessed them, and one story in particular that scuttled a potential deal:

> Ruth: With my experience, fortunately or unfortunately, I'm able to make snap judgments about management to some extent. Like, I would go in and sit in on management meetings and I would be able to kind of determine whether to some extent a management team would be functional or not for the next step of the investment.

The mystery of whether people will be able to do a job: this is something that private equity investors could not model to their satisfaction. As such, and as this story will illustrate, this was something that tended to be dealt with in an ad hoc way in the diligence process.

Daniel: Could you give me an example of one time you decided that one was not fit?

R:	Oh this is an easy one. There was one business. This was hilarious. I don't know if I still have this business card. I hope I do. There was one time where four. So I said I worked a lot in [oil], there was a business [in that sector that supplied a raw material to allow oil exploration. Ruth is explaining in detail the operations of the particular business and how they were able to supply logistics for oil exploration.] They were supplying that logistics, a well needs [their particular product] that day or else they miss out on a day which is like millions of dollars potentially of drilling. So that logistics is very important, and that makes it an attractive value proposition. [the raw material itself] is like a commoditized little thing. So we were looking at a lot of different elements of that.

Ruth just laid out the value thesis for this investment. There is a commodity that is necessary to oil exploration, and this company manages a complicated supply chain that brings this commodity to oil fields. This is what makes the business interesting, and the management team useful.

R:	So the team that initially put it together, there were like 13 terminals or something and they had various agreements with rail stuff. So that team of like four people was completely dysfunctional. We got to a meeting where you start the meeting, you exchange business cards, you shake hands with everyone. The meeting was starting. The management of the other team (the company), the bankers, and us. And I was at the table. Maybe I wasn't at the table. Depending on how big the table was. If it's not big enough I don't sit at the table. The business card I received from a banker, had on the back of it which I didn't see until after the meeting said, 'shut the fuck up.'

D:	What?

R:	Yeah. Yes, yes, yes. This happened. It was like the lines above in two different colors of pen, were 'turn to page 18,' which was like an important page of illustrating the map of the different spots of the [logistic supply chain].

D:	This was a business card he exchanged with you?

R:	Yeah yeah. He didn't see it obviously. I think I remember he was looking for a business card, like I don't have one. This is a business card he gave me. Two of the people on the management team must have written the notes. One of them was like, 'turn to page 18,' and then the other one crosses it out and was like, 'shut the fuck up.' Actually two people on the management team. To each other.

D:	Wow.

Ruth's firm subsequently focused a bit of their diligence efforts on figuring out what was going on with this management team.

R: Later we found out through a lot of due diligence, and we didn't end up doing this deal obviously. That two people were not on speaking terms. We could tell there was some tension, but there was no way to know until you did a lot of digging.

D: How'd you find that out?

R: I mean you talk to people, and you realize like, for this particular business we would have had to, I mean people have to be forthright about management not continuing, because that means, in order to replace an entire fucking management team. Are you kidding me? Like a lot of times you replace a person because you think the person isn't competent to take it to the next level.

D: The Barbarians at the Gate dilemma.

R: Right, cause like all four guys, to replace them? There was no way. We knew maybe a guy. There was just no way. And like, two people wouldn't speak to each other, and wanted nothing to do with each other. And like I'd seen this card, and I was like I'm going to share this with everyone in the office. This is hilarious. So that was funny.

This is a deal breaker for Ruth's firm. They are not able to replace the entire management team. Despite their ample connections they maybe had one person who could work at this company. They had nowhere near the depth of talent that could manage the complicated logistical relations this firm had established.

As much as there is a script in any deal process, the decisions that private equity investors make are often driven as much by inference and serendipity s they are by a deductive process. In this way, diligence looks like a type of anthropological field work. In this instance, Ruth's firm had been unaware that two of their potential managers were not speaking to one another. They found their first inkling when Ruth, a junior analyst, not even sitting at the big table, received a chance business card. This turned into increasingly elaborated diligence, 'talking to people,' that turned up that these managers were not speaking with one another.

I would Like a Second Opinion (Time, Investment Timing)

Ruth was vague about 'talking to people.' Cyrus, as well as Phil, pointed to a long list of experts that a private equity firm can call up in the course of diligence work. These experts get brought in for all manner of specific consultation—accounting, environmental assessments, tax lawyers and so on. Also in the loop are general management consultants. Avi, currently working midlevel in a fund of funds, started his career as a management consultant, working a group that would offer advice for hire to private equity funds. In what follows Avi, talks about a time he gave some competitive advice in the course of a private equity firm's diligence process:

> Avi: But I do believe though that a lot of these PE shops find enough value in doing it, or they wouldn't probably pay for it. Sometimes, some people said they want to have that work for their investment committee, or they want to show their creditors, but I think by and large you can get quite a bit of value out of having another team of five or six people do what you were going to do anyway. And to be honest, a lot of them do do it themselves on the side and then they sort of horse race results and findings.
> Daniel: Got it. Ok, it's interesting, one of my, the sense that I am getting, the expertise that is selected for in a private equity firm is typically a more narrow financial expertise.
>
> A: Yeah.
>
> D: And ego and hubris aside, it doesn't always lend itself to test big picture strategic thinking. Does that make sense?
>
> A: I think that makes sense. People in private equity have come from investment banking backgrounds, which is not to say they can't be strategic, but lends itself to a more like as you said narrow financial set of skills. There are a lot of firms out there, not tons, there are many that do hire former consultants. And you know a lot of these firms, these PE shops, they tend to partner with very senior operating principles. People with real life operating experience, so they're able to overcome some of the narrowness, by pulling in an advisory counsel or so.

After explaining the logic behind hiring outside consultants, he went into a specific example having to do with new home construction and pool maintenance. The company was a retail store that catered to people with new homes and amenities like pools.

> D: How did the pool investment play out?

A: You know what, we delivered the recommendation at the time. Ironically that firm hired two groups of consultants unbeknownst to both of us. We each produced different results, and they had us both come on the call. And then we sort of argued it out on the phone live. It was a really sort of strange.

D: Could you describe that for me? It sounds fascinating.

A: It was a total surprise. So basically in this circumstance, we had six business days to get everything done. So I think we were working on a really tight timeline, they had hired another consulting firm as well to get comfort with the space. The other consulting firm had access I think to the data room. But I guess for whatever reason were only able to pull a more limited set of materials. And so we got on the call to present the results. It was kind of a six day sprint through phone surveys, models, economic analysis, and then we got on the phone.

This scenario was unusual, largely for two reasons: the short amount of time to come up with a recommendation, and the fact that the private equity firm hired two consultants and had them argue with each other. While the circumstance is unusual, the way in which private equity investors were using their experts was not. One sees overlap in what private equity firm people are investigating and what their hired experts are studying, and one also sees the way that private equity firms marshal the work of their experts in ways that are not immediately apparent to their experts.

D: In six days?

A: Yeah. And if you know in day zero or day one need full survey of five hundred people, by the end of the first day you've designed the entire survey you've already worked with you know the firm to begin to get it launched, you have it online, you specify who it goes out to, and then you pay money to have it coded and rushed. And then by day three or four you get results back.

D: I'm impressed.

A: Yeah this is working around the clock. And then by day five or six then you basically start to analyze the data. That's what I was saying people's habits with pools how much they spend, maintenance, and how often they maintain their pool, all this primary data that just helps give you some feeling into how consumers, context and content, in terms of how people really think about their pools and so you know to be honest, it was pretty shocking, we got on the call and there was the other group and they had a different growth rate in their model than we did, what they thought storage could

grow out in terms of sales, there's back and forth, and you know there, in the case of their analysis was a little bit more aggressive I think in large part they were missing a little bit more historic data that we seemed to have for whatever reason. It was just in exchange. In terms of them defending their analysis, then we would say why we think ours is right. You know when we thought about growth rates, this was a very consulting like approach, when we though what could this company grow at in order to justify our answer we would present a piece of analysis, and we would say we've analyzed this four different ways and they all get you to the same thing. When we walked through our, I think that carried a lot of weight with the PE shop. Oh they looked at it so many ways. Whereas the other firm, they did that approach, they threw a forecast number, yeah but that doesn't happen. That's the only time it happened to me. It was a really strange dynamic.

D: […]

A: Yes. Exactly. And so we finished the case, to be honest I believe the company made the acquisition, but I couldn't tell you. In consulting you're moving on to the next case and so on.

Again, it is not always apparent to the hired experts what the private equity firm is up to. The hired experts do not have any kind of a long term interest in the investment that the private equity firm makes. In that way, their interests look a bit more like investment bankers—they help move a process along, and are really interested in the reality of deal churn, and getting hired to do research.

D: You guys are advising, yes, make the acquisition, this, this, this, and this.

A: Yeah, we really in that case we said, you know, across maybe a few dimensions, here's what we believe your current source can grow at if you look at price inflation, if you look at consumer behaviors in terms of how often they maintain their pools and all those things right, you know, here's what it could grow at, taking into account new homes. Pools usually get built when you have new homes most typically, this is more a recession time, no homes getting built, so we believed some snap back at some point of that. And you basically, here's what you could believe about this investment in terms of growth and you know consumer behaviors, are you worried about, as an example of what we talked about, if people are building more salt water pools can that dramatically change things to such an extent that that changes the economics of the business. Those kinds of questions. And the project was so short that it was basically making sure any red flags were identified, more than answering any question under the sun about pools it was more like do we see any big red flags, and you know here is what we would underwrite in terms of potential growth for this business.

Also useful in this story is an understanding of what makes it into a general business case: some prediction of how a company will do in the future based on things like consumer habits, larger economic trends and how all this fits into a financial model.

Though it was not typical, the dramatic reveal of Avi finding himself on the phone, arguing against another consulting firm about the same topic his firm was hired to answer points to the way that private equity investors, in the diligence process, are able to conduct and arrange the schedules of their hired experts, and then get 'value' out of their opinions and analysis. Also evident in this is just how contested, from a meta-pragmatic point of view, what evidence one ought to bring to bear on a particular decision. In Avi's telling, his firm's appreciation of historical market data combined with a large survey made for better evidence that ultimately made a better value argument.

So those robots swim, huh? (Value, Value Potential)

We have seen that as rigorous as the diligence process tries to be, in a lot of ways it is reactive, inductive, and idiosyncratic, stumbling through an information poor environment, trying to learn what is important about a company without knowing what one does not know[40]. Much of this stumbling, in turn, makes the component parts of an iterative research project explained in the language of obvious common sense. One moment that exemplifies this sort of inductive common sense is the site visit—those few days when the private equity investors actually go and check out a site. This is what Alvin was talking about—seeing value beyond the stray cats of a run-down shipping warehouse. Private equity investors like to see their potential investments to make sure everything makes sense—it is a test by feel. Things should feel right at a company.

[40] Not unlike ethnography.

When I met Juan, he was in an MBA program. He had worked in private equity outside of the United States, and ended up returning to a more general investing form when he graduated. He told me about one particular site visit that led them to abandon an investment:

> Juan: more things that could make you not invest, it's very, if you're doing it diligently it's very rare to find a good investment and two examples to answer your question--well there was a time when we were to buy a port… the port they rented, I wouldn't be able to, I don't know the word in...warehouses, they rented the warehouses, they also rented the equipment for the oil and the gas industry

So Juan's firm was setting about buying a port. What came with the port though, were the port's tenants. These were businesses that they needed to evaluate, to diligence[41]. The self-reports they were getting from the businesses were generally good.

> D: like a refinery
>
> J: no no no not for extraction, for deep sea oil rigs, it was like equipment, it had cameras, it was like a robot, you could put it in the water, you could control it and then you want to see, you have the platform, you have all the rigs going all the way down to the ocean
>
> D: so these guys have their rigs and if they want to do any work on them they go and they can rent these robots
>
> J: the robots cause you have the cameras you can see how the metal is working with the salt in the water, corrosion, and you have all this, these guys were saying we're doing fine with this business, and these were very expensive robots I mean you would rent them for ten thousand dollars a day 15 thousand dollars a day and they had a huge warehouse of it, and then they said they were doing fine, and then we thought if you're doing fine, well those robots shouldn't be there in the warehouse they should be in the ocean being used. And then we analyzed it, we didn't want to be in that business of renting that equipment we just wanted the port

Juan and his firm's epiphany came when they visited the port and the robot rental business and saw warehouses full of robots not being used. This suggested that the business was going poorly to them and kicked off more diligence in that direction.

> D: so you didn't care who was in the port, you just wanted the port

[41] The investors I knew used diligence as a verb. I'm using it the same way.

J: we just wanted the port, yeah, we wanted the port, but we didn’t want this business of renting equipment, but they wanted to sell us saying that you were doing perfectly fine with the business, then we didn't believe, we wanted to see what was going on, then we got there, and all those equipment were there and we said if you're doing fine these shouldn't be there, if we weren't doing a plant visit or a site visit, we would never know, cause they were sending us information that wasn't audited at that time, they were putting pressure to close the deal so you know it was

D: so did they own part of the port so you would have had to buy them?

J: yah this guys owned the port, then they had the warehouses, they would rent the warehouses, then they had this business of renting these robots, all, I mean the robots were sited in the port, cause the port was for specific oil and gas purposes, I don't know if you're familiar with the business but uh you have the platforms on the oceans, those big platforms on the ocean, big big multi-billion dollar platforms

D: right right right, they go down miles

J: yah yah, but then once you place em, or once you find a good location for them to start drilling and then exploring the area you won't move that much, so you have helicopters going back and forth sending people back and forth, sending food, but you also have lots of boats going back and forth, like huge boats I don't even know like two hundred three hundred feet

D: tankers to take the oil away

J: yah the oil tankers, but not only the oil tankers but also other types of…they take the tubes that go down, the anchors, those big, its massive so we would have this port for this type of activities, so by making a long short I mean if we didn't have the site visit

D: you would have been stuck with the weird robotic rental service

J: yah cause they said it was doing fine they had all these contracts so they did send us contracts, but they didn't tell us, they told us that they had less robots than and they were expensive robots

D: probably took forever to pay them off

J: we would have been, we wouldn’t make any money on that, so it was because of a site visit

D: so that's the business side of things right

J: no I mean the people side of it was because they were dishonest about the information.

Ultimately, a warehouse full of robots suggested that they people Juan and his firm were doing business with were dishonest. This in turn kicked off diligence about being in the robot rental business and they decided that they had no interest in that as it seemed to have no potential to create value and make money.

As discussed above, a sort of inferential, inductive, pragmatism guides the investment process. Things need to make sense in terms of value creation and value realization. One discovery in diligence leads to more elaborated research. The site visit is an excellent example of this logic. People show up to a company, take it all in, and see if things make sense.

5. Navigating an Information Poor Environment

The diligence process is both an excellent elaboration on how people make decisions in information poor environments and a useful intervention into the anthropology of finance. Ruth, Avi, and Juan all talked about specific stories from the process of diligence—how they conducted research and got ideas about the companies that they were considering buying and selling for lengthy periods of times.

Within the anthropology of finance, this process is worth noting as it is so self-consciously distinct from what investment bankers, the tollbooth attendants in the world of high finance, actually do. As noted above, Ho (2009) has provided us an excellent ethnography of how investment bankers at elite firms get hired, and how business works in some of those firms. She argues that there is a deep, entitled habitus which lends righteous justification to the importance of doing deals and indifference to whatever fallout in human harm may come from that line of business. She overreaches however, when she defines Wall Street as "financial institutions and actor-networks (investment banks, pension and mutual funds, stock exchanges, hedge funds and private equity firms) that embody a particular financial ethos and set of

practices" (2009:5). She goes on to identify and elaborate that ethos as embracing "constant deal-making and rampant employee liquidity…as explaining "natural" market cycles and economic laws" (2009:12). As this chapter amply demonstrates, not everyone on 'Wall Street' or in finance is an investment banker. Not everyone who works in finance has the priorities of investment bankers. Far from the priorities and dispositions of investment bankers being recognized as natural and normal, private equity investors consciously call out the shortcomings of investment bankers. Most of my private equity informants started in investment banking and deliberately sought out private equity so that they could be on the 'buy side' as opposed to the 'sell side' in an investment bank, and so that they could get away from simply churning out deals. In fact people within private equity, and in many other parts of finance define themselves by way of showing how different and opposite they are to other groups. This echoes Bateson's (1935:181) idea of "complementary differentiation" in schismogenesis, in which one group diverges from another and progressively differentiates itself in a positive feedback loop. One illustrative example of complementary schismogenesis is Sahlins' (2004) treatment of Athens and Sparta, up to and through the Peloponnesian war. Sahlins points out that in the century leading up to the Peloponnesian war, Athens and Sparta looked and acted fairly similar. As tension between them grew, they progressively and oppositionally distinguished themselves from each other. As Athens became a sea power, Sparta became a land power. As Athens became a cosmopolitan empire, Sparta became a closed, zenophobic one. As Athens became a democracy, Sparta progressively emphasized and exported aristocracy. In like fashion, the more short-sighted are investment bankers and the more bad press they get, the more private equity investors will emphasize their long term value orientation. KKR's original partners left Bear Stearns, an old investment bank to found their firm (Gross). In fact one can see proof of early ambiguity

between PE and LBO shops and investment banks in early references to PE and LBO shops—in the early 1980s the terminology had not settled. As late as 1989, KKR was still referred to as "the investment banking firm of Kohlberg, Kravis and Roberts" (Holland 1989:xii). As the industry has grown, the terminology has become more settled. It would now sound incongruous to refer to a firm like KKR as an investment bank.

Ho did excellent work in her study of investment bankers. It is difficult to study up, and put a name to naturalized cultures of the powerful. Yet, as social scientists, we need to be careful that we do not overgeneralize our findings. Though Ho lumps private equity investors together with Wall Street and a widespread habitus of the investment banker, the first thing private equity investors will say about their work is that they feels that they invest for the long term. Cyrus observed that it is even easier to grow revenue than to slash jobs if one wants to make money. Rather than assuming everyone has the same habitus, approaching financiers and trying to figure out how they employ local concepts like value and time does better empirical work than simply assuming that everyone has the same preconscious dispositions that lead them to act like ruthlessly.

One other thing a focus on local concepts like time and value, and local processes like diligence, lets one do is more ably make cross cultural comparisons. I argued that the diligence process grows out of private equity investors' finding themselves in an information poor environment. I suggest that this situation was similar to the bazaar participants, the suwaaqs, in Suq, for whom specific information about goods and services is scattered, evanescent and unreliable. Whereas suwaaqs engage in lots of bargaining to find the information they need to accurately price what they want to buy, private equity investors gather information and analyze it privately in the course of the diligence process. Private equity investors in turn make common

sense stories and investment theses which attempt to validate buying a company at a particular price. These stories and theses that they make up are in many ways similar to the narratives Zaloom's futures traders would make from the market data flashing across their computer screens. She notes that, "As users of numerical representations, traders combine abstract information with social narratives. In other words, they search out other individuals to compete with, both in the numbers and in their trading room" (2006:159). Zaloom's traders had also found themselves in a relatively information-poor environment. When she started her study, futures trading still happened at the Chicago Board of Trade, physically, in person, in large concentric trading pits. Traders could read the market and observe market activity in the faces, gestures, and sharp elbows of their fell market-makers. As her field work progressed, trading moved to electronic exchanges, and the pits emptied out. Instead of a loud messy market where one could observe all manner of haggling as in Suq, traders found themselves in office buildings sharing a room with a numbers of other traders staring at terminals. So they made up stories and logics to the market fluctuation they observed. "Flexible interpretation rather than formal calculation characterizes the styles of reasoning common in financial futures markets" (Zaloom 2006:159).

A crucial difference between Zaloom's futures traders and my private equity workers is their orientation towards time and what value they pursue. Zaloom's traders get in and out of trades as they see fit and as they read the market. They are not long term investors. They are also trading for other people. Private equity investors hold investments for fixed periods of anywhere from three to ten years. So their dealing with an information poor environment leads them both to funnel down the possible world of investments, and increasingly to spend more of their time diligencing by doing their own research and hiring out other researchers. Though both Zaloom's

traders and my private equity investors are finance people in information poor environments, they do not have the same habituated, preconscious dispositions. They are quick to tell one that too.

Managing, For What?

1. Introduction

Financiers have notoriously long hours (Ho 2009; Rolfe and Troob 2000). Talk of losing friends and straining family ties is common. Occasionally, the hours can kill (Malik 2013). A few of my informants noted, however, that one thing that made the hours worthwhile was the fact that, especially if they worked at big banks, they got to do deals that made it to the front page of papers like the *Financial Times* or the *Wall Street Journal*. What they were doing was public, important, and they savored the recognition. Understanding deals, and the changes that they work on companies, is the point of this chapter. My informants understood that what they do is important and consequently reported widely. It points to the fact that the work they are doing has an impact far beyond the confines of their office and along the continuum of their investment decisions. Put another way, the value decisions that private equity investors make via the deal process are able to reshape the social world for many people. Often this happens in the form of a conflict of value in the course of a deal.

Deals happen. Private equity investors treat the process by which companies are bought managed and sold as natural. They look like total social facts in the way that they take up and rearrange people's worlds. But, as the introduction of this dissertation pointed out, private equity's ability to do the deals that it does is sharply historically contingent, is built out of instances of pragmatic and metapragmatic awareness, and has a known start date. What is more, private equity deals unfold the way they do, and rearrange companies and money the way they do, because of the values people bring to them. For the first time, we are moving beyond the world of finance, and seeing the way that private equity value and values interact with those of other people. The values of financiers usually win and rearrange reality for everyone else. This is

why private equity is worth studying. In each deal we will see the ideas and assumptions of private equity investors setting the pattern by which American society rearranges productive life and wealth.

One such deal arose in the wake of KKR's 1986 acquisition of Safeway. Ho has already written about this deal suggesting that it was, "designed to create a huge transfer in wealth and a drastic change in corporate America" (2009:144). While I largely accept Ho's gloss, in what follows I will re-examine the 1986 Safeway deal for a contest of value, pointing to the ways in which deals rearrange productive resources and wealth according to the logic of private equity priorities (paying off debt, paying back borrowed capital, and extracting wealth for new owners). I will do this by reconsidering the record that Susan Faludi, a Wall Street Journal reporter, left in her 1990 article cataloguing the human costs of the buy-out. Her article, 'The Reckoning: Safeway LBO Yields Vast Profits but Exacts a Heavy Human Toll—The 80's-Style Buy-Out Left Some Employees Jobless, Stress-Ridden, Distraught—Owner KKR Hails Efficiency', ended up winning the 1991 Pulitzer Prize for Explanatory Journalism (Gara 2014). Deals such as the Safeway one offer a view to the values of all parties involved (workers, management, investors, private equity professionals). Deals like this also almost always privilege the values of private equity professionals—their place in history assures this. Once I show this template, I will argue for an expansive definition of a deal, one that treats a deal as a total social fact and contest of value. While I feel it is important to acknowledge that social life is built up of moments of conversation, confrontation, and indecision, it is useful, too, to step back and point to larger patterns, cycles and flows, acknowledging that social life does indeed have larger patterns. This is the use of paying attention to total social facts and other Maussian social processes. This particular theoretical argument will allow me to narrate two types of deals in which values

contest—one that leads to outright rupture, hostility and bitterness, and one that leads to mutual accommodation and even stability. I will show this with investment stories taken from my own fieldwork.

2. No Safe Way

One of the specters of the 1980s business world was the 'corporate raider'. Relying on depressed, bargain, stock prices, the 'raider' would quietly accumulate shares of a company, and wait until an opportune moment to offer to buy the rest of the company at a limited premium. This would amount to a hostile take over—management would have little to no say in the tender offer, and stock holders, given their fiduciary duties, would be compelled to consider the offer as it would offer a premium to shareholders over whatever price public markets gave. The 'raiders' got the cash from these transactions from cheap bond financing—junk bonds. The ideas was that the 'raiders' would put an offer on a company significantly higher than the depressed market price (like in the case of Houdaille). They would then buy the company, break it up and sell its parts. The parts in turn would be of more value sold off one by one, than the whole company would be as a single entity (Brooks 1987, Stewart 1992). Working in a company stripped down and sold for parts was a nerve-racking endeavor. One could never quite be sure who or what would end one's productive life. Deindustrialization and shifts in the structures of employment in the United States were unfolding while the 'raiders' were pillaging (Harvey 2005, Reich 1991).

In contrast to the 'raiders' were 'white knights'. The latter were financiers who could come in and buy a company at a premium, again saddling it with debt as a 'raider' would. But the 'white knights' insisted on involving management in the takeover process, and in fact letting management run a company. This was supposed to be a kinder, gentler form of capitalism. Despite their eventual reputation as barbarians ravenously waiting at the gate (Burrough and

Helyar 1990), KKR was supposed to be one such ‘white knight’ in the case of the Safeway grocery store chain.

In 1986, Safeway was faced with a hostile takeover by the ‘corporate raiders’, Herbert and Robert Haft (Faludi 1990[42]). At the time, Safeway’s CEO Robert Magowan noted that KKR, “through your efforts, a true disaster was averted…you saved literally thousands of jobs in our work force…All of us—employees, customers, shareholders have a great deal to be thankful for”. This was salvation from the ‘raiders’—successful jousting. Faludi explains the logic of an LBO, a leveraged buyout, or more simply the purchase of a company by making it take on debt and mortgaging itself. Faludi notes that proponents of LBO’s argued that they are supposed to be “good for business and good for America, triggering long-overdue crash weight-loss programs for flabby corporations”. The idea was that the old corporate form, the conglomerate company made up of numerous unrelated divisions had passed. It was no longer profitable to be big and confusing. This was the financier’s explanation why American companies and the American work force needed to be readjusted, why manufacturing work that had been conventionally been stable and union, needed to be dispersed in America and shifted oversees. This method of conglomerate manufacturing, what we would call Fordist production for the organized regimented, factories of Henry Ford, could no longer function profitably in the United States and would have to leave America in search of cheaper labor abroad (Harvey 1990). Buyout artists, what we would now call Private Equity Investors, were to be the ones to do this (Baker and Smith 1998). Faludi continues her explanation of financier reasoning of this type of deal, “By placing ownership in the hands of a small group of investors and managers with a powerful, debt-driven incentive to improve productivity…the companies cannot help but shape up.” The

[42] All subsequent details about the Safeway merger will come from the same lengthy article. Aside from offering that it was printed on A1 of the Wall Street Journal, ProQuest offers no pagination.

simultaneous action of having to pay off an onerous debt load, and the possibility of making a manager extraordinarily rich was to be the idea behind KKR's purchase of Safeway.

And from one point of view, it seemed KKR had done exactly what they said they would. In 1989, the company's stores were numbers one or two in most of their markets. "Operating profit per employee was up 62%...and operating margins had increased by nearly half. The company is producing nearly twice as much annual cash flow as it needs to cover its yearly interest payments." And because of this Safeway was "able to pay bank lenders ahead of schedule and negotiate lower interest rates". Even so, Faludi goes on to note that Safeway, "labors under an interest bill of about $400 million a year…a negative net worth of $389 million, and a remaining $3.1 billion in debt." Safeway's "net income was only $3.5 million last year…down from $31 million the year before. Safeway [also] lost a whopping $488 million in 1987, the first year of the LBO." Given that this debt came from the purchase of Safeway and is according to KKR's plan, it is important to know how money had been made and spent in the few years between the acquisition and Faludi's story. First, the annual compensation of Safeway's CEO, Mr. Magowan's had gone up 40% to $1.2 million. Taken together, 60 senior executives got options to buy 10% of Safeway shares at $2 per share. As of Faludi's writing, those shares were valued at $12.125 per share. At the time of the buyout, shareholders received $67.50 per share, "82% more than the stock was trading at three months before". KKR themselves charged $60 million in fees to do the deal, even though they only put in "1.1% or roughly $2 million" of capital for the deal and received a 20% share of ultimate profits. What emerges is a tremendous amount of debt put on Safeway, cash distributed to KKR, senior management, and former shareholders, and all this to set the stage for the work that KKR needed to do to make a profit on its investment.

The plan for KKR seems to be standard LBO strategy. Safeway was a big company, and profitability was distributed unevenly throughout its stores. So Mr. Magowan and KKR closed entire regional branches. "About 1,000 of the company's stores were sold, as were 45 plants and other facilities." In Dallas alone, 63,000 managers and workers were fired from their job. More than a year after the layoff, "nearly 60% still had not found full-time employment." Faludi goes beyond the numbers and statistics and talks about individual instances of suffering:

> James White, a Safeway trucker for nearly 30 years in Dallas, was among the 60%. In 1988, he marked the one year anniversary of his last shift at Safeway this way: First he told his wife he loved her, then he locked the bathroom door, loaded his .22-caliber hunting rifle and blew his brains out.
>
> "Safeway was James's whole life, says his widow, Helen. "He'd near stand up and salute whenever one of those trucks went by." "When Safeway dismissed him," she says, "it was like he turned into a piece of stone."

And it is not just the ultimately tragic that Faludi brings to the fore. Faludi also walks through the changes in wages and working condition that all employees at Safeway end up having to deal with, not just senior management. Safeway and KKR implemented a "quota program" which some managers referred to as "the punishment system."

> That's because store managers say if they don't make the week's quota they can be penalized. In some divisions they report that they must work a seven-day week as penance. Working a month without a day off isn't unusual, managers in the Washington and California divisions say. In some stores managers who miss quota say they have to pull 6 a.m. to 6 p.m. shifts.

One final irony of Faludi's account is a George Roberts quote she ends with. He notes that "Workers at many corporations are being asked to do more, whether an LBO is involved or not. Employees "[a]re now being held accountable…they have to produce up to plan, if they are going to be competitive with the rest of the world. It's high time we did that."

Faludi has done something interesting in her account of the Safeway merger. She has spoken more expansively about mergers than either KKR's executives or my informants were

accustomed to doing. She considers their rhetoric, but she is also looking at the range of "the unequal distribution of life and death, of hope and harm, and of endurance and exhaustion…" (Povinelli 2011:3). In his book on KKR, *Merchants of Debt*, Anders draws out just how off this accounting for a range of human experience in the context of an LBO sounded to KKR's executives:

> In vain, top KKR and Safeway executives protested that the *Journal* article was unfair. Most Safeway workers had kept their jobs; additional new workers had been hired too. None of the things that were important to KKR—higher cash flow, debt reduction, better teamwork among to Safeway executives—had appeared in the Journal's article at all, except under a big heading: "The Winners." Roberts couldn't believe that a *Journal* reporter had set out to interview him for a major feature story without having read Safeway's prospectuses or financial statements in detail. Faludi couldn't believe that the architect of the Safeway buyout could be so detached from all the stories of human suffering she's unearthed. [1992:229]

Up to this chapter, this dissertation has focused exclusively on value from the point of view of private equity investors. We have seen the aesthetics of value—how companies can be sexy, and how one needs to get secret information to turn sexiness into a spreadsheet, into numbers, into a price all at a particular time. We have seen how price and profit becomes the instantiation of more felt value. These conversations have not foregrounded the type of suffering Faludi unearthed as of prime concern. If voiced at all, this type of suffering is presumed to go away as rationalization ensues. Roberts says that this type of management is necessary so that American workers and their companies can compete in the long run. In the long run, things will be better. Duncan Foley describes this type of thinking in his book *Adam's Fallacy*. For him Adam [Smith's] fallacy is the "idea that it is possible to separate an economic sphere of life, in which the pursuit of self-interest is guided by objective laws to a socially beneficent outcome, from the rest of social life" (2006:xiii). This is what KKR and Safeway executives are advocating. They have theories and theses about where value lies and how to reorganize a company for more value

and profit. Safeway becomes more valuable as it loses divisions that are less profitable than desired, when it has more leverage to bargain with its organized work force, and when it only exists in markets where it is number one or two. Debt for the company and wealth to KKR and other senior managers make this happen. This story leaves out the values of the workers who are so ill-treated that they kill themselves. This story also leaves out communities who become dependent on a store or a business. More than any particular suffering, what this story should illuminate is that when a deal happens, multiple value systems collide with each other. In the value chapter above, David Graeber suggested that we see society "as an arena for the realization of value" (2013:226) and that societies might be "imagined as a kind of game where the players are vying to accumulate some form of 'Capital,' but that the same time there is a kind of higher level game of dominance, subordination, and autonomy…" (2013:228). We saw how this conception of social life came out of anthropological theories of value, and anthropological theories of exchange, finding synthesis in the work of Marcel Mauss. Focusing on how deals play out and bring at least two systems of value together, sometimes painfully, sometimes functionally, illuminates what is going on in a private equity transaction. To get here, though, we are going to have to take a brief detour into French sociology and the anthropology of Christmas.

3. The Deal as a Total Social Fact

At some point in any anthropological project, the investigator will be confronted with the quandary of what exactly his or her informants do. Private equity investors do deals. Deals are the process of finding, researching, buying, managing, and selling companies. Just as Carrier (1993) argued that we should think of Christmas as the whole holiday season of parties, shopping, and gift exchange, as well as the actual Christmas day, so too should we think about deals as taking up the whole process of discovery, buying and management, not just some

fleeting transactional moment. Carrier pointed out that Christmas is often confused with a discrete holiday that happens on December 25th. He says that this is why many Americans are mystified and annoyed at the ever lengthening holiday shopping season. Why all this for one day which celebrates the birth of a Palestinian carpenter? Carrier suggests that moving away from a focus on just that one day, and considering the whole holiday season allows us to make sense of Christmas. People buy soulless commodities for cash, and then wrap them and distribute them to their nuclear families. Wrapping and thoughtful buying allows people to take commodities and make them gifts reaffirming family ties. Carrier suggests that this process of turning commodities into gifts for a nuclear family is especially important in a society which differentiates between impersonal working life and warm intimate family life. Christmas is not a discrete day, but rather a process of creating gifts through holiday shopping in order to celebrate the nuclear family. We should be similarly expansive when we think about private equity deals.

The purchase and sale of a company are inflection points at either end of the deal process, and give us our map. Deals happen at all manner of private equity firms. They have a reliable stereotypical process. Deals demand certain things (diligence as explained in the chapter on buying and selling, for example), and preclude others (over concern with the plight of unemployed workers as in the case of Safeway). In this way deals resemble Durkheim's idea of a social fact:

> *A social fact is any way of acting, whether fixed or not, capable of exerting over the individual an external constraint; or which is general over the whole of a given society whilst having an existence of its own, independent of its individual manifestations.* [1982:59]

We have come a long way since Durkheim was carving out disciplinary and political space for a positivistic science of society in which this definition of the social fact was at root. Yet there is something to be said for acknowledging that people make patterns in social life, that like a fetish

those patterns seem to have power in and of themselves, and that they sweep people up in predictable ways. Private equity investors act this way towards the deals that they do. Their process is normal, reasonable, and natural. For them, deals are social facts, things that happen.

Marcel Mauss, Durkehim's nephew, in *The Gift* suggests a particular type of social fact, the total social fact, a social fact that, "in certain cases [] involve[s] the totality of society and its institutions (potlatch, clans confronting one another, tribes visiting one another, etc" (1990[1950]:78). These total social facts are "the fleeting moment when society, or men, become sentimentally aware of themselves and of their situation in relation to others…In our opinion, nothing is more urgent or more fruitful than this study of total social facts" (1990[1950]:80). I share Mauss's enthusiasm (cf. Graeber 2001:Chapter 6). Mauss notes, "It is by considering the whole entity that we could perceive what is essential, the way everything moves, the living aspect…" (1990[1950]:80). The recognition and study of total social facts gives us the analytic purchase to see processes by which social worlds are brought together, the analytic purchase to see how companies get bought, sold, and how those same companies make money for some. If we tack on the idea of social life generally, and total social facts particularly, as tournaments or contests of value, the deal becomes a total social fact or predictable process which allows the social scientist to trace out the relations of different value systems. The deal is a total social fact, and private equity investors' answer to the crisis of accumulation that preceded KKR's initial innovation (recall chapter 1). The private equity or LBO deal, brings together various pieces of the social world—companies, management teams, university endowments, pension funds, sovereign wealth funds—and rearranges things so that private equity investors can extract a higher rate of return on their capital than stock markets could extract from industrial conglomerate. The deal is the locus through which this movement happens.

Take the Safeway merger—it brings together and rearranges unions, laborers, executives, bankers, groceries, store buildings, distribution networks, lifetimes of employment, profit seeking investors, and CEOs looking for a raise. That list is just the cast of people. From a value point of view, we have ideas of what a corporation should look like, what foreign companies look like, the best way to compete in world markets, the relative value of company loyalty, and how work should be valued. We see how in the deal these various value systems play out. What should be striking too is how unbalanced the distribution of power is in these mergers. Safeway in Dallas never had a chance. Any yet, contrary to George Roberts's coda in Faludi's article, it could be otherwise. She notes that Kroger, another supermarket chain, stood at a similar cross roads, beset on all sides by 'raiders' and 'white knights'. Instead of selling out, its CEO did an internal LBO of sorts, "offering share-holders a hefty dividend and employees a significant ownership stake in what remains a public company" (Faludi 19909b). Faced with the threat of a 'raider' or 'white knight' led deal, Kroger's management did its own deal with its shareholders and distributed wealth and work, ease and suffering, differently than KKR did with Safeway, thereby avoiding some of the unnecessary cruelty Faludi described.

While it is of political note that financiers have much of the power when deals happen, the resulting company is not always the product of a rupture in value as in the case of the Dallas division of Safeway. In what follows I am going to walk through two examples of deals from my fieldwork, one about an engineering company, and one about a brewery, drawing out how different value systems either coexist or rupture as a consequence of the contest of value that a deal can bring.

4. Deal with it powerfully

Josh had an unusual job. I found him through an informant who worked in government. Whereas Josh's PE friends, to whom he subsequently referred me, had gone on to work in another private equity firm and then another, Josh had gone to work for one of his former PE bosses, managing his and another man's money. Since they were not bound in the conventional general partner, limited partner relationship that sets a time limit of around ten years on an investment, Josh and co. were able to make and hold investments indefinitely, selling whenever they thought was appropriate. A number of my informants told me that this was the ideal investment situation—where one gets to manage a pool of 'evergreen capital'. In this fantasy, one's investors never compel one to sell your business, nobody tells one what to do, one gets to invest and then make money multiply indefinitely. Several times my informants invoked Warren Buffet, the CEO of the investment company Berkshire Hathaway and a billionaire many times over, as an exemplar of this investor ideal. Josh was living the dream.

The office Josh stayed in was also an odd one for my project. Most other offices I went to had all the trappings of an office—people came each day and did work. There was a social hierarchy from secretaries all the way up to partners. There were cubicles and offices and microwaves and coffee. Josh however, was by himself. He was in a rented room on a floor of rented rooms in an anonymous office building in midtown. Josh's two bosses were far flung, one based in Western Europe and the other on the West Coast of the United States. They stayed in touch as was necessary. To date, they were managing two companies, for which Josh did most of the day to day work which I will describe below. The story of this deal is useful because it shows how deals can bring together different value systems and not create a rupture between the people brought together by the total social fact. The narration will follow the pattern of a deal as total

social fact: diligence, purchase, and then management, drawing out at each stage of the way the different values that were at play.

Diligence

The two companies that Josh and co. invested in and were managing were both engineering companies and had started out as one company. They both produced things that helped with power generation. In Josh's words the original engineering firm they bought had simply lost favor with its corporate parent company. It was an orphan division that had intellectual property, engineers, and potential. Sometimes new management comes in and just does not value a company the way it should. Or sometimes new management cannot manage a company the way it should. Josh noted it was "business 101" and that this particular division "had a product that they were not selling". This should remind us of Alvin, sexiness, and cats. Josh and co. were seeing value and evidence for value where others did not. Josh and co. justified their deal based on this value. They figured that they had the money and management talent to take this failing division and make it independently profitable. Josh explained too that "it's really been a marketing story, as much as anything", and that their goal would be to find customers, clients, a market for this engineering product.

Their initial investment involved partnership with a venture capital firm (again, early stage investors who tend to focus on new companies and innovation). Because of this collaboration with a venture capital firm, Josh and co. were able to let one part of the original investment company spin off (while keeping a significant investment stake), the clean power technology, and focus just on the efficient power generation stuff.

Josh maintained that this was a simple investment thesis. A corporation had an orphaned division which they no longer wanted to support. Because the corporation would not or could not

pay for the division to develop its technology and find customers, Josh and co. were able “to buy the division for next to nothing”. This is in contrast to the acquisition of Safeway for which KKR paid a significant premium ($67.50 per share, over 80% higher than the stock was trading at three months before the merger).

Purchase

The actual purchase of the orphaned division was unusual by private equity standards in that there was no debt involved, and there was collaboration with a venture capital firm. Josh let on that they had spent about $100 million dollars to date on their various investments. But considering the deal, Josh felt that whatever actually went to the purchase was “very little cash” since the division itself was losing money. It is significant to note that, in contrast to the Safeway takeover, which saw KKR take a big company and make it ‘leaner’, Josh and co. were taking a neglected division and making it larger. Both KKR and Josh and co. stood to make money from their action on their respective investments. Josh and co. however were going about making money with less destruction in mind.

Management

Josh was proud of the work that he and his investors were doing with the orphaned division:

> Josh: We still have a team of about, combined between the two companies, about 40 engineers who are largely the same [corporate division folks] up in [a small rust belt city] who have been developing the [technology] for almost two decades now.
>
> Daniel: They must love you guys.
>
> J: We got a big round of applause over the phone when we announced this partnership. It was pretty cool to hear. I’ll get more into it, very blue collar work force, hardworking work force up there. They’re really happy to hear about the progress we’ve made.

This progress largely consisted of Josh and Co. spinning off the environmental part of the technology to a separate company, and helping to find markets and buyers for both companies. It is worth developing a bit more, too, what exactly Josh was doing, and how he interacts with this company. It will show how he brings his and his investors' ideas of value to bear on their company while not alienating or creating a rupture with people working in their company. To start with, Josh started explaining how he saw his priorities:

> Josh: We [his far flung partners] see each other in person every one to two months…We'll talk a couple times a week, when we need to talk, how we need to talk. As you can imagine I need to use a lot of good judgment. I'm overlooking their money. This is their money out of their pocket.
>
> Daniel: So they haven't raised a fund or anything?
>
> J: No, this is their money they've made over the years, that they want to…very intellectually stimulated by investments, similar in a way to me. Is extremely proactive in investments. And the investments that we have. At the same time both of them have [non-financial] backgrounds. And they're both pretty brilliant…minds so to say, they've picked up a lot of finance along the way, but finance is neither of their core competencies. So they need me for a lot of the financial management. And so it's a pretty informal structure. There is a lot of communication. We'll email each other three times per day on something. Probably talk three times a week, and see each other every month or two, and for three years that's pretty much been the dynamic.

Whereas we spent much of our time talking about the companies that Josh was managing, he started off telling me that his priorities are to manage the investment and money of his bosses. This is his big picture task. In this case, Josh and co. have taken the growth and turnaround of an engineering company as their definition of a successful investment. Josh in turn spends a lot of time on site:

> J: Since the start of it, the majority of my time ever since day one has been with this one investment [the orphaned division], they're based up in [this rust belt town] so I spend a ton of time up [there] It's easy enough to get there, either by direct bus from the Port Authority, that goes all the way straight up there [], five hours with wifi, or you can [connect through another city] and take a one hour bus. Easy enough to get up to. I spend probably, every other week, probably two or three days up there, with the actual company.

D: That's really hands on.

J: Yeah. For three years now, I've kind of been tasked with the very hands on proactive management of [the company] and it's been a lot of interesting twists and turns.

And again, this is where Josh talked about treating the division like a turnaround. He said that the challenge of investing was floating the company's overhead, its operating expenses until it could break even. This is where he felt like the company was today. They had "funded overhead enough to break even". Josh went into greater depth about what this type of financial fixing looks like:

> Josh: More and more, I've been kind of under operational support. The more and more, from [the start of the investment] until today, I've grown into an operational role. We've been operating without a CFO the whole time.
>
> Daniel: So they've been leaning on you?
>
> J: So I'm the informal operational CFO for the whole business.
>
> D: Do you like the operational role?
>
> J: Love it. That's just how you pick up the stuff. I would not be able to articulate any of this if I was removed from it. You just absorb a lot…we're going to keep doing the same thing. One thing, the most immediate thing that I need to do. In order to even do 100 units next year, there's what we call a working capital deficit. Very simple, we need to purchase the parts put it together and ship it there. So there's a working capital timing deficit. The thing I need to do, and I was on the phone with a lender this morning, I need to get what's called a working capital loan facility, so that we can, were going from a pretty substantial growth in terms of what we need to purchase from our lenders, so there's about 20 key components…we purchase some from Belgium, we purchase some from just down the road [in neighboring states] that all is going, we're going to be having some pretty happy calls with our vendors, we need a lot more than what we bought, but with that is going to come [for us] is going to require a loan from a lender…

Josh as an active investor is stepping in as CFO for his company. This itself was not unheard of among my more conventional private equity informants. As we observed in the value chapter, there is often an idea that investment companies cannot do the type of financing and accounting

that someone with Josh's background can. So he does this for the company; he does this for the blue collar workers.

Part of the strategy he talked about was "better marketing the product itself". This meant seeking markets for their power generation technology. To do this, they looked abroad. Josh explained that whereas the United States has a relatively mature electric infrastructure, many places do not. In the absence of a power grid, Josh and co.'s power generating technology is useful. The government employee that introduced me to Josh had met Josh in the process of working on finding business abroad. The federal government can offer kinds of insurance that help businesses work abroad that private investment banks simply would not. Josh and co. have sought this out. Because of this type of financial guarantee, their little orphaned division is on track to be profitable.

The physical nature of this particular deal as total social fact is obvious. It brings together far flung investors, investment firms, engineers, manufacturing workers, private equity money, federal government insurance, and foreign markets. Actor network theorists would have a field day. As noted above, the deal as total social fact also brings different value schemes together in a contest over or a sorting out of different ideas of what is valuable. In Josh's telling one has at least two main ideas of what is valuable in his division. First, there is the corporate version. Management of the conglomerate from which Josh and co. bought their engineering division had no interest in investing money and growing this division. They did not see it as valuable. Josh attached no great significance to this judgment. These things happen in corporations. Then there are the workers themselves, who in Josh's telling do not exist in great depth—they clap when they are able to do their engineering and manufacturing work. Josh and co's idea of what is valuable in this company enables this work; the division's previous corporate management did

not. To understand the lopsided nature of this contest over or sorting out of value, it is critical to appreciate that under either idea of value, corporate or Josh and Co.'s private investment, the blue collar workers do not have the power to act on their ideas of value except when others have provided a stage. They simply react. Towards the middle of our interview, Josh reflected a bit on how typical his and his investors' idea of investing and managing was to private equity investors:

> Daniel: Is this like the dream for a private equity guy, you get a really interesting company, you get a venture partnership, you get to spend all your time focusing on the company
>
> Josh: To be totally honest, I don't think it's the dream for large private equity guys because it takes too much work…
> […]
> J: At the core of it, it's the cash burn...Turning this business around takes a lot of financial patience. We've put in little over $20 million, just [our investment firm], turning this thing around…Just by definition there's a lot of, this is big tangible stuff, whether you're trying to sell a thing like this or set up a [power infrastructure in another country] it's big tangible hardware. And costs a lot of money. So there's, it's not easy to find the right people who are willing…
> […]

Note Josh's reflection on "too much work." Private equity investors, in his telling, do not think that they have the time to do the work that Josh sees as necessary (recall the above chapter on time). Perhaps this is part of the reason private equity has the reputation that it does. The large funds and firms of the world, the KKRs get publicity when their deals quash sympathetic, human, or immediate values as opposed to when they take the time to understand how companies do and should work. Perhaps private equity is not newsworthy when it does—they are just acting the way normal human beings are supposed to. Or there simply are not enough firms that coexist with different value systems and avoid obvious ruptures with the various company stakeholders, as Josh and co were doing.

5. Pyramid Scheme

Towards the end of my fieldwork, in the summer of 2014 I spent a few months in Berkeley California. My partner was working an internship at Berkeley's law school, and I was continuing with field work, attending what events I could, interviewing the financiers who were amenable, and so on. One Saturday my partner and I found ourselves in need of a break, so we decided to go take a tour of the local Pyramid Brewery. The brewery itself is divided down the middle by a large glass windowed wall, separating a restaurant from the equipment and space for making beer. The windows are like the cloister wall of a monastery. The whole building and surrounding area gives the sense of a wide open industrial space, though without any decay. Curved steel, glass, and wood are everywhere. There is a central dining room with an open kitchen, and 20 or 30 waiters, bartenders, busboys, cooks, and hosts, buzzing around at any given time. People sit at copper countered bars drinking large glasses of beer.

Our tour started innocuously. We sampled some beer and got a spiel about wheat and hops next to a window looking onto a lot of stainless steel equipment. On the window was a sign that said after 15 years, it is time to renovate the brewery. Our tour guide explained that we would not be able to actually go into the brewery as they were retrofitting equipment.

Towards the end of the tour, we were in a tasting room, and our tour guide told us two other stories about why we would not be taking a tour of an active brewery today. He said that we really should not believe the signs. Also, the explanation that there was a wild yeast outbreak (news to us) was "bullshit" too. He said what had happened was that, in August of 2013, the brewers had voted to unionize. The next day management had locked the doors, hired a security guard, and shuttered production. The way he explained it was that in 2008 Pyramid Breweries, which had grown itself by acquisition, was bought by a company called North American

Breweries. North American Breweries' website points to their diverse portfolio of beers and alcoholic drinks: Dundee, Genesee, Genny Light, Honey Brown, Imperial, Labatt 52, Labatt Blue, Labatt Blue Light, Labatt Blue Light Lime, Magic Hat, Portland Brewing, Pyramid, Seagram's Escapes (2014). Our tour guide explained that North American Breweries could afford to lose all its Berkeley brewers because it had a lot of surplus brewing space, acquiring, as it did, all of these brands who had their own breweries. He explained that the Pyramid Heffeweisen, Pyramid's famous specialty that we were enjoying, had come from Genesee's brewery in upstate New York. So we sat there drinking a Pyramid brand beer, in a Pyramid brewery tour across a glass window from a perfectly functional brewery. Of course, there was a buyout.

Our tour guide had alluded to the role that a private equity firm had played, but he was not quite sure how. It seems that Pyramid itself had been owned by Independent Brewers United which also owned Magic Hat and MacTarnahan's (all beers), as well as three breweries and six retail locations. Then in 2010, North American Breweries bough Independent Breweries United, which was wholly owned by the private equity firm KPS Capital Partners (KPS Capital Partners 2010). KPS had created North American Breweries to take advantage of the opportunity to consolidate craft beer production in North America. North American Breweries' CEO noted that "NAB now has leading brands in every segment of the beer and malt beverage market, four significant breweries strategically located on the East and West Coast and an energized and committed workforce" (KPS Partners 2010). In 2012, North American Breweries itself was sold by KPS partners to Cervecería Costa Rica (Gershon 2014:53) which itself is owned by a Costa Rica based holding company, Florida Ice & Farm Co. (Florida Ice and Farm Company S.A. 2013).

KPS's investment was simple enough. They were building a big beer company designed to be well represented geographically and brandwise across the United States. Part of the logic of a large company like this is that one can save money on production and distribution. If each brewery, when it operated independently, had its own brewery and staff, taken together there is no such need. This is classic capitalist consolidation. KPS sees value in bringing these companies together in one entity with pooled resources and profit. This strategy makes it feasible that production need no longer happen in any particular place. Pyramid Heffeweisen can be made in upstate New York, and shipped to California. It does not matter that workers want a union—they are irrelevant in this larger structure. All this was manifested in working conditions:

> [head brewer,Cat Wiest] says her co-workers say they were "a lot happier" before the buyout. In recent years, Wiest says, workers had noticed big discrepancies in pay, with a lack of reward for longtime employees, as well as other problems on the job.
>
> "We very, very rarely got breaks," she says. "Some people went years without pay raises."
>
> The unionization campaign began after North American was acquired by Cervecería Costa Rica in 2012 and made more changes. Wiest says the workers were moved from a popular schedule of four 10-hour days each week to five eight-hour days. Then their hours were cut back. [Gershon 2014:53]

The brewers and their preferences were no longer of any value to the conglomerated company. They were not necessary for production. The total social fact of the deal had rearranged Pyramid Brewery in such a way that one could sit next to an idled industrial process in the shadow of fired workers, drinking a beer whose brand they had helped to create.

Pyramid Brewery seems to be the opposite of Josh and co.'s investment, and seems to be a much milder version of KKR's. All three show the particular way different value systems get mashed together and subordinated in the course of the deal, that total social fact. The deal starts with legibility. Investors make value arguments and claims about companies they would like to purchase. When the three, two, or one company per year, of the 100s of pitches they receive, is

sufficiently persuasive, the PE firm tries to buy the company. In the process of acquisition and management, the new owners, via the logic of property rights and in pursuit of investment returns, are able to rearrange the physical and moral landscape of a company. Josh is able to give the financial attention and loan-based financing their orphaned division needed. The heart of Pyramid Brewery, the actual brewers and machinery itself is no longer needed in a consolidated company. In Dallas all 63,000 Safeway workers are no longer important to a company, its strategy, and in its pursuit of value as an investment. These shifts in value in these particular companies happen instrumentally and regularly in the context of the deal process. The deal as total social fact brings money and people and organization together in ways that are novel to each individual company, but also generic to the larger processes of private equity investing. The deal also kicks off a tournament of value, or a process whereby different value schemes are subordinated to that of the property owner and the investor. Just as Laura Bear's riverboat captains must subordinate the various timescapes they manage on the Hooghly River, workers wind up subordinating their value schemes to those of investors (Bear 2014; and recall the above time chapter). As Josh and co. showed, this need not always produce a rupture. Particular private equity strategies, ones of growth and patience, can allow blue collar lives to unfold alongside financial investments, albeit without any political power within a company. It is unclear how often this happens.

Conclusions and Comparisons

1. Re-cap

To this point, this dissertation has set itself a narrow empirical task: documenting how and why private equity investors buy, manage and sell companies. I have explained the historical conjuncture that led to the emergence of private equity's investing paradigm, or episteme. I also offered a motor of history: pragmatic and meta-pragmatic awareness. I suggested that by paying attention, as practice theory demands, to the way in which people constantly make and remake their social worlds, we can see where disagreement, deliberation and change creep into social life. This is partially why much of my immediate data takes the form of extended interview quotes and discussions. I then walked through the method of this study, suggesting the importance of conferences and business schools for the public spaces they afford for generating informant networks. When, as in the case of this study, long-term participant observation in one site proves impossible, I suggest that ethnographers be both methodologically eclectic and more specific than they are accustomed to be in the review of their data. Admonitions to be there, translate, and embrace the art of field work get at important romantic strains in our discipline, and are worthy of emulation. However, when the type of open-ended field work that anthropologists most like to practice cannot happen, specificity about methods, data, and analysis come to the rescue with simple rules of thumb about the distribution of significance of culture data in groups of people.

In the context of this study on private equity investors, the two concepts that both recurred incessantly, and proved central to understanding how private equity investors think and act on their investment mandate were time and value. For them, value is a concept that private equity investors invoke, seek, and ponder incessantly in the course of their work. They are trying

to find out if a company is valuable and what information is relevant to making a value assessment. They do so by relying on a number of numerical and semiotic abstractions. Recall Alvin and his firm's investment in a shipping company. Not only was its financial accounting not up to his firm's standards, but it appeared decrepit and crawling with cats. However, part of what Alvin and his firm were able to do was see past the cats, and wait for better, more thorough financial statements in order to make an investment that would make this company valuable. They made a different value assessment using different evidence and processes than their peers. In that same chapter, Lou was forthcoming in the way that financiers and accountants are able to see and act on value that even a successful entrepreneur could not notice.

Time, then, is another concept of concern to private equity investors, one that constrains and shapes their hunt for value. Time is both a set of possible futures in which an investment might fit as well as a finite limiting resource that one spends on labor. Investors assess the nature of time in which they plan to buy a company and see if it has the right qualities to make a successful investment. Recall the example of Moonbeam from the above chapter on time. In it, Baugh's boss's used analogy to decide that buying Moonbeam would be like all the other times he and his team had bought a company. They would be able to borrow heavily to buy the company, grow quickly through buying other companies and sell at a premium, making everyone rich. Instead, they did not anticipate that they were going into recession time and a time in which structural changes in the larger economy were happening. Consequently, they misanalysed the time in which they were investing and the future to which it would lead, and ended up stewards of a stripped down company full of miserable squeezed workers, watching a considerable amount of their own wealth evaporate.

Time is also used as a finite resource which allows certain acts of labor to happen. One has the time to do something or one does not; if one has got it, one spends it. Private equity investors are also able to orchestrate other people's time. A private equity firm hires an accountant to spend a lot of time going over the books of a potential acquisition, or a strategy consultant to spend time thinking. One's time can be stolen, and it should be guarded. One assessment that goes into any investment is whether there is enough time to spend to do what private equity investors have decided will make a company valuable and thereby profitable.

So, given the right time and enough time coupled with a persuasive investment thesis arguing for the value of a company, a private equity firm will buy, then manage, then sell a company. This happens along a stereotyped investment process. Once an investment opportunity becomes more than the twinkle in a young analyst's eye, private equity investors embark on the diligence process, conducting and hiring others to do lots of research for them. Broadly, they are interested in the nuts and bolts of how a business operates, the nature of a given management team, and the larger business climate. Once they have described and analyzed these to their investment committee's satisfaction, a firm will buy a company. Once purchase happens, financiers rearrange a business in such a way so as to maximize cash flow, that is in the accounting sense, the 'free cash' that can be used to pay down the debt they incur in buying a company, and can also be used to pay out dividends and fees to investors. Taken together—diligence and management—the private equity deal can be seen as a total social fact, that is, a thing that brings together diffuse part of social life and rearranges them according to some pattern, in this case, according to financial logic. Private equity investors spend money and expertise, according to how they understand time and value, to buy other companies, rearranging

people and processes, in order to siphon off wealth for their investors and themselves. Seeing the deal as a total social fact allows us "to perceive what is essential" to it (Mauss 1990[1950]:80).

The point of choreographing the deal process by the lights and contestation of time and value is to point out that deals do not just happen though they seem natural and normal to investors; specific financiers make them happen in the course of making and remaking their social worlds. These same financiers make deals happen in order to generate wealth for themselves and their investors. The rhetoric of the long run and financial statesmanship aside, private equity investors exist to make money, and it is not unreasonable to see the whole investment process, the total social fact of a deal, as a way to rearrange disparate points of social life in order to generate and extract wealth from the companies in which they have invested. Whether this is a good or fair way to get rich is where the politician or philosopher steps in, even if the ethnographer can point out how terrible it can be to be caught up in a buyout as in the case of Moonbeam or Safeway, and how good it can be, as in the case of Josh and co.'s energy company.

In what follows I am going to show how this ethnographic case is useful in a context broader than the simple description of what private equity investors do. I will show (1) how my description and conceptualization of private equity investors around contested symbolic categories can work to put people in various financial professions in a common comparative frame. Once financiers are shown to be comparable, I will suggest (2) that we might conceive of the finance industry as one particular mode of wealth accumulation, a mode that relies on a particular strand of value arguments for its legitimation (that of financialization), currently ascendant in American society. Once we see financiers making different types of the same mode

of arguments about wealth accumulation we can (3) compare this method of getting rich to those found in other societies in other places and other times.

2. Time and Value in Venture Capital and Private Equity

As noted in the preface, when we talk about Wall Street or finance, we have a tendency to collapse a lot of different people and different jobs into one of those easy analytic place holders—wall street or finance. One prominent example of this is Karen Ho's *Liquidated*. Up until now, I have spent a fair amount of time discussing problems with this mode of overgeneralization. Poon and Wosnitzer (2012) summarize my stance nicely in their review of *Liquidated*, writing that, "[p]rivate equity firms, takeover specialists, brokerage houses, and investment banks all have distinct operating cultures that coexist in the ecology of Wall Street" (2012:249). More to my point, all of these investors are making different, though mutually intelligible, arguments and claims about value.

I am going to take this insight that Poon and Wosnitzers offer, that different people do different types of work in the world of finance, in different environments and for very different reasons, in order to offer a broad comparison of different types of financiers. I will start with a comparison of private equity and venture capital investing, using the different ways they understand value and time to illustrate differences in their investing practices. Then I will review a number of other financiers, suggesting that conceptions of value and time are both closer ethnographically and more useful theoretically than analyses of financiers based on sub- or pre-conscious drives to understanding the work of financialization—the work that all those people that share the ecology of Wall Street do.

It is worthwhile to return to my starting discussion of time and value across anthropological literature and see the ways in which this is a useful lens to see different types of investing. Recall

that the theory of value that seemed to best meet my ethnographic data was Graeber's (2001, 2013) marriage of semiotic anthropology and exchange theory, which allows one to see the ways that people create and distribute value in social life (cf. Appaduarai 1986). Whereas Graeber felt that there was some higher order incommensurability between intangible, moral values, and the price or worth of a good, private equity investors rely on secret information to shuttle between the two realms of value. I also suggested taking seriously Bourdieu's (1977) critique of structural approaches to social analysis, accepting that the realization of value that Graeber writes about generally, and that private equity investors pursue in the form of a payday, must happen at particular, sensible times. Without a theory of time, timing, and temporal awareness, anthropological theories of value run the risk of being high interpretive art untethered to any sort of ethnographic reality. Again recent developments in anthropological theory help describe private equity's temporal sensibilities. Recent advances help to explain how private equity investors use their understanding of time to find, hide, and create value.

Bear's (2014, 2014b) recent work on the anthropology of time describes the inextricable relationship between time and space (cf. Bakhtin 1981) , as well as the way in which labor mediates timescapes that contain objects and processes with all manner of temporal rhythms. This sounds like what private equity investors are doing when they ration and allocate their and others' labor time. This could fairly be described as their A-series, incremental, but still directional, implying a past present and future, time. Private equity investors also have a B-series imaginary of disjointed possible investment futures which they are trying to bring into the present (McTaggart 1908 and cf. Gell 1992). It is never enough to identify value or possible value; one must have a way to sequentially bring that value into reality. The way that private equity investors concretely bring that value into reality, into plausible time, is over the course of

their deal process. The deal process is the way that their investing is routinized or institutionalized. It is no coincidence that its steps and stages are every bit as predictable as the Russian fairy tales that Propp analyzed. Investors rely on and use a stereotyped process, a total social fact that pulls in resources and then redistributes them again to make money. I have suggested that understanding how investors make sense of time and value allows us to compare one investor to another and get away from presuming all of Wall Street to act identical. I will start comparing private equity and venture capital. It bears noting that, while I did speak with venture capital investors in the course of my project, they were not the focus of my research, and I do not have the kind of systematic data on these investors that I do have for private equity investors. So what I will offer comes from the incidental venture capital investors I found and the comparisons private equity investors made to venture capital. As such, the following should be taken, perhaps, as a gesture towards a more general theory of understanding financialization. I will start with a schematic review of private equity deals, and then talk about venture capital investors and how they compare to private equity.

Review of Private Equity Deals

The private equity deal process is the longest, slowest, and by admission of numerous private equity investors, the most boring process I came across in the world of investing. Recall that private equity investors work through hundreds of potential company investments, and invest in no more than a few companies in a given year. Often they will invest in none. Private equity investors frequently make their decisions based on proprietary information which they have reviewed for months at a time. It can take a year to buy a company; and the types of companies that they buy typically have been around for a while. Private equity investors like mature industries and companies with numerous outstanding contracts. When they can know an

industry, they can place it in their larger understanding of how the world works and where economies are going. When companies have lots of customers, investors presume they have lots of revenue. Private equity investors would say they liked companies they could understand, in deliberate contrast to venture capital investors who chase the future. Seeking value in established companies that have room to grow, innovate, or transition, summons a deal process that mirrors this investment sensibility. Pitchbooks turn into short memos. Memos turn into longer reports and PowerPoint presentations. These reports and PowerPoint presentations beget all manner of proprietary, secret information: data rooms, consultants, private investigators, and reams of research. The fruit of this research supports a thesis over which a private equity firm will deliberate in committee. Ultimately a decision comes democratically in committee or by the autocratic diktat of a chairperson. Either way, a tremendous amount of carefully and secretly acquired information bolsters an argument. It often reminded me of a very quick, very rushed, collaborative dissertation project.

The elaborate nature of private equity research is matched by the complexity of their task. Unlike hedge fund investors who often buy non-controlling securities or other people's debt, or venture capital investors who purchase a company that has no staff, customers, or money, private equity investors are often buying-to-control large, multi-layered, hierarchical organizations with their own lifespan and history. Private equity investors seek the possibility of realizing value in mature companies. Given this, they are slow, deliberate, and do not like surprises or flash in their businesses. A ratio often cited to me was that four of five or nine of ten private equity investments must succeed. This was in direct contrast to the nine of ten failures that venture capital investors could countenance. More than an occasional failure, especially outside of recession time, would lead to a stern conversation with a private equity investor's investors and

perhaps would make raising a new fund difficult. This stability is manifest materially too—private equity investors wear suits and ties. They are business people and want and need to be taken seriously. They blend in with lawyers, bankers, and other members of the power elite. One office I saw was decorated with vintage posters of stately ocean liners and cruises from the 1920s, as well as several, foot-long models of the actual ships. It does not look unusual when private equity investors are in charge. This is all of a piece. Private equity investors seek value in controlling relatively large companies with a history. They take on the responsibility of leading large human organizations. This too is why it is easy for people to criticize them as the face of capitalism, as in Barack Obama's 2012 campaign advertisements criticizing Mitt Romney. When an investor seeks value in a company with both a past and a future, with an extant hierarchical social structure, the task of change and realizing profit is complicated. This is why the private equity deal process looks the way it does. They are responsible for their companies; and their companies have lived and will at some point continue to live without them.

Venture Capital Deals

All of the conferences I attended were billed as joint private equity and venture capital investment conferences. This is ironic, as they pursue wildly different ideas of and processes for finding value. Whereas private equity investors are deliberately low key and boring in affect, and consequently difficult to access for study, venture capital investors found and were curious to talk to me. One firm even wanted me to write a book about them, using Randall Stross's (2000) *eBoys: The First Inside Account of Venture Capitalists at Work* as a template. This idea withered when we started talking about creative control. Still, unanticipated and unsought, I found a number of venture capital investors willing and in fact excited to talk to me. My understanding is that this has a lot to do with where venture capitalists try to find and then monetize value.

Whereas private equity deals are often secret deals done with private companies, venture capital investors seek entrepreneurs with a bright idea that could turn into Facebook, or Google, or perhaps almost as good, be bought by Facebook or Google. As such venture capitalists seek people who have ideas for companies but no company as yet. They seek people who have ideas for products and services, but no customers as yet. They seek people who have plans for organization building but no organization (much less leadership experience) as yet. In short, venture capitalists are seeking a plausible vision of the future, a future they will pay to bring into being with far less data to analyze than private equity investors. The thing about the future is that no one is quite sure where its origins are in the present. This is reflected in the metaphors that investors use for very early stage investments: a small investment of $25,000, $50,000, or $100,000 comes from an 'angel investor'. This is at the 'seed stage' of a business. Nothing has germinated. Things will only grow with celestial help. This is occasionally referred to as the two guys and a garage stage of the business (referencing the garage in which Steve Jobs and Steve Wozniak started Apple, see Eadicicco 2015).

Unlike the relatively closed universe of private equity solicitation and investment banker pitch books, venture capitalists are public about their activities. VC partners frequently have active twitter accounts and blogs, and court publicity. They also seek and hear entrepreneurs' business ideas and pitches in public venues. The Harvard Business School's Alumni Angels Association gathers from time to time to listen to curated start-up pitches. Organizations like Techstars and the Dorm Room Fund seek to publicly identify young, promising entrepreneurs and give them small amounts of capital to start their businesses. At the other end of the venture capital investment spectrum, some firms will seek out already successful companies and invest at a moderately profitable late stage of fundraising in order to advertise that company's brand in

their portfolio. It is good to have twitter's logo in one's portfolio even if one did not find them early. This brings to mind sympathetic magic. Venture capitalists like to be seen with the future and publicly seek it out. Venture capitalists put exercise balls and standing desks in their offices. Venture capitalists do not wear ties, frequently wear jeans, and often have their shirts untucked. They look like more polished version of the entrepreneurs they fund. No one is sure who might be carrying the future—it might even be that anthropologist who keeps sending emails. What is more, with nine out of ten of investments expected to fail, there is an inclination to experiment with just about anything.

The company ideas venture capitalists and entrepreneurs had were often inane (a company to bring one a manicure while one waits at a boarding gate in an airport) and presented with a missionary zeal. Venture capitalists are going to bring me the future and change the world for the better in the process (just think what one can do with all that squandered time one has in an airport after clearing security!). No private equity investors offered me their personal theory of history. Venture capitalists liked to explain where things were going. One explained to me his theory of a second industrial revolution, cited Toynbee, and was energized at the prospect of radically reshuffling the world order. Another VC said he did not understand why PE guys had such a bad rap: after all, we (venture capitalists) destroy way more jobs than they do. But this is OK, because the future will be better than things are now. If I am bringing utopia, then one should be alright with a few bumps in the road en route (cf. Foley 2006).

A *New Yorker* profile of Marc Andreesen, of the venture firm Andreesen Horowitz, summed up the venture capitalist's ethos and dilemma nicely. The author, Friend, quotes Andreesen himself in 2007 before he became a VC investor: "Odds are, nothing your V.C. does, no matter how helpful, or well-intentioned, is going to tip the balance between success and

failure" (Friend: 2015:73). Friend goes on to report on Andreesen after starting his own venture fund:

> Naturally, Andreesen had to weigh the counterargument and consider whether he added any value at all. One Sunday afternoon, as he sat alone at the head of [Andreesen Horowitz's] conference table, he said, "Chris Dion argues that we're in the magical-products business—that we fool ourselves into thinking we're building companies, but it doesn't matter if we don't have the magical products." And magic could not be summoned, only prepared for. "Over twenty years," he continued, "our returns are going to come down to two or three or four investments, and the rest of this"—his gestures took in the building full of art, the devotions of more than a hundred eager souls, even the faux-Moorish rooftops of his competitors down the road—"is the cost of getting the chance at those investments. There's a sense in which all this is math—you just don't know which Tuesday Mark Zuckerberg is going to walk in." [2015:17]

The merits or worth of venture capital aside, what should fascinate us is the way that PE and VC differ, despite being both financiers, according to where they seek and how they understand value. VC investors seek value by investing in the unpredictable and volatile early stages of companies. There is no track record or business history to laboriously assess. Moreover, VCs are resigned to the fact that most of what they do will fail. As such they seek to cultivate a public image and persona that negates these obvious limitations to investing. To this point, the pitch and investing process goes public. Cast as wide a net as possible. Give a few thousand dollars to some UPenn/Wharton undergrads. The odds are long, but 1) one has to convince people that one is taking this future talent identification task seriously, and 2) one never does know when Zuckerberg will walk in the door.

Private equity investors seek hidden value that exists in the here and now. As such they seek exclusivity and secrecy in their methodical, drawn-out deliberations. Private equity investors also make money more often than not, though, as we saw above chapters, not always in the straightforward "we made the business better" way in which they advertise. Venture capital investors by contrast seek raw potential and a magical future. There is nothing to analyze, and

their investing acumen is based on their knack for predicting (or convincing others they can predict) a still inscrutable future. People invest with them because they trust their ability to predict the future, predict future value, and nurture talent. Because so much of their success is based on reputation and assessing where the economy or the zeitgeist is going, venture capitalists cultivate a public image. They often seek the loudest microphone and the highest platform they could find. By contrast, one Public Relations specialist I spoke with who did lots of private equity work noted that he often fights a losing battle to persuade private equity people to simply use a microphone when addressing their investors at annual investor meetings. For private equity investors, just amplifying one's voice is appearing too polished or too showy. By contrast, venture capital investors want to tweet for the whole world to hear.

Value, Time and the Routinization of Investing

Private equity investors and venture capital investors have routinized, institutionalized processes for identifying investment opportunities that reflect their understanding of how and when they are able to find and realize value. Private equity investors seek value in extant companies with a researchable past (and hopefully a future). Their value is secret so their process for finding it is slow, methodical, and private. Venture capital investors seek value in potential entrepreneurs who have no company, money, or infrastructure. The venture capital process for finding investments involves a lot of public spectacle. Much of this dissertation has suggested that there is great worth in parsing how people make sense of their investing activities, that it is worthwhile to pay attention to the descriptive or pragmatic level of language as well as the reflexive or meta-pragmatic level of language. We can see not just that something is a relevant piece of investing data (this 19 year old wears a hoody and dropped out of Harvard, we are going to have another Facebook on our hands), but also conversations interrogating the epistemological

assumptions built into that statement (Why do we keep giving money to Harvard dropouts? It is stupid to presume they are all Mark Zuckerberg.). What I suggested was that these meta-pragmatic moments are the real time motor of history. Andreesen may well be working through the eclipse of venture capital and its replacement by internet based platforms for raising and allocating money, like Kickstarter (cf. Friend 2015). What is all the more startling is the way these meta-pragmatic moments can solidify or routinize via habit, custom, law, and so on, into a deal process that could be schematically represented in a very simple flow chart. The rhythm of historical change in investing is not that of constant fluid negotiation. Change happens, but seems to calcify episodically in what I, borrowing from Mauss (2000[1950]) have referred to as total social facts, and what Appadurai (1986) and then Graeber (2001, 2013) referred to as tournaments of value. The deal process instantiates understandings of time and value and also is fairly routine. The fact of ever present meta-pragmatic awareness and negotiation means that the seeds of instability and change are ever present even in the most routinized processes.

The above review of anthropological ideas of time and value pointed out that the most successful, that is, the most plausible, sociological accounts of time and value, happen when analysts are willing to take the fact of variety, open systems, and flux into account. Bear's (2014b) account of pilots on the Hooghly River is an excellent case in point. Pilots are responsible for getting their ships to and from port on time and the realization of value that on time shipping can provide. They also have to reckon with the chaotic and contradictory timescape of their river. Private equity investors (and venture capital investors too) are dealing with immensely complicated tasks. It helps noting that a large part of their task (predicting the future) is, alas, still impossible. So they routinize and congeal many of the assumptions they have about value and time into a particular deal process that meets a moment in time as well as their

own sensibilities and prejudices. Much of the rest of this conclusion will explore the analogic potential for comparative studies of wealth that my approach to analyzing how investors seize value via total social facts that for a time and place calcify the bounds of meta-pragmatic discussion may offer.

Into the wide world of financialization

In seeking to broaden our comparative analytic lens to other people on Wall Street and in finance, it is good to explain "financialization", use it as an organizing concept, and explore a bit more of the anthropology of finance. Let us start with the anthropology of finance. Kimberly Chong in her 2012 dissertation, *The Work of Financialisation: An Ethnography of a Global Management Consultancy in post-Mao China,* suggests that "the anthropology of finance, be primarily concerned with how the world we live in is becoming increasingly structured *by the imperatives of finance capital* to produce effects which are commonly invoked as deriving from, or evidence of, neoliberalism" (2012:203). In Chong's case, her management consultants are aiding and abetting the work of outsourcing by installing Enterprise Resource Planning (ERP) systems to companies seeking an entry or a boost to global stock markets. The ideas is that ERP systems become a sign in the world of stock analysts and investors signaling that a company is managing its operations appropriately, and in a way consonant with the values of management consulting. In this case, the financialization comes by changing a company's operations to appeal to the kind of value judgments that happens in stock markets, and via various quarterly reports.

These processes of financialization, the abstraction of productive enterprises into the register and language of finance, is what the anthropology of finance is describing. I follow Krippner in ultimately seeing financialization "as a pattern of accumulation in which profits accrue primarily through financial channels [that is via flows of money and market based abstractions] rather than

through trade and commodity production" (2005:174-175). Financialization does its work by offering a variety of ways in which other businesses can be imagined as and then turned into investments (cf. Carrier and Miller 1998 on virtualism). Financialization strikes me as a good unifying concept for the episteme or paradigm that the KKR folks both fell into and helped usher in. In turn, once one accepts that financialization is a good domain under which money management and investing, Wall Street and finance, and wealth and poverty creation all exist, then a division of the spectrum of time value orientations helps categorize the anthropology of finance. Again, while I did talk to many people in many parts of finance (see my list of informants in the appendices), I only collected systematic information on private equity investors. As such, what follows is largely based on others' ethnographic reporting, and is an effort to offer a hypothetical schema by which we might organize the phenomenon of financialization and the people who bring it into being in their professional lives.

At one end of the time-value continuum, we have Zaloom's (2006) futures traders in her book *Out of the Pits*, trading commodity futures contracts openly, on public markets (see also Abbolafia 1996 for other types of traders). They are under no obligation to hold their positions, and react and feel the market in real time. The price of grain is assessed; grain is given a value in the hyperkinetic setting of commodities markets. Here is a financial activity in which liquidity—the ability get in and out of a trade quickly—is prized (2006: 52; see Lewis 2014 for an account of even quicker high frequency trading). Zaloom says "[t]raders joke about the attenuated connection between speculators and the underlying commodities they trade … [they] kid each other about forgetting to sell all the contracts they own. A truck, they declare, will show up at the trader's home and dump a container-load of corn on his front step" (2006:97). Getting in and out quickly is key.

By contrast Miyazaki's Arbitrageurs, described in *Arbitraging Japan: Dreams of Capitalism at the End of Finance*, seek to fix markets and find fair true prices, embracing a millenarian ideal of capitalism and perfectly efficient markets (this ideal, of course, was severely undermined in 2007-08). Arbitrageurs seek price discrepancies across markets. To take a hypothetical example: let us say that £1 is equal to $1.50. Let us say that gold is trading at $100 an ounce in New York City, and £100 an ounce in London. An arbitrageur would buy as much American gold as he or she could and then sell it in London, making a profit off the discrepancy in price. Arbitrageurs are opportunists. Miyazaki's arbitrageurs see themselves as making judgments about the value of financial instruments across different markets, with the utopian, long-term goal of making capitalism and its markets perfectly efficient. "To the extent that arbitrageurs sought to eliminate…market anomalies, they believed that their own arbitrage work would eventually rid the market of arbitrage opportunities…" (2013:56). They are the municipal utilities workers in the world of finance. To them, value comes in perfecting markets, and their deals weed out and profit from inefficiencies.

Then there are hedge funds. The idea of a hedge is to preserve wealth and reduce risk. Again, to take a simple example: let us say I own a lot of gold. Gold prices tend to go up when stock prices go down. That is, when there is uncertainty in equities markets for whatever reason, some people shift money into gold as a haven, driving up its price. As someone who owns a lot of gold, I might sell some and buy a portfolio of stocks as a hedge against my gold losing value. Hedge funds invest other people's money a variety of ways—whereas some specialize in bonds, and debt, others specialize in reacting to news events. Most show their success in comparison to the performance of some other index that they try to beat (stock prices, bond prices, an aggregate of a particular industry's performance, some commodity's price, etc.). Hedge funds often also

invest a significant amount in companies and try to change them via 'activist' investing, that is, bullying a company and its board into changing its operations in a way that they see as advantageous to shareholders (for a prominent example of this type of activism see the letters Dan Loeb of Third Point Capital has written to the Boards and CEOs of companies his hedge fund invests in http://danloebletters.blogspot.com/).

The limited partners who invest in private equity often lump private equity and hedge funds together as alternative[43] investment strategies (alternatives to stocks or bonds, equities or debts). While hedge funds and private equity investors invest significant amounts of money in mature companies, there is a difference in how they reckon value, and the timescale on which they are operating. One of my informants, Cat, who had worked in private equity, was in business school when I met him, and eventually moved into a hedge fund noted that in private equity things take much longer—diligence could take six months, and one would have more information. He said in the hedge fund world one focuses much more on the environment of the companies that one is investing in, and sometimes "you feel like you're getting distracted by 'the day to day noise'. Unlike in PE, one pays much more attention to "stocks up, stocks down; bonds up, bonds down." He has also had "to get comfortable having an opinion…with limited information." He said that "you get spoiled in PE because you're able to get all this info on private companies." And the biggest difference between private equity and hedge fund investing is the liquidity. Hedge funds

[43] Upon review of a draft of this dissertation, Loki offered a concise sequence of the evolution of investment strategies. He said that prior to the 1950s the original alternative investment for railroad pensions were bonds. Then in the 50s and 60s, people got into equities. He suggested that the first true alternative to stocks and bonds were real estate funds in the 1970s. Around this time venture capital emerged and offered another alternative. This leads us into the late 1970s at which point, as noted in the introduction, LBOs (subsequently private equity) emerged. He said too, that as private equity emerged they grabbed onto more familiar forms of investing, claiming to be like venture capital as well as allowing terminological slippage between LBO (leveraged buyouts) and MBOs (management buyouts). Eventually this leads to private equity. Finally, Loki suggested that the real alternatives wee hedge funds. He suggested that they emerged in the early 2000s to help investors deal with increasing equity market volatility. He noted that the hedge fund guys are seen as "just traders" and "rapscallions" and their emergence and claims of also being an alternative investment strategy got the PE guys' shirts "in a twist."

can get out and sell their investments immediately if they go bad. Private equity investors are locked into how long it takes to sell a company—the diligence process happens every time. Cat pointed out that in hedge fund land, "because you're able to sell, you're wasting your time…knowing [a company] to the 17th degree … [you just] don't need to know."

And in contrast to the arbitrageurs and futures traders and hedge funds managers who are able to duck in and out of their positions, based on the short term nature of the trading that they do, are private equity and venture capital investors, already considerably elaborated above. Recall that private equity and venture capital investors think of themselves as long term investors, and in contrast to a hedge fund which can abandon its position at a moment's notice, selling a company can take months or years, and if they think it is a bad time it can be impossible to sell a company altogether. What is more, they typically enter into limited partner agreements with their investors for ten years at a time, meaning their investors cannot remove their money as in a hedge fund or mutual fund. They need to wait for a PE or VC firm to wind down its fund—that is, sell companies. Despite this similarity, there are differences between the ways in which private equity and venture capital investors invest. PE and VC investors often seemed to define themselves as in opposition and sometimes in competition with each other over limited partner money, as in a case of complementary schismogenesis (Again, when two groups start as similar and gradually define themselves by competitively doing the opposite of each other as in Athens and Sparta, see Bateson 1935 and Sahlins 2004).

And finally, taking this idea of time and value to its extreme, we have family offices. These are enterprises committed to the intergenerational growth and transfer of wealth. There is no time horizon. They invest that private equity dream, a pool of evergreen capital, a pile of money they never have to return. It is infinite. Because of this, the type of value propositions that family

offices can make are different even from long term private equity investors who someday have to sell their companies to realize the value they have created. I talked to one manager of a family office about how they measure success, asking specifically about IRRs or internal rates of return (recall the value chapter and Jimbo's Discount Flying Saucers). The IRR is one common way that private equity investors say they have made a good investment given the time value of money, or that money is worth more now than in the future. The manager, Ahab, stopped me short. He said that "family offices have different perspectives". They have money already, so "the money rate of return does not apply to us with the same discipline as to an operating entity." He went on to say that they "don't teach in business school that the utility value of money is reduced once you have a lot." And he pointed out that, "once you pay off expenses and have more than you started with, you're doing fine."

All the above people are Wall Street people, or finance people. Beyond them, there are many more people who work in finance (in everything from debt traders, to municipal bond originators). Yet, I suggest that they all work with abstractions of real world entities, processes, and social organizations in such a way that they are legible to financial markets and are open to a financial reading and management. They all do different kinds of deals on different time scales and with different ideas of what is valuable. Yet these financiers vary in the way they make mutually intelligible value arguments and arguments about time, and consequentially do different deals. This observation applies all the way from futures traders who get in and out of so many transactions that they joke about the absurdity of their holding onto their investments, to family offices who invest indefinitely. Different financiers invest on different time scales. These time scales inform the types of value arguments they can make. Cat, at his hedge, fund had more liquidity, more temporal flexibility, than a private equity fund manager would have, and

consequently he acted on different, to his mind shallower, arguments about value. For everyone in finance, it is a productive question and a potent line of comparison to wonder about what times are good for their particular type of investing, how much time they have to invest, and what they argue is valuable in the stuff they buy and sell. Not only do these ethnographically answerable questions render financiers comparable while preserving the differences that make a difference (cf. Gell 1996:54), they also point to the common conversation that they all share: when can one realize value in an investment and thereby profit.

3. Finance and Wealth

I have pointed out that, running through the universe of finance, all the arguments about and varieties of value creation, all the different times that investments can happen, are processes of financialization—abstracting companies to numbers and financial models, and then intervening in companies in ways that let people change not the company itself but its representation in a financial model. This is similar to the *US News and World Report's* effect on American universities, which end up marketing wildly to promote hopeless admissions cases, thereby driving down their acceptance rate and driving up their rankings (Chang and Osborn 2005). It is working on a concrete real institution with the idea of changing that institution's numerical abstraction. This is the work of finance (cf. Carrier and Miller 1998 on virtualism). When financiers argue about value and the time in which to produce it, they are arguing about how to change the representation of the entities they invest in and buy, and in turn how to take that previously unrecognized value and profit over a given timeframe.

And here is where the anthropology of finance can become truly comparative. Flannery and Marcus (2012), in their book *The Creation of Inequality*, make the point that across human societies inequality is aided and abetted by a monopoly on or restricted access to the ways in

which a society determines value and worth. That is, the accumulation of wealth and the creation of poverty is concomitant with control over bottlenecks in the circulation of wealth (Earle, Gamble and Poinar 2011:212). This control over the distribution and bottlenecking of resources is what I am attempting to render comparative by labeling the deal-making process a total social fact and likening it to other societies' marshalling and re-allocation of resources and people (cf. Adams 1973 on the way in which people are moved via the Gitksan potlatch). To show the power of this type of thinking, I will take one example from the Inka Empire, on how the control of value ascription enables the accumulation of wealth. D'Altroy observes that, "as their domain expanded, the Incas were faced with the challenge of governing societies that ranged from villages to states and a population that ultimately outnumbered them by about a hundred to one" (2003:231)—a ratio not too far off from that of a private equity firm against its portfolio investments. Given the enormity of their domain in people and resources, the Inka created a series of ever smaller hierarchical relations in which "people of each sex were assigned to one of ten categories that corresponded to their life stage or ability to do useful work" (2003:234) for "labor taxation and military recruitment" (2003:231). What is more "the Incas kept separate *khipu* [rope knot records] for each province, on which a pendant string recorded the number of people belonging to each category" (2003:235). This tabulation and tracking was all the more important as the Inka, "moved entire communities hundreds or even thousands of kilometers to create enclaves of settlers called *mitmaqkuna*…[in order to] disperse societies that posed threats to Inka security…[and] to congregate economic specialists whose products were destined for state use" (2003:248). So once the Inka took control of a portion of their empire, despite their relatively small numbers, they had a system of rationalization and tracking, that is assessing who is valuable for production and protection and why, that allowed them to mobilize the resources of

those they conquered. Recall Lou's discussion of how the techniques of cost accounting can show value in a way that the original owner of a company would never have been able to find, much less realize.

In the cases of the private equity buy out and the Inka conquest, both rely on systems of accounting which allow for new arguments of what is valuable in a particular place, and consequently for the extraction of wealth. Take one particular example from the Inka empire: Gary Urton has written about the khipus found at Laguna de los Cóndores, noting that it is interesting the khipus were found in this region since it came under Inka hegemony only 50 years prior to Spanish conquest; and it is all the more interesting that these khipu were interred with mummy bundles (2007: 64). Urton echoes D'Altroy noting that "*Khipus* allowed local, Inka-appointed officials to oversee the newly acquired territory for the benefit of the Inka" (2007:64-65). Urton suggests that one khipu contains some sort of a two-year calendar (2007:66), and others may have spoken to tribute obligations. Among the mummies it seems clear that there were Inka officials such as the master of the khipu, the *khipukamayuq* (2007:65). So we have a *khipukamayuq* buried with calendrical, census, and possibly tribute related record keeping devices—devices that allowed the articulation of Inka domination. A few more notes about mummies are necessary to complete the scene. "In the high Andes, a common person's status changed when he died…the thirsty spirit of an ancestor sill inhabited the land, requiring libations of chicha and other attentions (Gose 1993)" (D'Altroy 2003:193). The dead were very much still with the living, and "Royal mummies [even] ate, drank, urinated, visited one another, sat at councils, and judged weighty questions" (2003:141). So one has a cosmology in which the dead are still animate and can consult with the living, and one has a burial in which state officials are buried with their record keeping devices, the same accounting devices that allow the Inka empire

to provision itself and extract wealth. D'Altroy has suggested that the official, the khipukamayuq, was buried this way in case the Inka came back and wanted an account of their domain (lecture 25 February 2014). It certainly does put quarterly reporting and financial audits in perspective.

In different times and with different techniques, the Inka and private equity investors have taken control of other societies—a neighboring polity via military conquest in one case, and a grocery store chain via a leveraged buyout and under the aegis of property rights in another. Yet both have ways of accounting for what is valuable and when it can be realistically extracted in their respective locations of control. Both control techniques of accounting for value and generate wealth in the context of those value schema. It is an empirical fact that the use and manipulation of systems of value lead to surplus for some and not for others in these two social contexts. However, whether either one of these systems of accumulation is good or bad has more to do with one's political persuasion than anything that can be empirically demonstrated. If one thinks that the hegemony of the Inka needs to be maintained in the interest of drawing and keeping the four parts of their empire together (*Tawantinsuyu* literally the four parts together, D'Altroy 2003:xiii)) and in the interest of the ongoing propitiating of a sun deity who was often instantiated as a gold statue of a pot-bellied boy (D'Altroy 2003:146), then the Inka hegemony, *khipu* accounting system, and labor and military taxation schemes all make perfect sense. Similarly if one feels that private equity investors and their financial acumen are the ones that should arrange productive activity, decide what jobs should exist and why, and deserve to reap wealth in the interest of the long term economic growth and efficiency that they promise, then nothing should be wrong with private equity's control over $3.5 trillion in assets, and the class of wealthy financiers that generates. If, on the other hand, one thinks like Keynes in the here and

now and agrees that in the long run, we are all dead, one might have something to say about the division of wealth and worry, pain and profit, in the context of financialization (see also Foley 2006). Wonsitzer and Poon argue that the last generation of financial innovation, that which has seen the rise of private equity and debt abetted finance has brought with it, “a form of value production that is remaking the character of wealth and human suffering” (2012:253).

Andrew Carnegie argued that the “talent for organization and management is rare among men … [and that it] invariably secures for its possessor enormous rewards, no matter where or under what laws or conditions” (Carnegie 1889). Perhaps more to the point, John D. Rockefeller felt that “God gave me my money” (Flynn 2007:395). Lloyd Blankfein, CEO of Investment Bank, Goldman Sachs[44] feels that his bank is “doing God’s work” still and that banking creates a “virtuous cycle of wealth creation” (DealBook 2009). Again, if one accepts the innate, singular talent of the manager, or that wealth is bestowed by God, or even the more pedestrian, unalloyed good of Goldman Sachs’ endeavors, then that wealth and power which private equity currently holds is no worry. If, however, one does not find these explanations persuasive, then the historic circumstances that give rise to a particular way of getting rich, and the specific mechanics of societal reorganization that come with it must be the empirical starting point for any manner of political critique. We have seen where private equity came from, I showed how they work, I pointed to ways it can be compared to getting rich in other times and places, and I have offered a few examples of the types of power both individual and structural that private equity has.

This dissertation has shown how private equity investors buy, manage and sell companies, and that people in finance have heterogeneous though mutually intelligible, ideas about what counts as value, and in what time one might realize that value, all based on their various

[44] It is worth noting that Goldman Sachs Bankers are now receiving some of their compensation from a proprietary, no-fee private equity fund (Moore 2014).

professional locations. It has also shown that private equity deals were able to happen as a consequence of a specific confluence of governmental and economic realities in the United States in the late 1970s. In the process of making deals, private equity investors are arguing over a common set of concepts and in the context of financialization—manipulating the financial abstractions of human social organizations (companies, societies, and so on). Insofar as we have political opinions about finance, we have to rely on accurate empirically rooted descriptions of people in finance. It is not enough to say everyone has the same disposition and leave it at that. If one has seen one banker, then one has seen them all does not cut it. In one of my own informants' words, the question of value creation "is the big existential question" in private equity right now. We would do well to follow this informant's lead, and see how these ideas of value play out. After all, whether in university endowments, pension fund payouts, shopping, or just eating Twinkies, private equity and the actions of financiers shape the context of our lives.

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Appendix 1: Informants

Pseudonym	Interview Days	Number of Interviews	Job
Wenner	10/19/2012, 10/25/2012, 6/24/2014	3	Partner PE Firm
Butch	5/31/2012	1	Partner PE Firm
George-Michael	May-12	1	Partner PE Firm
Alvin	1/30/2013, 10/31/2013, 11/14/2013, 2/12/2014	4	Associate PE Firm, Company Finance Guy
Ronaldo	6/10/2013	1	VP PE Firm
Tim	12/7/2013	1	Associate PE Firm, Social Entrepreneur
Phil	9/7/2012, 4/30/2013, 5/3/2013, 10/16/2013; 4/28/2014	5	MBA Student, VP Private Equity Firm
Grace	6/27/2013	1	Executive VP PE Firm
Josh	11/15/2013	1	VP-ish family office-ish

Jenny	12/20/2013	1	Associate PE Firm
Mike	2/26/2014	1	Partner PE Firm
Reggie	1/23/2014	1	Interrim CFO portfolio company
Ruth	2/21/2014	1	Analyst PE Firm, Finance person portfolio company
Alessandro	9/14/2012	1	Engineer, Private Equity Associate? MBA
Cat	9/14/2012, 4/29/2014	2	Private Equity VP, MBA, Hedge Fund
Juan	8/30/2012, 6/17/2013	2	PE Fund, MBA, Prominent investment company
Don	1/10/2014, 5/5/2014	2	Insurance LP
Jackson	12/13/2013, 1/23/2014	2	LP
Cyrus	1/15/2014, 2/7/2014	2	VP Private Equity Firm
Karl	3/21/2014	1	Partner PE Firm
Dorothy	3/27/2014	1	Associate, Secondary Firm
Preet	5/1/2014	1	Consultant, Associate PE firm
Baugh	4/30/2014	1	Executive in a buyout company
Mort	3/23/2014	1	Associate at a Debt and PE firm
Avi	4/17/2014	1	VP Fund of funds?
Zeke	4/10/2014	1	Accountant, PE, Investment Banking

Loki	3/26/2013	1	PE Placement Agent
Gergesenes	5/2/2014	1	PE Partner
Keziz	4/18/2014	1	Associate, Fund of Funds
Lou	6/9/2014	1	CFO for hire
Ahab	7/17/2014	1	Partner, Family Office
Felix	6/12/2012, 8/17/2012, 5/20/2014	3	Hedge Funds, Consultant, Ventures, Author, looking for work
Jacob	5/1/2012	1	Big bank
Helicanus	5/1/2012, 6/12/2012, 8/21/2012	3	Big bank
Balthasar	6/18/2013	1	Sales for mortgage analysis software
Arnaud	6/17/2013	1	analyst for a fund of hedge funds
Cobbler	5/29/2013	1	Former trader, now start up executive, and entrepreneur
Clark	4/18/2013	1	Bond trader, now musician
Sven	11/25/2012	1	Real estate investor
James	12/11/2013	1	Partner VC fund
Arturo	11/14/2013	1	EMBA student, works in a credit rating agency
Lenny	11/1/2013	1	Government Agency
Punon	6/19/2013	1	Partner VC fund

Baldr	2/22/2014	1	Analst PE Fund
Heimdallr	2/7/2014, 2/22/2014	2	Undergrad hedge fund, now analyst in a value investing fund
Seth	2/26/2014	1	Undergrad hedge fund
Proctor	2/14/2014	1	MD Venture Fund
Ricky	2/12/2014	1	Founder of Venture Incubator
Archie	2/6/2014	1	Something in PE and Business School Student
Hephaestus	2/5/2014	1	Partner VC fund
Herja	11/1/2013	1	Relationship manager at a bank
Tanfana	1/27/2014	1	Anti money laundering and compliance at a big bank
Sophia	1/9/2014, 8/26/2014	2	Sales and strategy at an investment services company
Mac	12/19/2013	1	Small Business Consultant
Gertrude	3/17/2014	1	PR at a venture fund
Ben	3/7/2014	1	Undergrad hedge fund
Priscilla	3/11/2014	1	Sales for emerging market funds
Neptune	3/20/2014	1	Partner Accounting Firm
Abednego	5/6/2014	1	Undergrad Hedge Fund
Aresenio	4/23/2014	1	Advisor Accounting Firm
Flava' Flav	3/28/2014	1	Partner VC fund
Gwendolyn	5/29/2014	1	VP big traditional bank

Maria	7/22/2014, 8/6/2014	2	MD Big Bank
Arcturus	9/5/2014	1	Business school student, real estate development funds
Njoror	9/10/2014	1	top tier corporate lender now mba student and social enterprise
Pluto	3/20/2014	1	Partner VC Firm
Chairon	7/1/2013	1	Business School Career Services
Randolph	12/7/2013	1	Marketing for PE Firms
Hou Chi	11/1/2013	1	PE Publishing
Llewelyn	2/27/2014	1	PE Publishing
Sam Adams	9/28/2013, 12/19/2013	1	PE Publishing
Delphi	8/7/2013	1	MBA Admissions
Kyle	8/12/2013	1	Professor
Duane	8/20/2012	1	Actor, Working at a start up
Malachi	8/1/2012	1	CEO of a manufacturing start up
Moriarti	10/21/2013	1	College Administrator
Prismo	3/13/2014	1	Start up founder
Edward	3/13/2014	1	Business School Student
Major	9/20/2012	1	Mckenzie Consultant, Student, Start up founder
Gersemi	8/30/2012	1	compliance and auditing at siemens

Arcturus	6/6/2014	1	Energy Start Up
Marty	5/10/2013	1	Consultant, studying for CFA, looking for work
Total Interviews		103	

Appendix 2: Informant Networks

A. Research-Generated Networks

Table 3: New York One Conference. The Contacts that Don led to were excellent. One noted he didn't understand what he was doing, but because Don sent me, he would have time to talk. Jenny was especially helpful in leading me to another event.

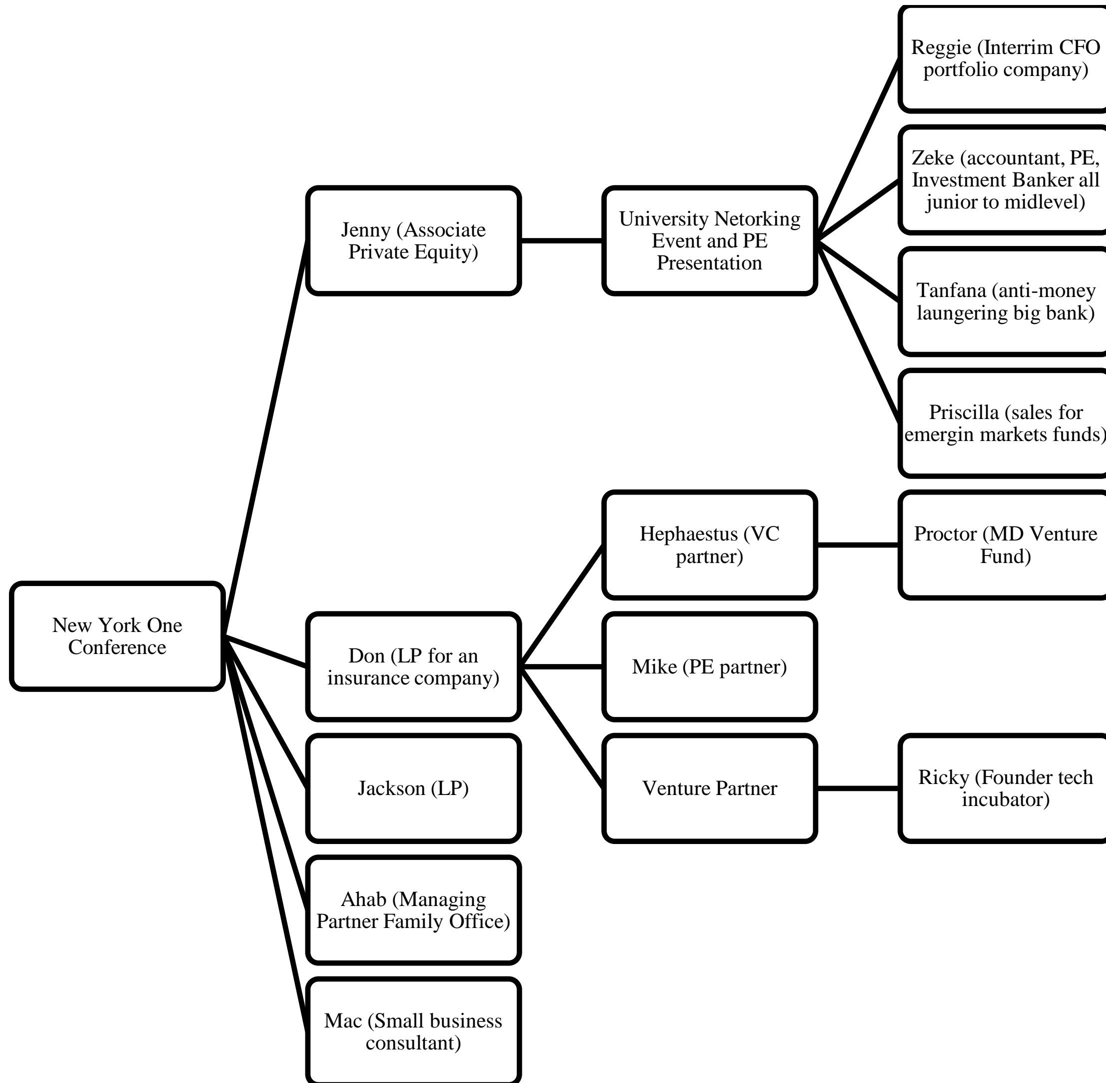


Table 4. This string of informants was particularly helpful as they all let me observe their investment pitch meet

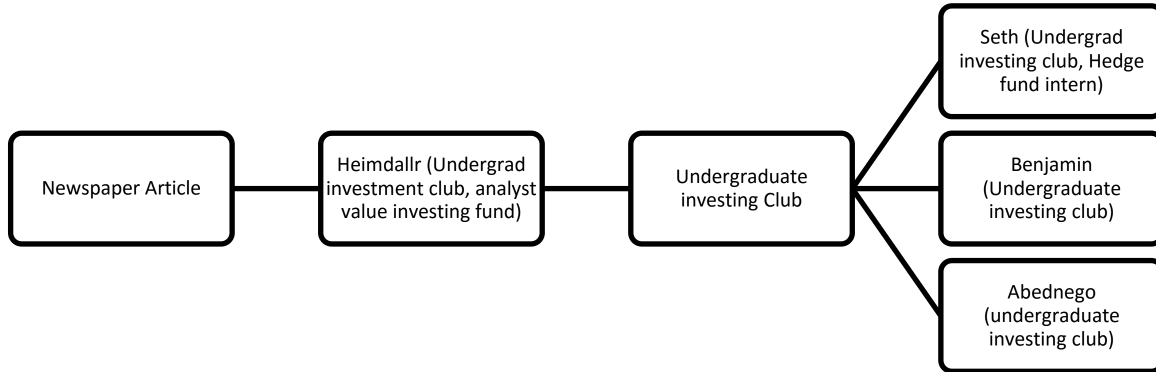


Table 7. Cold Calling was a waste of time. It demanded a lot of research and only produced two informants, neither of whom was helpful.

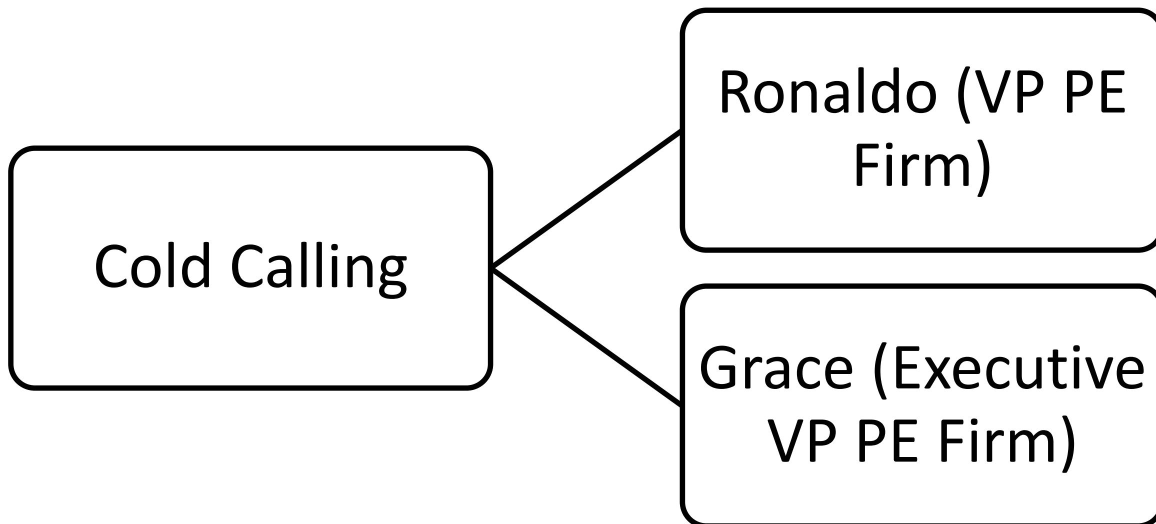


Table 5. University Conference

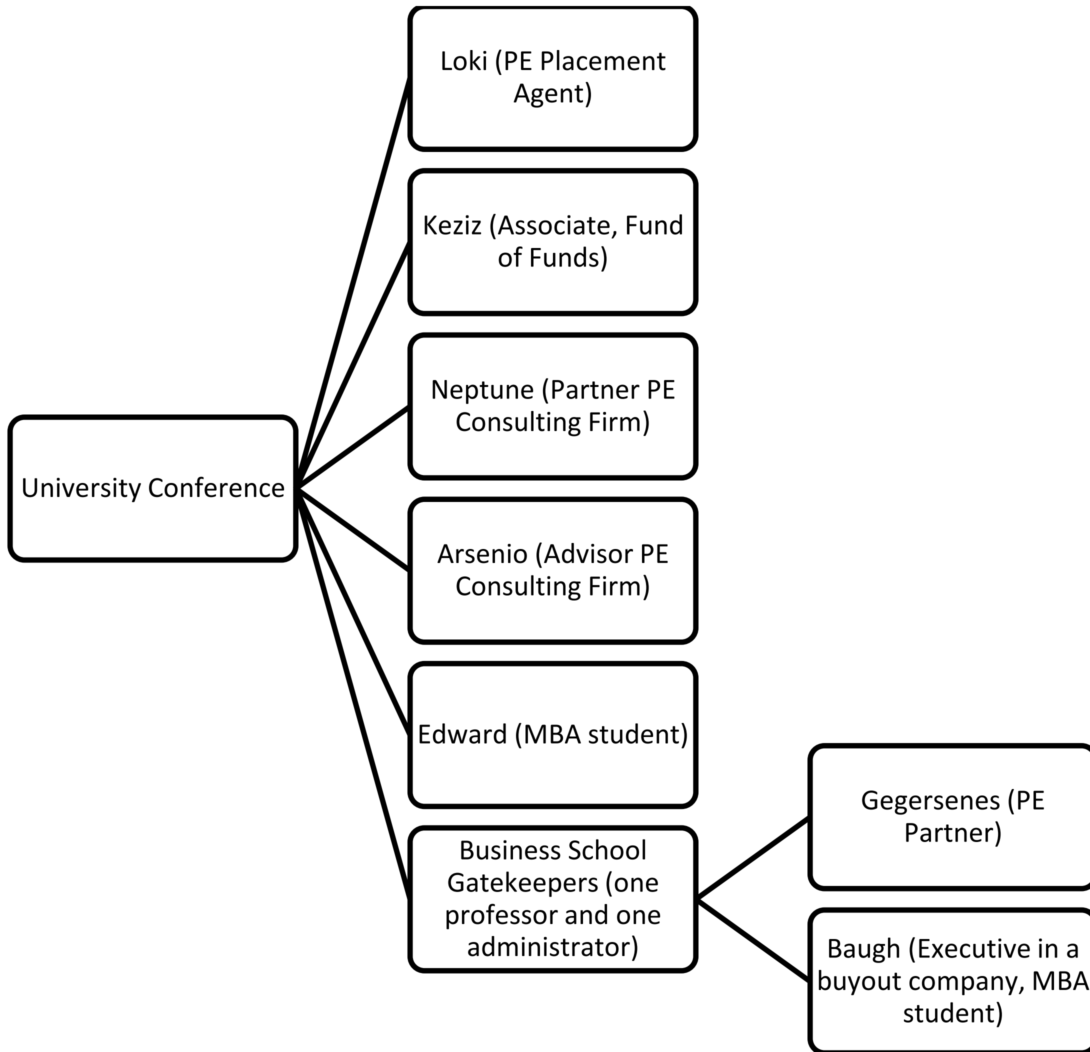


Table 9. Flyers at Business School. It is interesting how many more responses this strategy produced than cold calling. People trusted the person behind the flyer much more than the person behind the cold call. It is possible this is because the fliers were on boards with other, official business school events.

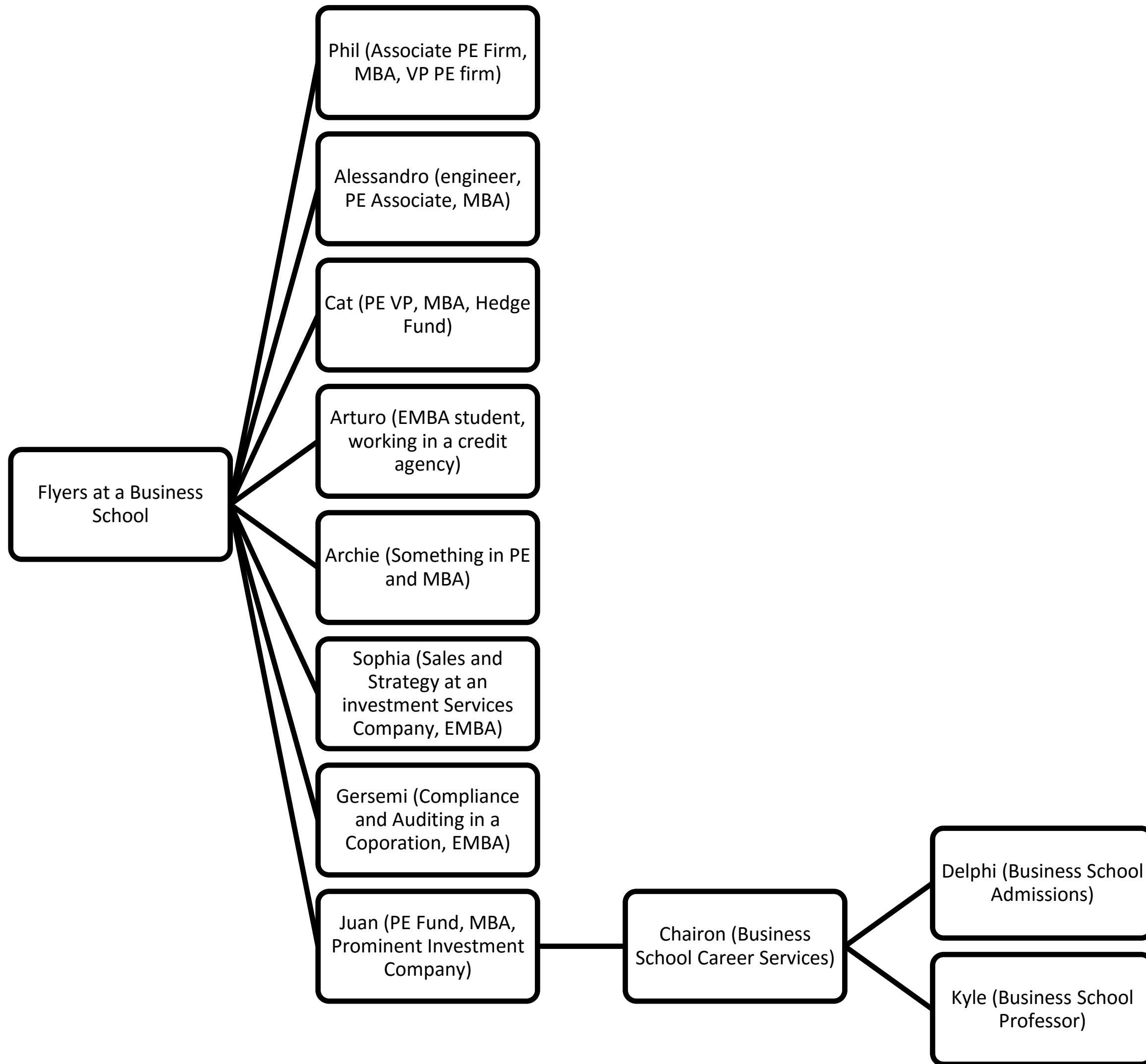


Table 10. Business Institute Internship.

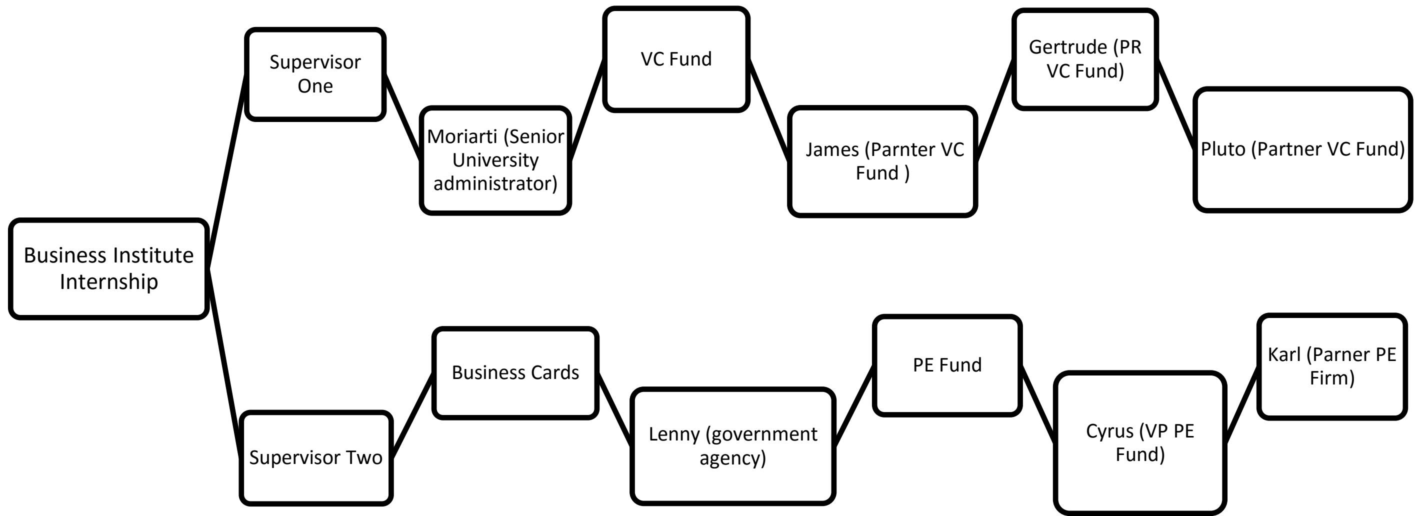


Table 6. Class Audit.

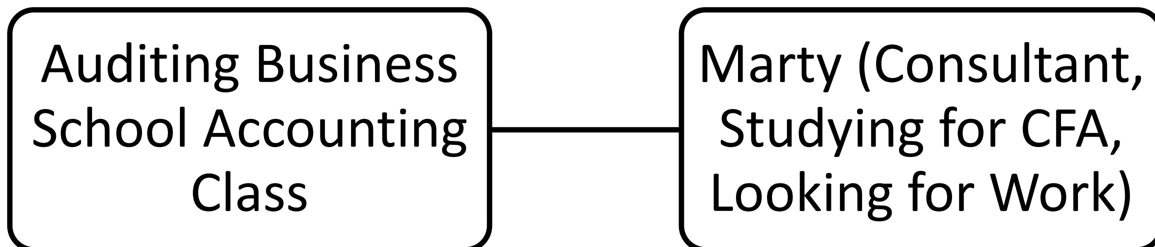


Table 7. University Conference 2

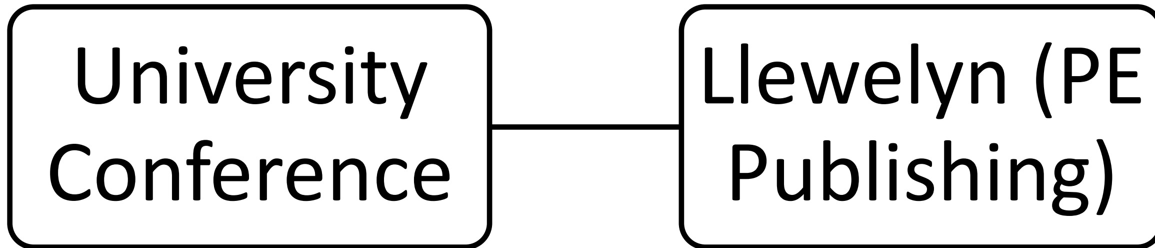
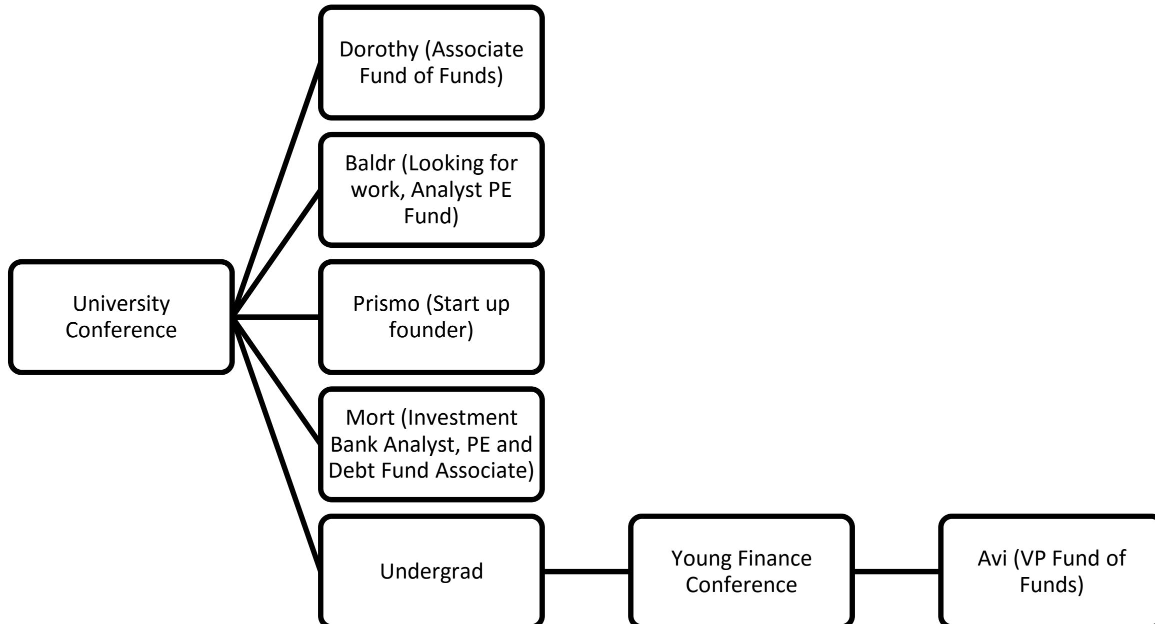


Table 8. University Conference 3. The Undergrad in the chart agreed and then declined to be interviewed. However, with no prompting she sent me the information to the young finance conference which ended up being fascinating.



B. Family, Friend and Colleague Seeded Networks

Table 9. Colleague Network. My Colleague had babysat for Halicanus, and knew Jacob because he was an ex of her sister.

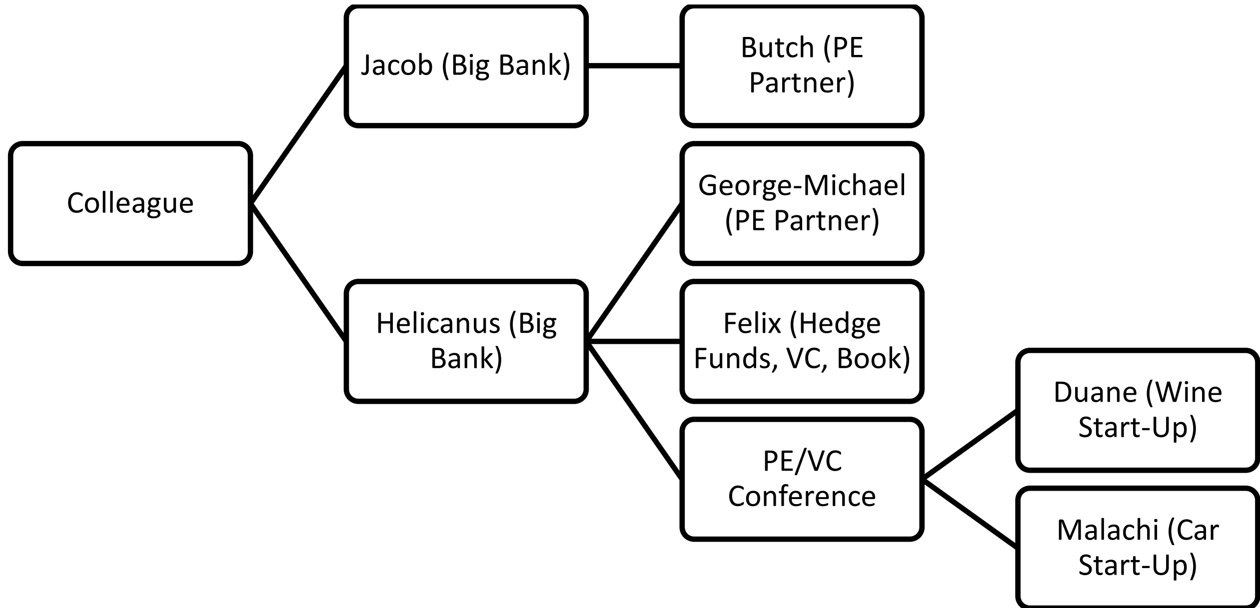


Table 10. Friend. My friend knew Njoror from high school and we met at my friend's birthday party.

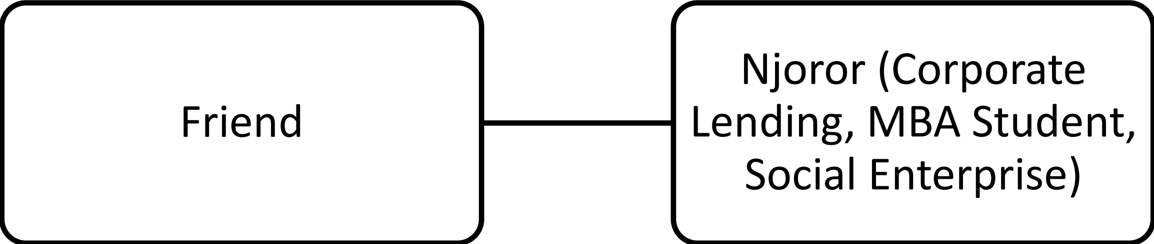


Table 11. Friend 2. My friend was Arcturus's college roommate.

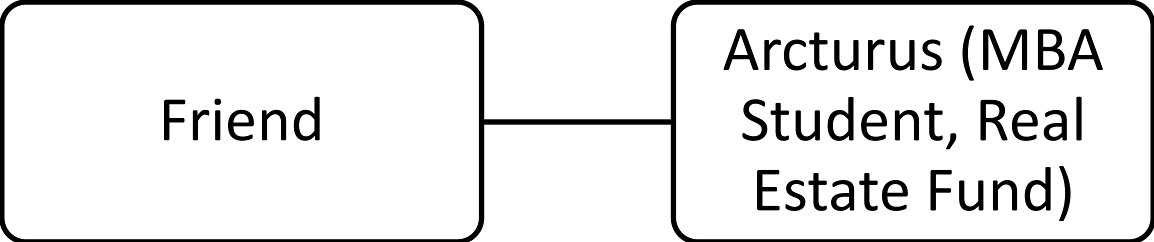


Table 12. Friend 3. Balthasar is my friend's father.

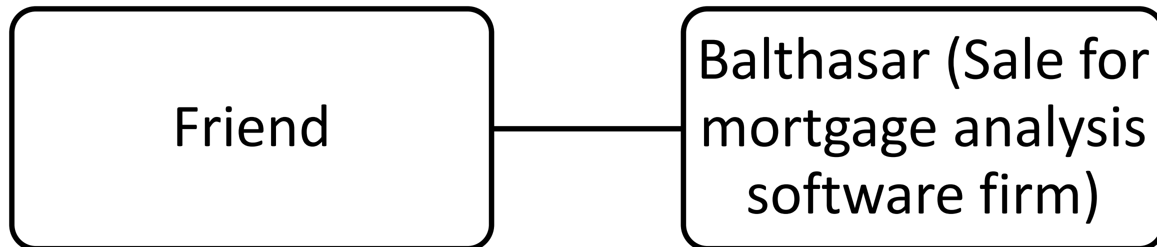


Table 13. College Friend. Arnaud is related to a grad school colleague of my friend.

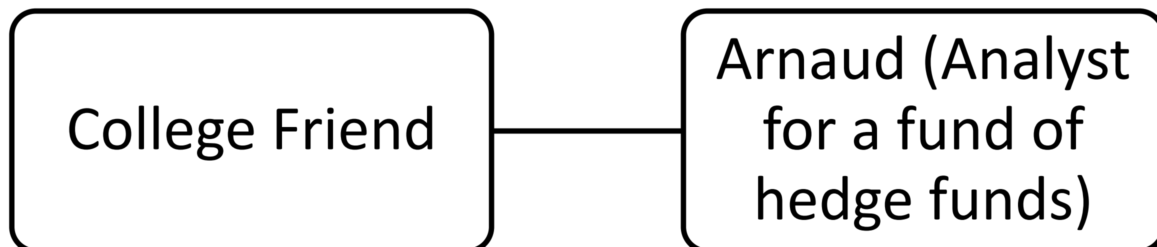


Table 14. Friend 4. Cobbler is the brother of my high school friend. We all went to the same high school.

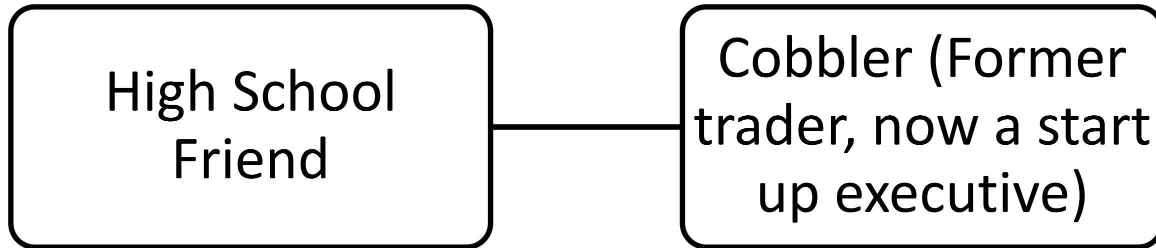


Table 15. Colleague 2. Wenner is the brother in law of my colleague.

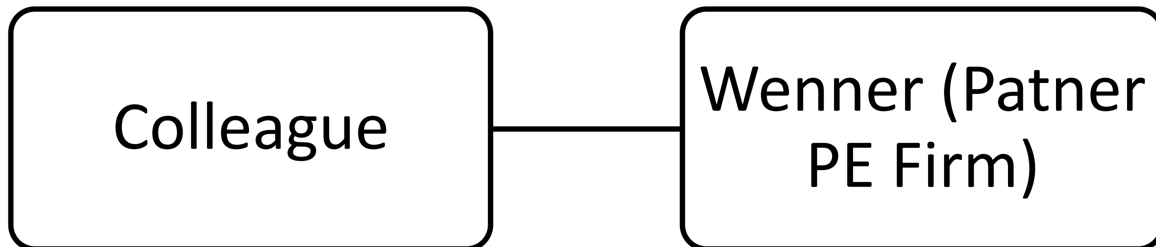


Table 16. Colleague 3. I had worked on a student government committee with my Colleague. Tim was one of her friends.

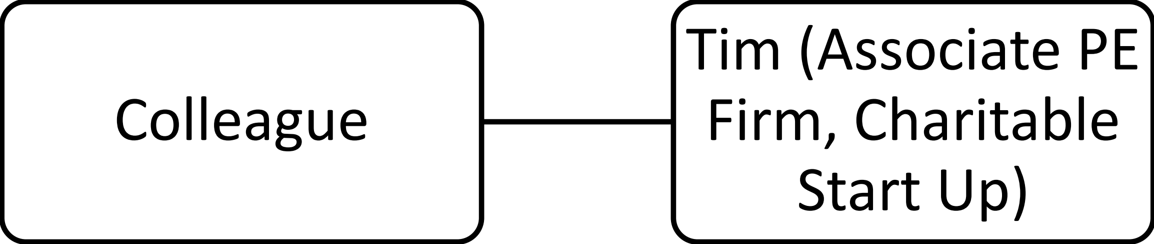


Table 17. College Friend 2. My friend lives out of the country. On one of his visits back, a lot of people gathered at a restaurant. That's where I met Ruth.

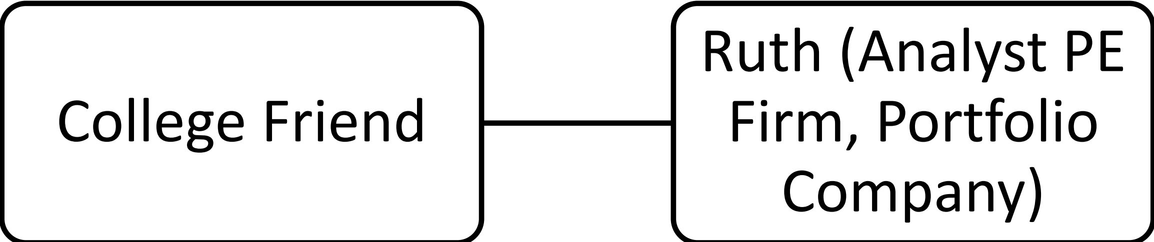


Table 18. Colleague 4. I met this colleague at an academic conference and she kicked off the referral network. Preet went to college with the second colleague.

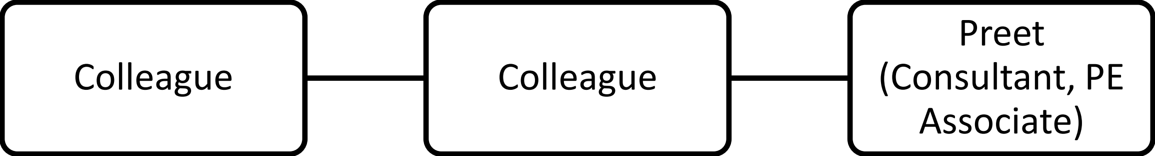


Table 19. College Friend 3. Alvin and my college friend were in the same fraternity. I didn't know Alvin in school.

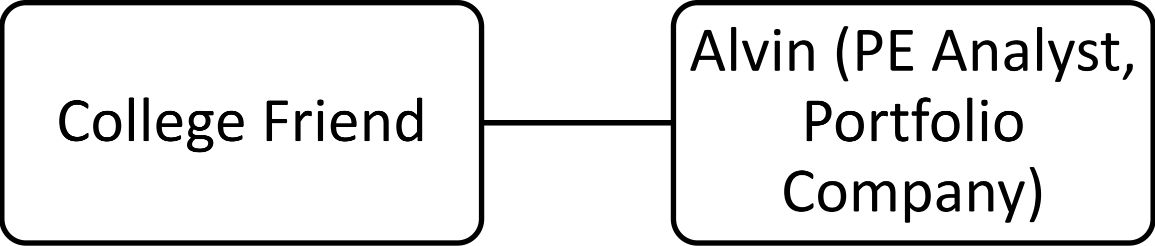


Table 20. Family. While over at my partner's aunt and uncle's house, I helped their neighbor move some furniture in his house. In the course of conversation I discovered that Randolph and I worked in the same industry.

Table 21. College Friend 4. Major was the fiancé and is now the husband of my friend.

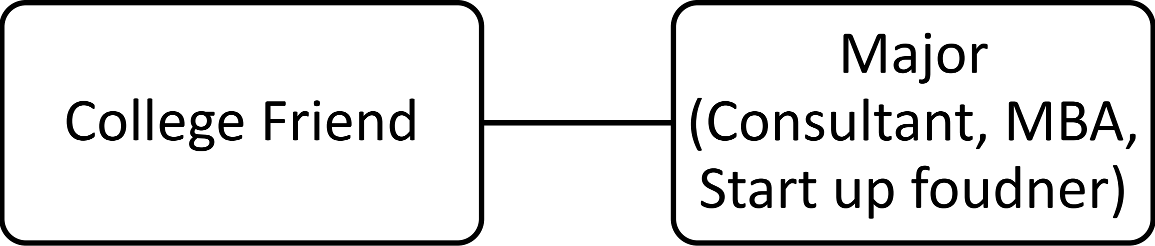


Table 22. College Friend 5. My Friend was helping shoot a music video for Clark and asked him if he would participate in my project.

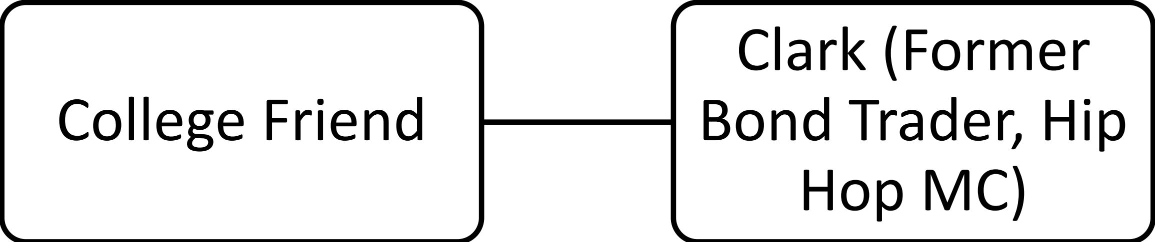


Table 23. Dad. My dad worked at a tech company that was funded in part by Punon's firm.

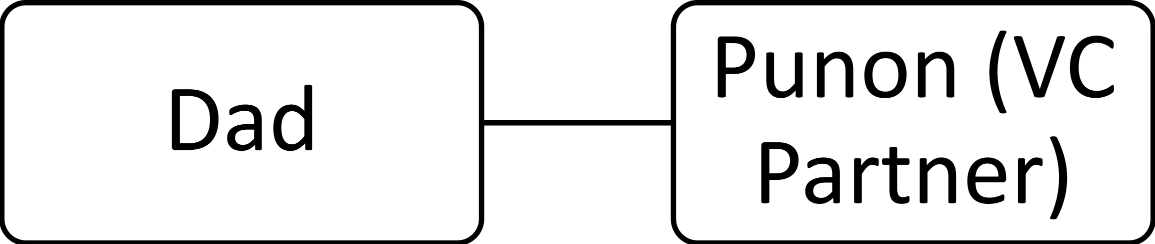


Table 24. Colleague 5. Sven was my colleague's partner. I met him at a holiday party she was throwing.

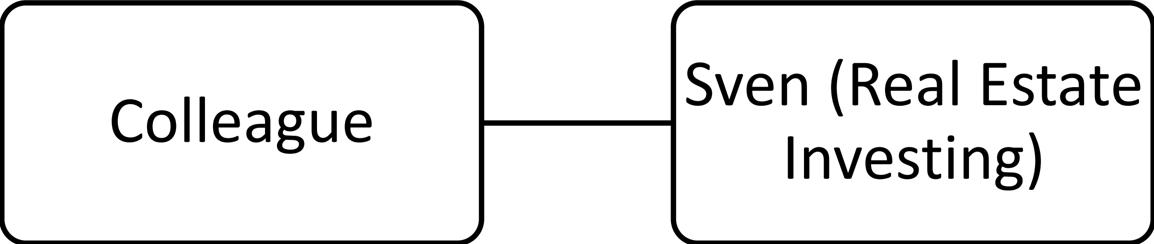


Table 25. Friend 5. My Friend was looking for work and had been talking with his friend who he thought would be good for my research.

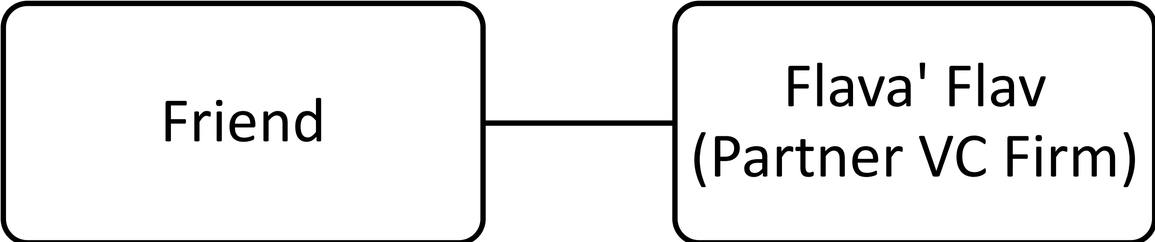
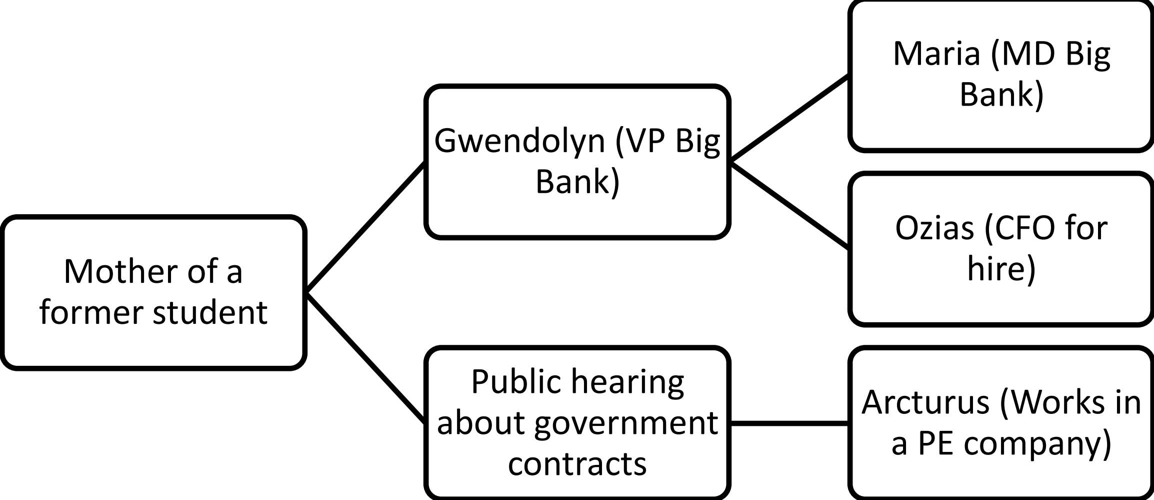


Table 26. Mother of a former student. I met the former students mother and father when I was seated between them on a plane flight.



Appendix 3: E-Mail Exchange With Venture Partner

1/29/2014
Daniel -

Please meet [the assistant], who manages [Pluto’s] calendar. [The assistant], please meet Daniel. If we could please find time on [Pluto’s] calendar in the next couple of weeks for me, [Pluto] and Daniel to meet, that would be great.

Thanks!
[Gertrude]

1/29/2014

Good to meet you [the assistant]. I hope you're well. Thanks very much for helping coordinate this.

Thursdays and Fridays tend to be my best days for scheduling. Tuesday and Wednesday before one also work great. I hope this helps.

Take care,

Daniel

1/31/2014

Nice to meet you, Daniel.

Next week is completely booked. How about 2/11 at 1 pm?

Regards,

2/1/2014

Dear [The assistant],

Thanks again for helping with this.

1 PM on the 11th might be a bit tough. Let me give you my complete availability that week and if anything works we can go for it. I am Friday is completely open, Thursday is completely open, Wednesday is free except for 2:00 PM - 4:30 PM, Tuesday is free except for 1:00 PM - 4:30 PM, and Monday is a nightmare, but I am free before 9:00 AM and after 4:30 PM. If anytime in there works please do let me know. And Wednesday is negotiable, I can push things around if need be.

Take care,

Daniel

2/3/2014
Hi Daniel,

Would Friday at 4 pm work?

2/3/2014

Dear [the assistant],

This Friday the 7th at 4 PM works great. Thanks very much for finding the time. This will be at [the firm's] office, right?

Take care,

Daniel Souleles

2/3/2014

Yes it will be at [the firm's office], Daniel. See you then!

2/3/2014

Hello again! As it turns out, [Gertrude] will be out on Friday so we have to reschedule. Would you be available on Monday the 10th at 11am?

2/3/2014

Hello [the assistant],

So sorry, Mondays are difficult for me. They only work before 9 or so and after 4:30. I can do 11 Wednesday, Thursday and Friday that week though. Take care,

Daniel

2/4/2014

Would 4 pm on Thursday the 13th work, Daniel?

2/5/2014

Sorry, Daniel, something has just come up at that time.

And, [Pluto] is going to be traveling until the 28th. Could you come in on the 28th at 2 or 3 pm?

2/5/2014

So sorry! The 28th I'm at a Private Equity conference. My March is wide open though. Hopefully somewhere in there works. Thank you again!

Take care,

Daniel

2/6/2014

How about, Tues March 11 @ 3 pm?

2/6/2014

So sorry Tuesdays and Wednesdays I have obligations at Columbia from 2:00-4:30. The following week is their Spring break (17-21) so I am completely free that week.

2/19/2014

Hi Daniel,

I am sorry for the delay but it has been crazy around here! [Pluto] just left for Hong Kong and then is going to DC and Texas. Do you get a break in March?

2/19/2014

Hey [the assistant],

No worries, I understand the busyness and appreciate that you're still trying to work things out with me! I am on break from the March 17-23. So as of now, that stretch is wide open. With luck somewhere in there works.

Take care,

Dan

3/1/2014

Hi [the assistant],

Just following up re the below [I copied the correspondence]. I hope we're able to find some time someday! Take care,

Daniel

[At this point I scheduled an interview with Gertrude. Not only was she an excellent interview, but it kept me present at the firm in some small way]

3/17/2014

Hey [the assistant],

I hope you're well! Just following up in re an interview with [Pluto]. Take care,

Daniel

3/17/2014

Hi Daniel,

How does Thursday the 20th at 2 pm work for you?

3/17/2014

Sounds great! The 20th at 2PM is on my calendar.

3/17/2014

Great, see you then!

3/21/2014

Dear [the assistant],

I hope this note finds you well. It was very nice to meet you in person yesterday. Thanks again for scheduling some time for me to talk with [Pluto]. I enjoyed the conversation, and was hoping to schedule a follow up. Is [Pluto] available at all in the next month? Would it be best for me to send along my availability?

Thank you again and take care,

Daniel

3/24/2014

Very nice meeting you, Daniel. Wy don't you send me your availability and I will try to accommodate.
Thanks.

3/24/2014

Thanks very much [the assistant]. Here are my next three weeks. With luck something works!

The week of April 1: 4/1 before 1 PM; 4/2 before 2 PM; 4/3 all day; 4/4 all day.
The week of April 7: 4/8 before 1 PM; 4/9 before 2 PM; 4/10 all day; 4/11 all day.
The week of April 14: 4/15 before 1 PM; 4/16 before 2 PM; 4/17 all day; 4/18 after 2 PM.

Best,

Daniel

3/28/2014

Hi Daniel,

[Pluto] is going to be traveling and his calendar is over booked.
Can you give me 3 more weeks out after the below?

Kind regards,

3/28/2014

Sure thing!

The week of 4/21: Tues 4/22 before 1 PM; Weds 4/23 before 2 PM; Thurs 4/24 all day; Fri 4/25 all day
The week of 4/28: Tues 4/29 before 1 PM; Weds 4/30 before 2 PM; Thurs 5/1 all day; Fri 5/2 all day
The week of 5/5: Tues 5/6 before 1 PM; Weds 5/7 before 2 PM; Thurs 5/8 all day.

Hope this helps!

Dan

5/14/2014

Oh Daniel!! I can not believe how busy [Pluto] has been. He is traveling all the time.
Would you please give me some more dates in June.
He is overbooked in May!

Thanks for your patience.

5/16/2014

Hey [the assistant],

Not a worry, I understand. I'll actually be in the bay area in June. Though I will be back in town in July to teach a course. So come July 7 and for the next two months I'll be totally free save Monday and Wednesday afternoon. Let me know if that's not too far out!

Thanks again,

Daniel

7/2/2014

Hi [the assistant],

Hope you're well! I just wanted to follow up and see if [Pluto] had any time in the next month or so. Take care,

Daniel

7/2/2014

Hi Daniel,

Thank you so much for following up! How about Thursday, July 24 @ 2 pm or July 31 @ 11:00 am?

7/2/2014

Hi [the assistant],

Thanks very much for the quick follow up! Both of those days work fine. I put July 24th at 2 PM on my calendar. Though if something comes up, let me know and the other day/time works great. Thanks again,

Daniel

7/21/2014

Hi [the assistant],

I hope you're well! I just wanted to follow up and make sure this Thursday at 2 PM is still a go?

Take care,

Daniel

7/21/2014

Hi Daniel,

The meeting is a go. I just sent you a calendar invite. See you then!

7/22/2014

Hi [the assistant,

Thanks very much! Best,

Daniel

7/23/2014

Hi Daniel,

I'm so sorry but this week is just not going to work out :-(

Could you do Monday, Aug 11th at 4 pm or Aug 12 at 4 pm?

7/23/2014

Hi [the assistant],

Thanks for letting me know! Tuesday August 12th at 4 PM works great. And thank you for rescheduling,

Daniel

Appendix 4: Value[45]

What follows is an index of the categories and subcategories of time I created while sorting time statements. After the index are each category and subcategory, with all attendant statements. Here is a template for the index:

Category A
- **Sub-Categorry**
  - **Sub-sub-category**

Category B

Index

Spectruem of Incalculable to Value as Money
- **Incalculable and Intrinsic**
  - **When Value is Unclear**
- **Practical actions no money**
- **Have to Calculate money value**

PE and Value
People and Value

Statements

Incalculable and Intrinsic

1. A company can be undervalued.
2. You can deliver value by way of opinions and understanding the markets.
3. There can be a lot of value in a company's brand.
4. There are opportunities to create value when (or especially when) things are bad; this is helped by committed capital.
5. There can be value at the lower end of the market and not other parts.
6. You have to extract value in a particular way.
7. You can feel the value of a deal then give it an appropriate monetary value—this feels like a $100 m deal, value it that way.
8. Distribution companies have a lot of value.
9. In order to add value in a company for the medium to long term you need to find a company you can believe in, a management team you feel you can back, shareholders willing to sell, and a valuation that makes risk/reward work.
10. While any fool can buy a company, the question is what are you going to with a business, how are you going to grow the business, how are you going to create the business, how are you going to create value.
11. You can use third-party firms to value your own investment positions for the benefit of your investors. This makes people comfortable.

[45] Both the time and the value appendices are my condensation and reduction of spoken language into propositional statements. As such, and in seeking fidelity for my source material, I have preserved certain elements of spoken English such as contractions and the second person singular.

12. You can have a value discipline.
13. When investing you have to understand what the value chain is.
14. There can be a lot of value in a brand; and that can help you close a deal.
15. If you sell advertising you don't want to just sell advertising you want to add something of value.
16. When there is a lot of value it can be because of sexy downstream businesses to be sold.
17. Ideas have value.
18. A value proposition distinguishes you from other investors.
19. In order to get a deal done you have to have real conviction on the value that you bring, especially when pricing is high.
20. Some features of a product could have more or less value.
21. Price does not equal true economic value.
22. The buy side sells real value.
23. Things are valued differently in different times and places.
24. The proper allocation of resources should increase the value of the economy and society as a whole.
25. You can understand where the value was in a business that no one else understood.
26. You need a belief system to assign and ascribe value.
27. Often, the value of experiences doesn't become apparent until you are able to reflect on them a couple years later.
28. You can lose value.
29. M and A deals destroy value for the shareholders.
30. Whereas stuff you buy loses value overtime, experiences that you carry with you for the rest of your life gain value.
31. You can take a course on value investing.
32. There is a difference between creating value and capturing value.
33. Doctors read about value investing.
34. You can have value discipline.
35. High value equipment (millions of dollars) takes a lot of time to build.
36. If you pay the highest price, it means that everything has to be right with value creation, there is no room for error.
37. When you are value added you're trying to add something unique.
38. As a supplier you can capture value that other people create.
39. It's hard to know the value of a private company.
40. Price and value are different.
41. By planning to take a company from point A to point B you create value in the process.
42. If you are listened to and get recognition you feel valued.
43. The value of freight is worth more than the freight.
44. The value proposition is an investment thesis; it has to be reasonable and make sense.
45. If you pay the highest price at an auction, you have to figure out what you can do differently, you have to figure out how to add value.
46. In investing everything is value driven.
47. You have to have a detailed, well thought-out plan to add value.
48. In bankruptcy there is a fiduciary obligation to maximize value.
49. You can have flexibility in how you create value.

50. A proprietary investment opportunity is what we can do to make a difference in a company via making tangible, very executable, real, and significant value in that company.
51. Speed protects value in bankruptcies.
52. For VC firms, value is created via larger networks.
53. Being driven by money is a value.
54. Value starts at revenue.
55. Money has a time value.
56. Being in the software business allows you to capture value.
57. A value-add can be carrying a huge inventory.
58. You need to get value for your money.
59. There is value in curating things.
60. VC firms can add value via an operational or a service model.
61. When you are negotiating a purchase your job as an advisor is to maximize value for your side of the table and minimize value for the other side, this is your value add.
62. Money has a time value. It is worth more today than tomorrow.
63. The worker is the source of all value.
64. Companies can be undervalued.
65. You can be an activist in investing—shake up a board tell them their strategies suck—to add value.
66. It's fun to tailor the investment structure of an undervalued company.
67. There is a value chain (like a food chain) along which different people get different amounts of value. You can alter the value chain.

When Value is Unclear

68. An event-driven investing approach can be different than a value investing approach.
69. Value from a financial perspective is different from value from a business risk perspective.
70. Suspending value judgment means you're not saying which of two things is better (say among two careers for your hypothetical children).
71. You could make five or ten times your money investing in VC and still not make a value economic decision.
72. If you're just using money to service existing loans then you are not creating value.
73. The logic of quick ROI keeps you from creating things of real value further down the line.
74. Even though you make a private equity firm a lot of money, you might not make partner if you don't share the firm's culture and values.
75. The value in competitive auctions is hard to understand.
76. A scarcity of value leads people to fear they've missed an investment opportunity.
77. You can be value oriented as opposed to growth oriented.
78. The value system in finance is one of the most misunderstood.
79. Most VC firms add value only by giving money.
80. It can be hard to understand the value of intermediate distribution businesses (say remanufacturing printer cartridges).

Practical Action but no Money

81. There is a methodology to valuing assets.
82. A business's worth comes from its intrinsic value, what it can do in terms of cash flow going forward.
83. A value proposition is a gloss of what you do in a business role.
84. You can maximize value as an investment banker by enthusiastically pitching the company that you're selling to lots of people.
85. Value can bring good returns for investors.
86. A value proposition is the thing that speaks to the design of a particular investment opportunity.
87. If you are a value investor you don't even need to talk to management, you just look at the stuff they have a legal obligation to report.
88. When clients you're advising become friends, this validates you and says that you've created value.
89. In evaluating an investment team's track record you need to know the nature of the value add that I brought to the table, how it is being delivered, and what is being done.
90. When you own a company you have to add value to make a profit when you sell it.
91. You need to align and incent management to create as much value as possible (management creates value).
92. In bankruptcy if you see real value down the road with a distressed company, you can be sophisticated and loan to own.

How to Calculate Money and Value

93. The value of a stock is its price.
94. Asset values go up and down with market cycles.
95. The enterprise value is a cash amount built on a number of assumptions about the past predicting the future.
96. You can go into documents to see if a company is valued correctly.
97. Equity share value is the price of a publicly traded company.
98. When the prudent man rule everything changed, and quickly there was a focus on economics of value, how you identify value and create value.
99. Value investing is all about getting the best in class returns while paying the least.
100. Even though your product is more expensive it can be of higher value.
101. If the numbers are right, you get good value for your money.
102. You can execute a value strategy by firing people.
103. Industrial buyers of a company can add operational value.
104. Investment bankers maximize value by getting the word out to all potential buyers of a company.
105. An investment thesis changes at different values.
106. You need to assess all of your value creation levers—line transactional activity, pricing, management team we can work with
107. You use the multiple of invested cost even though it ignores the time value of money because the IRR is a lying cheating son of a bitch.
108. Discounted cash flow is a classic way to value a company, that is the company's value is the value of its future earnings—current value of future earnings.
109. Billions of dollars of value started in dorm rooms.
110. Exit value is what you can sell a company for in 4-5 years.

111. Market valued means that a price value comes from a market.
112. The value is the price you ascribe to a company.
113. The value of a portfolio of companies is their dollar price.
114. In business school, they don't teach that the utility value of money is much reduced when you have a lot of it.
115. With crude oil, when you take out high value stuff, the junk at the bottom is called residual fuel.
116. The stock market values companies every minute of every day.
117. People lend you money against the value of your inventory, what money would you get for it if you had to liquidate.
118. The value of a business is and EBITDA multiple.
119. As you increase the value of a company, stock warrants are worth more.
120. Value can be assessed based on an unlevered return, NOT just on cheap capital.
121. Enterprise value is the price of a company.
122. The value of shareholder equity is a dollar amount.
123. A management team will take ten or 15 percent of sale value.
124. There are a variety of ways to come up with a value for a business; private equity requires you to understand and have a good insight into a business.
125. In buying a company, there is a market value you have to pay.
126. Depreciation and amortization are accounting tools that allow you to recognize that you are losing value.
127. If you're good you can create meaningful wealth for yourself by creating value.
128. The enterprise value of a portfolio is the dollar value of all the companies owned within it.
129. The liquidation value of a company is how much money you could make declaring bankruptcy and selling off parts.
130. As a value investor, to buy companies, you borrow less money (four to five x EBITDA v six x).
131. You can create value by paying down debt and growing EBITDA.
132. When you are a lender expected value is different—the most you can expect is to get your money back.
133. The loan to value ratio can help you predict mortgage defaults.

Private Equity and Value

134. PE firms can add operational value.
135. The name of the private equity game is creating value.
136. Enterprise value growth is one of the drivers of return on a PE investment.
137. In PE it is important to add value to the operating company.
138. Timing is responsible for most private equity value capture.
139. You can bring value in PE by investing in a lot of businesses, having seen best practices, and having ideas that are not your own—such as doing things more efficiently.
140. In PE the point is seeing the value in something that others don't see the value in.
141. If you don't add value in PE you might as well be in public securities.
142. PE investors are supposed to actually create value while they hold businesses (during the hold period, or period in which they have controlling ownership of a company).

143. Most private equity firms do not price in their value add.
144. LPs should invest in PE firms who have cultures that are consistent with their own values.
145. In the product placement memorandum and in the limited partner agreement you can see what a PE general partner is offering, what their core values are.
146. GPs need to build enterprise value in order to explain management fees.
147. To understand the essence of private equity you have to understand where did the value come from, who created it?
148. PE firms were originally created to create lasting value.
149. As a PE firm, value is a thing you need to demonstrate to your investors.
150. PE firms need to be able to operate companies and pull the levers of value creation.
151. A lot of private equity fund managers are seeking more time for value creation and growth with their funds.
152. Since private equity has become more commoditized it's become more important to show how you add value. People investigate this.
153. Being a PE value investor means buying good companies, and good securities at a low price.
154. When you are seeking investment capital, you have to have good examples of value add for each of your team members.
155. The great existential question in PE right now is how to create value—leverage v. operating plans v. management changes v. advisory boards, etc.
156. A PE firm can be value added.
157. If you can't manage capital structure and add value, you shouldn't be in PE.
158. Strategic planning is one way PE adds value.
159. LPs try to discern value adding special skills that GPs have.
160. A PE firm can have relationships that allow it to extract value that others can't.
161. Finding true value is the intellectually stimulating part of private equity.

People and Value

162. People can find a place to add value when seeking a job.
163. A person can be valuable if they don't negotiate their salary.
164. You can get value out of almost any interaction with people.
165. The different people you know can bring you value.
166. Investors give a lot of value to MBAs from a good university in the USA.
167. A consultant's value comes from many different places—content expertise, solving a discrete question, solving a less discrete question.
168. Systems have rules and values; people also have values.
169. Some firms value people with different backgrounds.
170. Some MBAs can add value despite the MBA curse.
171. People can be value added.
172. A buyout manager is of high value to a fund of funds or a consultancy.
173. Customers have lifetime value for a business—in this case 70 months of mostly profit in subscription fees.
174. There is value in having a female on a board; it increases the value of the board.
175. You should see if what you value and what a firm values match up.

176. Managing and handling your own money is a huge paramount value as a person.
177. Kids should learn the value of a dollar and not be coddled.
178. The longer you are employed the more value you add to an organization.
179. A whole series of value judgments lead you to your particular professional location.
180. The jury is out; no one ever is completely decided on the true value of consulting advisors or gate keepers to fund raisers.
181. For a company to hire you as a financial consultant they have to see your value.
182. When building a fund it is important to make sure you professionals authentically have the values that we all like.

Appendix 5: Time

What follows is an index of the categories and subcategories of time I created while sorting time statements. After the index are each category and subcategory, with all attendant statements. Here is a template for the index:

Category A
- **Sub-Categorry**
  - **Sub-sub-category**

Category B

Index

Time as finite resource or currency
- **General, investment, employee/employer, interpersonal**

Time as time and place, Chronotope, or setting/container
- **Adjective Time—good, bad, weird; the future/horizons; Short Term/Long Term; any every always; past explanatory periods; PE Time; real time; sometime; miscellaneous.**

Other
- **Time as Rate, Time as agentive, Predicting the Future, miscellaneous**

Statements

Time as finite resource or currency (general, investment, employee/employer, interpersonal)

General Qualities

1. Time is a thing you can invest.
2. Spending a lot of time on something does not lead to a desired outcome.
3. Spending lots of time on something can give you a false sense of precision in what you're doing.
4. Too little time and too little information is not good for making big decisions.
5. Problems take time to solve, in this case making clean coal plans cheap enough for developing markets.
6. You can spend your time in an industrial space.
7. When you need time you can have trouble finding it when you're busy. This can mean you do your job less well (here processing investments).
8. One can be focused and disciplined in the way in which one spends time to good effect.
9. Time is your most critical resource.
10. Time can be used to do something (in this case two years can be used to choose priorities at business school).
11. One can fear losing one's time.
12. Time is a resource to spend (as in all of it on fundraising).
13. Spending all my time makes me busy.

14. Time is a thing you can give to a task or occupation (such as school or a job).
15. ‘Running out of time:’ an absence of time means something must stop or cannot continue.
16. The more rich, powerful, responsible, and busy you are, the more value your time has.

Investment Qualities

17. One can waste time by holding an investment too long, by spending time on it longer than you need to.
18. Distressed investing requires a time-intensive research strategy to which you have to be committed.
19. One can spend the majority of one’s time helping a management team.
20. Building a company takes a lot of your time.
21. The fuse, or how much time you have, structures your tasks when considering an investment.
22. Managing a company’s capital structure, being mindful of covenants take a lot of time.
23. Because private equity is illiquid, it takes a lot of time to transact.
24. Private equity, as opposed to public markets, allows you to spend the time necessary to understand what you invest in. Spending time also gives you the opportunity to understand your investment.
25. In distressed investing (investing in companies near bankruptcy), when you minimize risk reward, you’re doing this to minimize time and fees that you pay with a bankrupt company.
26. As opposed to investment banking, in private equity you spend more time on due diligence, talking to sellers, or working with management team CFOs and less time on modelling.

Employee/Employer Qualities

27. Time is a thing you invest in employees. If this is wasted, as an employer you’re mad.
28. One can spend all one’s free time on work stuff and with work people.
29. Some people in PE spend 80 hours per week doing things that don’t appeal to them.
30. Someone’s time is something that you should respect (in the context of an MBA interview).
31. When you leave finance you get free weekends and you have to do something with your time, in this case walk the street of Manhattan.
32. It’s possible to spend an unsustainable amount of your time working. Spending too much time working depletes you and makes you useless as a worker.
33. Hours per week is a measure of the time taken from you at a particular company, in this a consulting company, and 80 or 90 hours per week.
34. Hours are the amount of time you spend working.

Interpersonal Qualities

35. It can take 12 months to make and cultivate a relationship in Italy.
36. Recruiting outcomes are a result of the time you put into the process.
37. ‘Spending time with someone’ is validation that you’re doing good work for them.
38. Time is a thing you can spend well with, in this case relationships with LPs.
39. Facetime is the time you have to spend in the physical presence of your superiors.

40. It takes time to break into a foreign market.

Time as time and place, or setting/container (Adjective Time—good, bad, weird; the future/horizons; Short Term/Long Term; any every always; past explanatory periods; PE Time; real time; sometime; misc.)

Adjective Time

Good Time

41. Being in the right time at the right time is a matter of luck.
42. You should invest in ‘the right time’.
43. When the market is in a ‘frothy time,’ people have employment opportunities at other places.
44. A ‘wonderful opportunity’ is to be on a small team and do a number of deals.
45. ‘Exciting times’ are when firms have the upper hand and a lot of firms are raising capital.
46. It is a great time for secondary purchases when there is a trillion dollars waiting for investments, 50% of owned companies are aged over five years, and there were 4,000 businesses bought since 2008 that can’t be sold.
47. The ‘stars align’ and you are ‘in the right place at the right time’ when you have good managers and EBITDA doubles.
48. The happiest time of my life is wearing a t-shirt, shorts, and boat shoes, listening to a live Grateful Dead album, and knowing that I don’t have to work for three weeks.
49. It’s a unique time for a PE firm when it goes from its first institutional fund to its second. This is also as close to an ideal time to be a VP as there is.
50. The ‘right time’ can be a quality of location. If you are in a place at the right time good things happen to you (like getting the job you want).
51. ‘Perfect time’ when something should happen in this case the purchase of secondaries.
52. The market is in ‘interesting times’ because of regulations and the banks. Banks are getting rid of the ir PE deals.
53. As much as 90% of success in private equity is due to timing.
54. It’s a point of pride to be early in a sector as an investor.
55. Luck is a quality of time that allows a good investment idea to make money, in this case undervalued chemical stocks.
56. The time in which you find yourself can enable you to do a job you couldn’t do otherwise.
57. Aggressive market time is different than frothy market time.
58. Buying at the ‘right time’ in a cycle lets you take costs down and buy cheaply.
59. Three or four years of market time removes you from the ‘right time’.
60. While anyone can come up with an idea you have to be at the conjuncture of ‘right place right time’ with a team you build to get you there.

Bad Time

61. A recession is a ‘terrible time’ to look for work.
62. Buying a company ‘when the market is going down’ is idiotic.
63. ‘When an underlying market is declining’ it’s hard to sell a company.
64. ‘In a decline’ it takes a long time to build a fund.

65. A ‘difficult period of time’ is when someone has a lot on their plate and can’t do all their tasks, volume of work.
66. ‘Recession time’ invites an explanation of when things will get better.
67. A ‘difficult time frame’ is a space and time in which tasks are difficult, in this case raising a billion dollars for a private equity fund.
68. Hard times are a place when a company is not doing well (in this case IBM and they sell stuff).

Weird Time

69. A crucial time is when something important has to happen.
70. An ‘interesting time means deals happen for weird reasons and don’t proceed as they should as in the case of Applebees.
71. An ‘interesting time’ is one in which there are opportune investment possibilities (in this case real estate).
72. A funny time is when the future is not clear, in this case in terms of career path.

The Future/Horizons

73. Synergies take time to develop, more into the future thy look better.
74. Evolution happens to successful funds over time. Over time they double in size, funds and investments get bigger and bigger.
75. You as an investor have a time horizon and it affects whether you are looking to trade, or have a long term hold.
76. The holy grail of investing is having permanent sticky capital.
77. Pension funds have long investment horizons, 20, 30, 40 years.
78. Family offices possess time horizons. These time horizons are different than Private Equity funds because Private Equity funds ‘clocks tick’ when they buy things.
79. A Time horizon is a period over which funds are supposed to last. These can be extended but it’s not necessarily a good thing.
80. Brick and mortar stores are a good investment for a one or two year time horizon, people still like stuff.
81. Your investment time horizon changes whether an investment looks good or not.
82. ‘Over time’ is a future stretch of time in which things proceed (in this case more people buy a product).

Short Term/Long Term

83. Short term profit can be analogized to picking up pennies in front of a steam roller. This is bad. You don’t want to do this. You haven’t created real value.
84. ‘Long term’ can give a relatively long durational quality to a type of investment, in this case 15 years.
85. For PE you need to be able to maintain relationships in a long term.
86. It requires faith to know that things will improve long term.
87. Being long term in PE means you can’t get out of your assets quickly like a hedge fund.
88. A through time transition occurs with placement agents from the time of initial contact’ and the time the lawyers are looking at subscription documents.
89. What matters is how PE works over long periods of time, because of that you shouldn’t be aggressive, but rather play a long term game.

90. In PE you make decisions and live with them for 'long periods of time' they effect people in meaningful ways.
91. Long term can mean permanent in describing types of investment capital.
92. Long term v short term is a basic investor distinction.
93. Company growth happens in a 'long time' as opposed to an often times.
94. Government subsidies may not fit in as a 'long term' viable revenue stream.

Any Every Always

95. 'Any given time' signals a conjuncture that reliably obtains, in this case an associate having a pile of pitch books on his desk.
96. "Many times" place that often obtains, in this instance compensation issues with companies you buy.
97. 'Time and time again' points to a repeating set of circumstances in which a thing happens in this case, time and time again did LBOs with KKR.
98. All the time' is a habitual or persistent place, in this case where people hire too quickly.
99. The 'whole time' sets up a place in which a particular thing is always happening (in this case talking on a phone in an interview).
100. 'many times' in which someone wants to quit.
101. A lot of time PE folks hire independent consultants.
102. At any 'given time' you can know a ship's location based on its fuel consumption as tracked in a spread sheet.
103. 'Everytime' you raise a fund people expect you to put your own money in. It's a hamster wheel.
104. 'anytime' is a container in which something always obtains, in this case any time th brand is in the public managing it.
105. 'Any time' you borrow even one dollar there is risk that you get wiped out; leverage is risky.
106. 'Often times' when you bring in a new owner talking about fixing a company it's a quick flip and a relatively short hold period (three four five years).

Punctuated Past Explanatory Periods

107. 'Prior times' were different times, when people were buying at five and six x EBITDA. Now people are leveraging at six x and buying at eight, nine, ten, 11 EBITDA.
108. There was 'a time' when you thought you could make money with leverage.
109. A particular moment in time can have people investing at 90% leverage.
110. There was a 'point in time' in which venture firms weren't worried about differentiation (as opposed to today when they should be).
111. There is a 'particular time' and particular price level at which one would want to buy non-performing mortgages.
112. 'At that time' can be when a group is not hiring. This passes.
113. There is a point where companies are selling at unreasonable multiples (you shouldn't buy at that price).
114. A particular point in calendar time, in this case the end of 2010, can indicate a set of interrelated things about investment opportunity, in this case an opportune time to start a business.
115. It's a risk to not have long term guaranteed revenue in an investment.

116. One year will not make you a lot of money.
117. A 20 year guaranteed revenue stream is appealing to a lot of investors.
118. You can project the image that you've been around a long time.
119. An income statement tells you what a company's revenue and expenses were net income.
120. A 'period of time' can speak to the types of costs and Internal Rate of Return (IRR) that were present in a particular time, as well as the type of returns one could expect—in this case 2006-2009.
121. 'Today' you need a track record to form a new fund as opposed to 1989-2000 when you could confuse skill with luck and start a new fund.
122. Other times can be the polar opposite, as in the gender make up of a management team.
123. Feelings can be particular time or period.
124. There are times when LPs have more sway; the carry split changes from 50/50 to 80/20.
125. 'That time' can set up a particular set of bounded conditions. In this case in that time a company was sending unaudited information.
126. 'at that time' can refer to 1900 when there was a much bigger absolute difference between the wealthy and the poor.

PE Time

127. Having a longer hold time lets a business flourish.
128. 'sometimes' signals a conjuncture that doesn't always obtain—in this case a PE firm having a bias.
129. The LP agreement sets the terms of how long you hold other people's money, to break the agreement is to violate trust.
130. Effective consultants can manage a project in a 'tight time frame'.
131. 'on time' indicates a precise space time window in which something has to happen.
132. Private equity is a cyclical business meaning that there are 'periods of time' in which vintages will be better than others.
133. For a family office, finding 'exit time' is not a science.
134. During the time in which you own a company you are supposed to add value to it.
135. Lunchtime is space and time when you ought to eat with coworker.
136. Exclusivity is a quality of a period of time that one requests of a potential investment via a letter of intent.
137. There is a gap between when analyst programs end in June and PE associate programs start in August. This is a liberty afforded to people.
138. Over the course of your five-year hold you don't want to do everything to fix a company, you want to leave something for the next people.
139. The limited partner agreement sets the duration of the partnership.
140. A time-frame is a bounded length of time in which a particular activity can reasonably be expected to happen within.
141. Turnaround time is the space in which you complete a task for someone else, has a specific duration.

142. Innovation comes in waves and has been happening since the beginning of time. A wave is a place in time in which an innovation happens.
143. The period of private equity ownership is fixed, finite and known ahead of time- 2,3,4,6,7,8, years.
144. Freelance work provides unpredictable time spaces of work.
145. Business ideas have times that come and go, and you can be wrong about them.
146. If everyone else is wrong about an idea whose time has come and gone you can make money.
147. You can graph the constraint of time into the future as three lines diverging; the further out in time you get the harder it is to change a company. I think it's safe to say that the time you occupy as you get further and further out separates the possible worlds your company can have and becomes more difficult to move between them.
148. PE investing is like a ten year marriage.
149. Reasonable exits come three to seven years after an investment.
150. Amortization means that you can discount the cost of an intangible asset like a brand identity through time.
151. Depreciation allows you to breakdown over a period of time the cost of an item. (ex you pay 20k for a truck for ten years, you're from an accounting point of few having an expense of 2k per year over that period).
152. Five minutes is enough time to know if an investment is good.
153. To review a company's books you good look more closely at any of 100 different things.
154. Funds have life cycles that have a particular duration—five to seven years typically.
155. Multiple of invested cost ignores the time value of money, because the IRR is a lying cheating son of a bitch.
156. Vintage is a noun you can use to group funds that were raised in the same year (35).
157. Business cycles are ten to 15 years and between them there is a deep abyss. Someone becomes a better investor when they've stared into that abyss.
158. The biblical injunction that there is a 'time to reap, time to plant, time to sow, time to harvest' helps one understand why a firm is 'selling anything that was not nailed down and refinancing anything that was'.
159. You can learn 'over time' what a good deal and what a bad deal is.
160. You can invest in distressed 'over time'.
161. PE firms are looking for leaders who can operate under Time pressure.
162. PE investors are keenly aware of the passage of time; the better you are at PE the more aware of it you are.
163. Distressed investing is cyclical.
164. A fund becomes a zombie when it can't sell it's portfolio companies and return its investments. It's a zombie because it is impossible to predict when it will close/die (50).

Real Time

165. Real time is instantaneous and absent mediation.
166. 'Real time' is in no special space, it is now, as it comes up, and is immediate and immanent.

167. A balance sheet is a snapshot in time of where your accounts stand, what you owe to customers, debt, long term fixed assets, equipment.

Some Time

168. 'Some times' hire consultants because they want an independent analysis—psychologically speaking you need an independent eye to look at your book (this can happen for psychological reasons, too much work, sometimes its extra).
169. 'Sometimes' points to different time spaces that might obtain, in this case it's consulting and sources of value—content expertise you've built, further up it can be how does this business improve, or even how do you fix inefficient.

Miscellaneous

170. The interim is a space between now and the future. Natural gas is a fuel of the interim.
171. 'My time' is the time/space you occupy. Things before your time you can't be responsible for.

Other (Time as Rate, Time as agentive, Predicting the Future, Miscellaneous)

Time as Rate

172. The faster you sell, the better your IRR looks
173. In the private sector, the world goes from where it is to where it should be much faster. This makes me happier.
174. Hedge funds move quicker than PE, they spend much less time in the transaction cycle.
175. The cost of borrowed money can escalate faster than you thought.
176. Speed equates to readiness in a distressed situation. In a distressed situation you have to be quick.
177. IRR encourages you to sell faster; family offices, sovereign wealth, individuals don't have this problem.

Time as Agentive

178. Time can constrain you and prevent you from doing things you should do, especially if you time is very full.
179. The fact that someone gains more portfolio experience as a VC manager and consequentially loses operational experience is a function of time.
180. If PE GPs sense the pressure of time they have a fire burning under their ass and they're good.
181. Time is a cruel mistress that creates enormous pressure under constraints of a discipline.
182. The real cruelty of time it that the partnership is set up for a limited period, and the further out you get the harder it is to change curves.
183. Time can be excruciating (raising money for a fund).

Predicting the Future

184. You need to determine what future money is worth now. You do this via the weighted average cost of capital (WAC).
185. You can make a DCF, and consequently a prediction of the worth of future earnings say whatever you want.
186. There are a number of models, projections, and accounting concepts that let you predict the future value of a company—free cash flow, EBITDA.
187. To do any of the future predicting models you make an assumption about how much revenue will grow over time.
188. The value of a company is the value of its future earnings. One way to model this is DCF.
189. For a start-up, making a model more than six months out is useless, predicting the future more than six months out is useless.
190. The best way to predict the future with a start-up is by measuring burn rate (87)
191. For a start-up modeling out 20 years is an exercise in futility.

Miscellaneous

192. 'Something that lasts' is a time quality a business can have.
193. Your biography can be compressed into 60-90 minutes if you are trying to sell yourself to PE.
194. To do any of the future predicting models you make an assumption about how much revenue will grow over time.
195. Things lose value through time; experiences and memories gain value through time.
196. The IRR gives screw incentives because it takes into account the future cost of money. You're incented to sell quicker.
197. As time went on the industry got worse.
198. With the passage of time your customers can do worse than you.
199. Societal upheaval due to business reorganization comes in waves. It's an open question whether it's evil or whether the world is better for it.

Appendix 6: Bias and Bios, A Sociological Appendix

In her book *Exotics at Home*, Micaela di Leonardo (1998), drawing on Donna Harraway's *Primate Visions*, identifies four temptations in anthropological analysis which are necessary to keep in balance with each other: positivism, Marxism, feminism/antiracism, and postructuralism (1998:22). The larger heft of my dissertation's argument has tended toward the positivist and the Marxist. I have mapped out the use and extent of significant polysemous concepts (time and value) and have situated those concepts in larger historical epochs and capitalist processes (changing ideas of the corporate form and the deal). I, however, have not paid much attention to the gender or racial identities of the people who do private equity investing, nor have I have spent much time talking about how these gender and racial identities manifest in and inflect the world I studied. Much of this is by design: I created an inferential study which privileged the explanatory schema of the people I studied. When one's subjects are mostly rich white males (as will be thoroughly shown below), one may not hear much self-conscious, unprompted reflection on gender or race. I did not. This is likely compounded by the fact that I am also a white male. Another factor was that because I was never able to stay in one research site and with one group of people for all the tedium and imponderabilia of daily life (cf. Malinowski 1966[1922]), I was not able to directly observe patterns of gendered or raced behavior or exclusions—things which seem to fall out of investment stories and programmatic assertions for the private equity industry, or even casual conversations.

This appendix is designed to acknowledge the salience of race and gender based exclusions in how private equity constitutes itself. The appendix will provide a demographic sketch of the firms I encountered, and point out the ways in which basic demographic data contradicts the meritocratic ideals of the private equity industry. While it is beyond the scope of

my analysis in this dissertation to incorporate this directly into my larger argument, my hope is that my analysis and data can contribute to a larger discussion in anthropology of the ways that gender and race inflect financialization (Zaloom 2006, Ho 2009, Fisher 2012) and capitalism more generally (Loewen 1998[1971], Freeman 2000, Urciuoli 2008), as well as offer useful raw data to other researchers.

I will use a close study of a private equity firm, Olympus Partners, to lead into a more general discussion of the demographics I found in the private equity firms I encountered. I found Olympus Partners serendipitously. I was giving a talk at Hamilton College and sought a private equity professional involved in Hamilton's philanthropic projects to point out how the College was connected to the world of private equity (I will explain more below). Olympus and Olympus's founding partner fit my qualifications perfectly. I also found that Olympus was more or less typical of the firms I studied. It was not too big, not too small, had an eclectic mix of portfolio companies, and a typical website, typical looking professionals. Weber might describe Olympus as fairly close to an ideal type of private equity firm. The other convenient fact about Olympus is that I never met anyone from the firm and therefore did not have to maintain its confidentiality as I had to for my own informants. Simply put, if I wanted to talk specifically about a firm, it would have to be one that I didn't find in my intrapersonal research. Again, Olympus works.

1. Climbing Mount Olympus

Robert S. Morris is a managing partner at the private equity firm, Olympus Partners. He founded the firm in 1988 and Olympus's website's *about* section says that it has $2.3 billion under management[46]. From 1978-1988 Rob worked at General Electric Corporation. After stints in "various manufacturing and financial services businesses," Rob ended up "Vice President of

[46] All information about Olympus Partners comes from Olympus's website

General Electric Pension Trust's $1.6 billion private equity portfolio." Put another way, GE has a pension fund, which, in 1988, invested around $1.6 billion dollars in various private equity funds. Rob ran this. Presumably this was a natural leaping off point to founding one's own private equity fund.

Outside of working life, "Rob is a trustee of Hamilton College…[,] serves on the Board of Directors of Hamilton College Endowment Fund, is Chairman Emeritus of the Board of the Waterside School, and Head of the Polio Foundation's research efforts in regeneration medicine." Rob has also done time as a guest lecturer at both "the Stanford University Graduate School of Business and at the Amos Tuck School of Business." And prior to working life, Rob did his undergraduate work and received an A.B. from Hamilton College, and then at some point did an M.B.A. at Dartmouth's business school. In alphabetical order Rob is currently "involved" (likely as a member of a board of directors or some other type of oversight) in the following companies that Olympus owns and invests in: Churchill (a financial services company), Centerplate (foodservice for "sports, entertainment and convention venues"), FFR-DSI ("the leading North American designer, marketer and value-added supplier of merchandising, loss prevention and operational efficiency solutions…[to] retailers and consumer packaged goods companies"), NPC International ("the largest Pizza-Hut franchisee and the largest franchisee of any restaurant concept in the United States"), Pepper Dining (manages Chili's franchises, 95 of them as of 2007), Plaze ("the leading manufacturer and marketer of specialty aerosol products in the U.S.), Pregis ("a leading global provider of innovative protective packaging and industrial market segments including food, beverage, healthcare, medical devices, agricultural, e-commerce, retail, automotive, furniture, electronics, construction and military aerospace"), Professional Services Industries ("a leading provider of construction testing, environmental

consulting and geotechnical engineering services"), Ritedose (pharmaceutical packaging), The Waddington Group (packaging manufacturer), and Woodcraft ("the largest outsources manufacturer of hardwood and engineered wood doors and components to the North American kitchen and bath cabinet industry"). Rob is currently "involved" in everything from pizza hut franchises, to pharmaceuticals packaging, to outsourced hardwood. For the prurient, or just curious, here is a picture of Rob:

Rob Morris.

Note the dark suit, light shirt, tightly cinched vaguely preppy tie. Note the horn-rimmed glasses, the wise, trimmed, bald head, and the general whiteness. This is the founder and managing partner of an utterly typical, though incredibly lucrative private equity firm.

I have never met Rob, nor is it likely that I ever will. We do not travel in the same circles. I am not on any boards, and I am fairly certain he is a different kind of adjunct lecturer than I am. I never interviewed anyone from his firm, nor anyone in the numerous portfolio companies that Olympus manages. Olympus was not present in my sample frame of New York private equity firms or my randomly generated comparison (more on that below). I gathered all of the above and below information from Olympus's publicly available website, and found Rob and Olympus by chance. In the Fall of 2014 I was giving a talk on my dissertation work at Hamilton College

and wanted to make private equity immediately relevant to my audience. I was looking for a connection, and assumed that any exclusive college or university, especially in the North East of the United States was likely to have a private equity executive on its board of trustees. Luckily for me, the President's office of Hamilton College has a website which lists over 60 trustees of the college as well as their academic attainment. Twenty-one of these trustees have MBAs, and one of them was Rob Morris of Olympus Partners and the Hamilton College Endowment Fund. From there it was straightforward to walk through the way money spent at Pizza Hut in the South gets turned into scholarship money up North at Hamilton College via the redistributive process of a private equity deal.

Rob Morris and Olympus also get at a larger opportunity and resource in field work with private equity investors. All firms I encountered had detailed websites like Olympus's, which not only walked through their investments, but provided detailed, though idealized and edited, biographies of all investment employees. In turn this allowed me to establish some baseline demographic information on the people I am studying: educational attainment that they are proud to share, prior work experience that makes an obvious path to private equity, and pictures showing people clean-cut and in business clothing. It also allowed me to observe things on which they offer no comment but are readily apparent such as gender and racial composition of these particular firms. All told the information on these websites offers a window into how private equity investors would like to be seen, as well as a certain amount of basic demographic information that allows a researcher to place them within the larger space of American Society.

In what follows I will review the aggregate data from the firms with which I came into contact and then compare that data to a sample of firms from the larger private equity industry, gesturing towards how representative my firms were. While my informants were professionally

heterogeneous, and worked in all manner of financial services firms, I can identify a core of 15 'pure' private equity firms with whom my informants were affiliated. And by pure I mean a firm or a division of a firm that exclusively had the job of buying and selling companies for profit and called itself a private equity firm. I also generated a set of fifteen firms to which I could compare my data. Since, at the time of research, there was no centralized list of private equity firms that I was able to come across, I made do with a convenience sample frame generated from the list of the 353 firms affiliated with the New York Private Equity Network—a sort of a professional and social association of private equity investors. I put the firms in a spread sheet and used a random number generator to choose 50 entries from the larger list of 353 firms to get 15 'pure' private equity firms. Many firms from the larger list were venture, investment banking, some hybrid, or support to private equity firms—much like the larger private equity industry.

With this data, I will 1) review what information is on private equity firm websites, 2) walk through the narratives private equity investors want to tell, and 3) look at the larger demographic profile of these firms. All through this I will use specific publicly available information from Olympus Partners' website to give some sense of narrative and example to this excursion into public representation and demographic profiling.

2. Websites and Weber

As I demonstrated in the introduction, private equity investors control the flow of a tremendous amount of wealth, $3.5 trillion as of 2013, and have a hand in around 1 in every ten companies that people buy and sell in the United States, coming to well over 2,000 companies in 2013 alone. Private equity investors typically take 2% of any money they borrow to invest as an operating fee, in addition to 20% of any profits they generate (over a baseline hurdle rate of return, often in the mid-single digits). So if one invests $100 million dollars with a private equity

firm and it ends up making another $100 million dollars with one's money, for a total of $200 million, the PE firm will automatically receive $2 million in management fees (2% of the original), and another $20 million (20% of the profit). In addition to this, private equity firms seem to have free reign to charge fees to the companies they own, though the Dodd-Frank Wall Street Reform and Consumer Protection Act is just bringing these money making practices to light (Appelbaum 2014; Morgenson 2014). Given all this wealth, I propose to look at these websites, the most publicly visible face of these firms, as a tacit argument, legitimating the wealth and power that these firms enjoy.

A quote from Weber is a helpful start:

> Other things being equal, classes with high social and economic privilege will scarcely be prone to evolve the idea of salvation. Rather they assign to religion the primary function of legitimizing their own life pattern and situation in the world…When a man who is happy compares his position with that of one who is unhappy, he is not content with the fact of his happiness, but desires something more, namely the right to this happiness, the consciousness that he has earned his good fortune, in contrast to the unfortunate one who must equally have earned his misfortune" (Weber 1993[1922]:107).

So the questions becomes, how is it that private equity investors have earned their good fortune? Why is it that a very particular demographic profile should be allowed such wealth and power? In this case it is the language of the meritocracy. That is, private equity firms present themselves, arguing that they have the most relevant and most useful educational and professional credentials to do the job of buying, managing, and selling companies. There is a specific character to this type of meritocratic ideal. Shamus Khan describes it superbly in the case of students at the St. Paul's school noting that the "new elite are not an entitled group…the new elite feel their heritage is not sufficient to guarantee a seat at the top of the social hierarchy…they firmly believe in the importance of the hard work required to achieve their position…and in the continued hard work it will take to maintain their advantaged position…" (2012:14). When I

interviewed financiers about their educational and familial background, there was a persistent effort to cast one's biography in terms of challenging work, and ever increasing and deserved accomplishment. By contrast, I heard on a number of occasions a skepticism of people born with money or privilege, and the acknowledgment that if at all possible, one should not hire the boss's spoiled kids. This same logic applies to firm's public presentation on their websites.

Catchalls and Categories

Each firm I encountered had a website with a predictable set of categories: 1) a general, about, or firm overview section; 2) a team or investment professionals section; 3) an investment strategy or investment criteria section; and 4) a companies-we have-invested-in section. Most firms had some sort of news section, and then there were a variety of one-off categories that were not consistent: a resume drop/career section, a 'memos from the chairman' section, an announcements section, a management team section, a sector focus section, and a log-in for limited partner investors. Generally these sections are written in an upbeat, concise tone that straddles the line between bad PR and good propaganda.

To take an example:

Olympus's first tab is titled 'About Us'. When one clicks it one is greeted with the large font heading "Our Focus is Helping Companies Succeed." This generic picture of a business woman is a banner across the top of the page, suggesting, perhaps, the type of diligent work that people do at this firm. Here, she is staring at something while talking on the phone, in front of a computer, perhaps in the middle of marking up whatever one is looking at. The glasses do not hurt either:

Olympus Partners About Us Picture.

The text of the page is brief and exemplary enough to reproduce:

> Founded in 1988, Olympus manages over $5 billion on behalf of corporate pension plans, public retirement systems, university endowment funds, and the executives of Olympus' portfolio companies. The majority of our limited partners have been investors with Olympus for over 15 years, and Olympus Growth Fund VI, our latest offering, has committed capital of $2.3 billion.
>
> In order to maximize the time spent working with each of our portfolio companies, we limit new investments to only three or four each year, and our preferred investment size ranges from $20 million for growth capital deals to $300 million or more for buyouts. In addition to pecuniary resources, Olympus offers several other critical elements to help its management partners reach their goals.
>
> ***Deep experience and proven track record***
>
> - 65 + investments since 1988
> - Average of 21 years of private equity experience among nine general partners
> - Over $3.6 billion of realized proceeds from successful exits to date
>
> ***A strong focus on growth and operational improvements***
>
> - Olympus has never executed a leveraged recapitalization of an existing portfolio company that resulted in a leverage multiple higher than when we acquired the company
>
> ***Active value-added partners with management***
>
> - Three to five board seats per general partner
>
> ***Long-term, stable LP relationships***
>
> - The majority of the capital in Olympus Growth Fund VI was committed by institutions that invested in prior Olympus funds

Olympus highlights its relatively long history (considering the youth of the private equity industry), and how much money people consistently trust with them. They also emphasize their size, $2.3 billion in currently committed investment capital. Then we read about the way in which they limit their investments so they can spend lots of their experienced, expensive, quality

time with their companies. At the end we have a bullet point recapitulation of things we should have noticed—profitable, abundant, and successful experience. It is useful to note that Olympus distinguishes itself by never executing a 'leveraged recapitalization' that 'resulted in a leverage multiple higher than when' they bought the company. A leveraged recapitalization is having a company borrow money to do something to itself and rearrange its debts. They are saying that they constantly make companies healthier and better credit risks so that when they borrow more money, it is cheaper for the company. This is presumably in contrast to other private equity companies. Plus a lot of people trust us with their money. The overall message here is that one can trust Olympus because Olympus is good at its job and other people trust Olympus. To the right of Olympus' capsule biography is a client testimonial from a Gilbert Perlman, noted as President of CDS. He says:

> When Olympus invested, we had a great core asset. Olympus helped us recruit talented individuals and put systems and processes in place to build a sustainable company out of that asset. We never would have gotten so far, so fast without their continued counseling and active involvement.

What is impressive about this testimonial is how generic it is. It could apply to any company, in any industry, anywhere. After all, who could complain about 'talented individuals' or a 'sustainable company', much less getting 'so far, so fast. It is fitting, too, that Mr. Perlman works for a string of unexplained letters (CDS) that do nothing to suggest the nature of his business. Here the message might be summed: 'when one trusts us with one's company, we do good business stuff'.

Teams

Employees are either 'investment professionals' or members of a particular firm's 'team'. As we saw above with Mr. Morris's biography, these descriptions are full of detailed, though carefully curated information, tending to come in three categories: schooling, work, and every so

often (as in Mr. Morris's case) philanthropy. All of these build to paint a picture of people uniquely competent and considering philanthropy, noble enough to be trusted with other people's money.

Let us start with educational attainment. At Olympus there are 18 people listed on 'our team', 17 of whom do the active work of investing. Everyone listed has a bachelor's degree. They are from the following schools:

College or University	Frequency out of 17
Duke University	4
University of Virginia	2
Villanova	1
University of Minnesota	1
Princeton	1
Stanford	1
University of Texas at Austin	1
Washington University	1
Tufts University	1
University at Buffalo (SUNY)	1
Harvard	1
Yale	1
Hamilton College	1

Undergraduate attainment at Olympus Capital.

The significance of a bachelor's degree is hard to parse. Mostly it seems to be something without which one may not enter finance professions—simple credentialing (cf. Kendzior 2014). At a

minimum the class of people working in finance had to pay for and make it through a four year degree, likely from an expensive school. In considering this barrier to entry, it is worth recalling that, while at historic highs in the United States, still, only 30.4% of Americans have four year undergraduate degrees (Pérez-Peña 2012). This means that the careers I study, in some minimum sense, are mostly impossible, especially from the entry level, for around 70% of the United States (cf. Zaloom 2006 for the shift away from non-college educated professionals as futures trading moved to electronic exchanges and away from locally rooted in-person open-outcry trading). As to the particular school one must go to, this is less clear. In the Olympus case, while four of 17 went to Duke (just under 25%), and two out of 17 went to UVA (around 11%), no school predominates. As to types of school, these are mostly research universities, though not all. There is a good split of public versus private schools. Most are exclusive or unusually competitive to get into, but not all. Again, it seems more important to have the degree (in necessary addition to whatever other skills and abilities a firms seeks), as opposed to it being from any particular place. This ends up being what I found in my census of the firms at which I had informants, as well as the sample drawn from the New York Private Equity Network, against which I compared my own pool of firms. Of 293 investment professionals, 280 listed some sort of undergraduate experience at 133 universities (when one adds in my comparison, one gets 158 schools). Put another way, 95.56% of the investment professionals at firms I learned about listed undergraduate experience. What is more, everyone I interviewed had been to college. In my comparison, 99 of 112 investment professionals (88.39%), again across 15 private equity firms, listed undergraduate experience. Here follows the breakdown:

College/University Undergraduate Degree	My Sample Number	My Sample Percent	Comparison Number	Random Comparison Percent
University of Pennsylvania (Including Wharton)	16	5.7%	16	16.2%
University of Texas at Austin	13	4.6%	0	0%
Harvard	11	4%	5	5%
Georgetown	8	2.9%	5	5%
Boston College	8	2.9%	3	3%
University of Wisconsin at Madison	8	2.9%	1	1%
Cornell	7	2.5%	2	2%
Stanford	6	2.1%	0	0%
University of Miami	6	2.1%	0	0%
Duke	5	1.8%	3	3%
UC Berkeley	5	1.8%	1	1%
UVA	5	1.8%	2	2%
Princeton	5	1.8%	1	1%
Washington and Lee	5	1.8%	1	2%
Dartmouth	4	1.4%	3	3%
University of Michigan	4	1.4%	3	3%
Williams College	4	1.4%	1	1%
Emory	4	1.4%	3	3%

Wake Forest	4	1.4%	0	0%
Notre Dame	4	1.4%	0	0%
MIT	3	1.1%	0	0%
Northwestern	3	1.1%	0	0%
USC (Southern California)	3	1.1%	0	0%
Colby	3	1.1%	0	0%
Villanova	3	1.1%	0	0%
Ohio State	3	1.1%	0	0%
NYU	3	1.1%	4	4%
Rice	2	.7%	0	0%
Johns Hopkins	2	.7%	0	0%
Oklahoma State	2	.7%	0	0%
Rensselaer Polytechnic	2	.7%	0	0%
Penn State	2	.7%	0	0%
The College of William and Mary	2	.7%	0	0%
Texas A & M	2	.7%	0	0%
North Park College	2	.7%	0	0%
University of Illinois	2	.7%	1	
Marquette	2	.7%	0	0%
SUNY Binghamton	2	.7%	0	0%
Middlebury	2	.7%	1	1%
Brown	2	.7%	1	1%
Colgate	2	.7%	1	1%

Colorado State	2	.7%	0	0%
Furman University	2	.7%	0	0%
University of Dayton	2	.7%	1	1%
California Polytechnic (Cal Poly)	2	.7%	0	0%
Oberlin	2	.7%	0	0%
Unspecified	2	.7%	0	0%
Yale	1	.4%	4	4%
Hamilton	1	.4%	0	0%
University of Kansas	1	.4%	1	1%
University of Western Australia	1	.4%	0	0%
Ecole Spéciale des Travaux Publics in Paris	1	.4%	0	0%
University of Buffalo	1	.4%	0	0%
John Carroll University	1	.4%	0	0%
Clemson Undergrad	1	.4%	0	0%
University of Saskatchewan	1	.4%	0	0%
University of Witwatersrand	1	.4%	0	0%
Oklahoma State	1	.4%	0	0%
University of Chicago	1	.4%	1	1%
Washburn University of Topeka, Kansas	1	.4%	0	0%
Bowling Green	1	.4%	0	0%
Brigham Young University	1	.4%	2	2%
Georgia Tech	1	.4%	0	0%
Howard	1	.4%	0	0%

University of Missouri	1	.4%	0	0%
University of Texas at Dallas	1	.4%	0	0%
Bentley	1	.4%	0	0%
University of Vermont	1	.4%	0	0%
DePaul	1	.4%	0	0%
University of Minnesota	1	.4%	0	0%
University of Florida	1	.4%	0	0%
West Chester University	1	.4%	0	0%
DePauw University	1	.4%	0	0%
University of Maryland College Park	1	.4%	0	0%
Williams Smith College	1	.4%	0	0%
US Military Academy at West Point	1	.4%	1	1%
Baylor	1	.4%	0	0%
Kenyon College	1	.4%	0	0%
University of Dallas	1	.4%	0	0%
UC San Diego	1	.4%	0	0%
Loyola	1	.4%	0	0%
University of Georgia	1	.4%	1	1%
Bilkent University	1	.4%	0	0%
Baruch	1	.4%	0	0%
Moscow State Institute of International Relations	1	.4%	0	0%
Moscow Bauman State Technical University	1	.4%	0	0%

Pepperdine	1	.4%	0	0%
Italian Air Force Academy	1	.4%	0	0%
Purdue	1	.4%	0	0%
Bowdoin	1	.4%	0	0%
University of New Hampshire	1	.4%	0	0%
UCLA	1	.4%	0	0%
Tufts	1	.4%	1	1%
Sheffield University	1	.4%	0	0%
Imperial College London	1	.4%	0	0%
Southern Methodist University (SMU)	1	.4%	1	1%
City College New York	1	.4%	1	1%
Brandeis	1	.4%	0	0%
University of Capetown	1	.4%	0	0%
Michigan State	1	.4%	0	0%
Boston University	1	.4%	1	1%
Washington University	1	.4%	1	1%
Indiana University	1	.4%	1	1%
Wesleyan Undergrad	1	.4%	0	0%
Miami University	1	.4%	0	0%
Queen’s University	1	.4%	0	0%
University of Calgary	1	.4%	1	1%
UC Santa Barbara	1	.4%	0	0%
Grand Valley State University	1	.4%	0	0%

UNC Chapel Hill	1	.4%	0	0%
University of Tennessee	1	.4%	1	1%
University of St. Thomas	1	.4%	0	0%
Youngstown State University	1	.4%	0	0%
Vanderbilt	1	.4%	3	3%
Case Western Reserve University	1	.4%	1	1%
Centennial College	1	.4%	0	0%
University of Toronto	1	.4%	0	0%
Stockholm School of Economics	1	.4%	0	0%
Vienna University of Economics and Business	1	.4%	0	0%
Kent State	1	.4%	0	0%
Texas Christian University	1	.4%	0	0%
Lake Forest College	1	.4%	0	0%
Copenhagen Business School	1	.4%	0	0%
National University of Singapore	1	.4%	0	0%
Creighton University	1	.4%	1	1%
Kansai University	1	.4%	0	0%
University of Arkansas	1	.4%	0	0%
Hendric College	1	.4%	0	0%
University of Melbourne	1	.4%	0	0%
Korea University	1	.4%	0	0%
Trinity College (Dublin)	1	.4%	0	0%

Loyola Marymount University	1	.4%	0	0%
Nΰrtingen School of Business	1	.4%	0	0%
Keio University	1	.4%	0	0%
Franklin & Marshall	0	0%	2	1%
Syracuse	0	0%	1	1%
Trinity College	0	0%	1	1%
Lafayette College	0	0%	1	1%
Carnegie Mellon	0	0%	1	1%
University of Richmond	0	0%	1	1%
Fordham	0	0%	2	2%
SUNY Purchase	0	0%	1	1%
Northeastern	0	0%	1	1%
American University	0	0%	2	2%
Berry College	0	0%	1	1%
Amherst College	0	0%	1	1%
Lehigh	0	0%	2	2%
University of Vermont	0	0%	1	1%
St. Michael's College	0	0%	1	1%
Hampden Sydney College	0	0%	1	1%
Providence College	0	0%	1	1%
George Washington University	0	0%	1	1%
St. Joseph's University	0	0%	1	1%
McGill University	0	0%	2	2%

University of British Columbia	0	0%	2	2%
University of Queensland	0	0%	1	1%
Vassar College	0	0%	1	1%
James Madison University	0	0%	1	1%
US Naval Academy	0	0%	1	1%
Columbia University	0	0%	2	2%

Undergraduate Distribution in Sample and Comparison.

The list of undergraduate degrees and their distribution may seem excessive, but lists like these make a point (cf. Tsing 2005). As I noted above in the Olympus case, no one undergraduate university has a monopoly on private equity placement. No one type of university quite has a monopoly either. This is a point worth making, as there is an idea in some quarters that finance people behave the way they do due to the particular habitus (learned, sub conscious habits of the body and understanding of what is natural) they force on the people that pass through them. Ho (2009) makes much of the elite status of Princeton University in her ethnography of Wall Street, suggesting that people at Princeton, while in school, are reminded in all sorts of ways that they are the most special, smart, competent, qualified, etc. In turn, investment banking recruiters play on these ideas which get internalized, scooping up insecure people who are convinced they are smart. The need to prove oneself smart, competent and capable gets translated into the need to work absurd hours, and in Ho's telling this all gets turned into an understanding of how business is supposed to work—insane hours to demonstrate one is the best and a general disdain for non-financial companies because they do not work as hard. The circle of life.

The problem with this view, is it seems that plenty of other universities produce people who work in investment banks and private equity. So if it is something significant that happens en route from Princeton to Goldman Sachs, we need a larger theory of learning to explain how

people from directional universities also pick up the financier habitus (see, again, the introductory chapter). We do not know what the formation of a financier looks like at Oklahoma State versus Princeton. We do not know how Princeton compares to UPenn/Wharton, which, unlike Princeton, has an undergraduate business school, and represents the largest plurality in my sample and my comparison. It is safe to say an undergraduate degree is necessary and sufficient for working in private equity. But what it means to go to school and think oneself smart is a more diffuse phenomenon We also can see that some universities do better than others—in my sample, ten out of 15 firms had people from UPenn/Wharton; and in my comparison, this was the same, ten out of 15 firms had someone from Wharton[47]. But if it were only elite undergraduate education that matched people to careers in finance Youngstown State University, the University of Arkansas, and Centennial College, and the dozens of other single appearance universities would be nowhere to be found. What is more, Yale, or UCLA, or Brandeis might show up more than once.

Fortunately for the state of the anthropology of finance, we are not limited to undergraduate education in team member bios. We also see graduate education, and career starts, both of which are points of entry and important credentials for making a career in private equity. We will start with graduate education, and the MBA. In any given firm there are fixed professional steps, representing three hierarchical tiers—analyst/associate/senior associate, then vice president, and then principal/partner/managing director. In messy simplification analysts/associates/senior associates do much of the grunt Excel and research work in a firm. They typically have just an undergraduate degree and are working their first, second, or third job. This is the start of their career. Vice Presidents manage analysts/associates/senior associates and

[47] By contrast Princeton showed up in four out of 15 firms in my sample, and just 1 out of 15 in my comparison. Apologies to Susan Patton.

are responsible for discrete investment projects. Managing directors/partners/ principles typically own the private equity firm, and review and decide on the work product which vice presidents present. They also should bring in investment possibilities. Again, analysts/associates/senior associates are not expected to have gone to graduate school. So in thinking about the distribution of graduate education, it is best to exclude them.

Olympus, again, ends up a good place to start. Of their 14 non entry-level investment professionals, ten claim an MBA (about 71%), and one claims a Masters of Accounting. Here is the distribution of their MBAs:

University	Frequency of MBA
Wharton Business School, UPenn	4
Tuck, Dartmouth	2
Sloane, MIT	1
Stanford	1
Kellogg, Northwestern	1
UNC, Chapel Hill	1

MBA Distribution among non-junior staff at Olympus Partners.

Olympus is a bit more schooled than my sample. Of my 15 firms, there were 220 investment professionals who were vice presidents and up, and of those 119, 54.09% claimed an MBA. Happily, of 88 vice presidents and up in my comparison sample, 47 people, or 53.41% claimed an MBA. That is just over half of the non-entry level staff in my sample and in my comparison had MBAs. As to the Masters of accounting—other advanced degrees came up in the course of my research—accounting degrees, PhDs, and honorary doctorates showed up incidentally, no more than a few firms and no more than a few people. There were a number of non-MBA masters degrees: eight of 15 of my sample firms, and six of 15 of the comparison

firms had people with other masters (arts, science, engineering, finance, and so on). There were a few firms that focused on manufacturing processes and had a number of engineering masters. Then there were the lawyers. Most firms have at least one person with a law degree: nine of 15 of my sample, and seven of 15 of the comparison firms had at least one senior employee with a law degree. But all of this is chump change compared to the MBA distribution. It follows:

MBA Granting University	**My Sample Number**	**My Sample Percent**	**Comparison Number**	**Random Comparison Percent**
Harvard	21	17.6%	7	14.9%
Booth, University of Chicago	15	12.6%	3	6.4%
Wharton, UPenn	13	10.9%	8	17%
Kellogg, Northwestern	12	10.1%	2	4.3%
Columbia	9	7.6%	9	19.1%
Stanford	8	6.7%	1	2.1%
UT Austin	3	1.5%	1	2.1%
Cornell	2	1.7%	1	2.1%
Tuck, Dartmouth	2	1.7%	0	0
INSEAD (Institut Européen d'Administration des Affaires)	2	1.7%	0	0
NYU	2	1.7%	2	4.3%
Unspecified	2	1.7%	0	0
U Miami	1	.8%	0	0
USC (Southern California)	1	.8%	1	2.1%

Yale	1	.8%	1	2.1%
Georgetown	1	.8%	0	0
University of Missouri	1	.8%	0	0
Pace	1	.8%	0	0
Trinity College	1	.8%	0	0
DePaul	1	.8%	0	0
University of Wisconsin	1	.8%	0	0
Florida International University	1	.8%	0	0
Darden, UVA	1	.8%	0	0
UC Berkeley	1	.8%	0	0
Zicklin, Baruch	1	.8%	0	0
London Business School	1	.8%	0	0
UCLA	1	.8%	0	0
Rice	1	.8%	0	0
Fordham	1	.8%	1	2.1%
Youngstown State University	1	.8%	0	0
Ohio State University	1	.8%	1	2.1%
University of Michigan	1	.8%	1	2.1%
Vanderbilt	1	.8%	0	0
UNC	1	.8%	1	2.1%
University of Houston	1	.8%	0	0
Judge Business School, Cambridge	1	.8%	1	2.1%
Case Western Reserve	1	.8%	0	0

ESADE (Escuela Superior de Administración y Dirección de Empresas)	1	.8%	0	0
University of Rochester	1	.8%	0	0
Hendrix College	1	.8%	0	0
Georgia State	0	0	1	2.1%
Duke	0	0	2	4.3%
Notre Dame	0	0	1	2.1%
Rutgers	0	0	1	2.1%
The College of William and Mary	0	0	1	2.1%
Sloan, MIT	0	0	1	2.1%
St. John's University	0	0	1	2.1%

MBA Distribution in Sample and Comparison.

Undoubtedly the type of education and expectations that schools teach in MBA programs are important to understanding how the expectations for what companies, businesses and the world should look like (Orta 2013). However, it is worth reiterating that, unlike an undergraduate education, an MBA is not strictly required. What is more, people tend to have work experience prior to enrolling in an MBA—in the case of my informants, often 2-4 years in finance. It does seem to help people along though, as a bit over half of senior people have them.

Among MBAs, things are more stratified than among undergraduate degrees. All firms have someone with an MBA. In my sample 11 of 15 firms had at least one person with a Harvard MBA, eight of 15 had someone with a Wharton/UPenn MBA, eight of 15 had someone with a Columbia MBA, and nine of 15 had someone with a Booth/U Chicago MBA. In my comparison Harvard showed up in six out of 15 firms, Wharton/UPenn showed up in five out of 15 firms, and Columbia showed up in eight out of 15 firms. So, while not strictly required, an MBA from

Harvard or Columbia does not seem to hurt one's journey through private equity, and more firms have someone with that particular piece of vellum than do not.

Given the heterogeneous distribution of undergraduate and even business school diplomas, I do not think the elite status of a school entirely accounts for investment professionals' subject formation. Perhaps of more immediate concern to my informants and their investors is work experience. Generally speaking it comes in a few varieties: the majority of private equity investors list some experience in an investment bank. Then a minority of people end up in private equity from consulting, law, accounting, and a few have even worked in or run the type of companies that a private equity firm buys. Again Olympus is instructive. Of its 17 investment professionals, 12 report starting their careers as analysts in investment banks, two report starting at a consulting firm (at Bain), 1 reports starting as an accountant (at KPMG), and two report experience at GE financial. A rundown of their investment banking experience follows:

Investment Bank	**Frequency**
J.P. Morgan Chase	2
Bowles, Hollowell, Connent & Co.	2
Barclays	1
Lazard	1
USB	1
Morgan Stanley	1
Harris Williams	1
BofA	1
First Boston	1

Montgomery Securities	1

Investment Banking Experience at Olympus Partners.

Similar to MBA reporting, somewhere around half of people in my sample (153, or 52.22%) claimed starting careers in investment banking, and 68 o 60.71% of my comparison report starting their careers in investment banks. The investment banking distribution follows:

Investment Bank	My Sample Number	My Sample Percent	Comparison Number	Random Comparison Percent
Credit Suisse/First Boston	11	7.2%	4	5.9%
Merrill Lynch	10	6.5%	5	7.4%
Morgan Stanley	10	6.5%	6	8.8%
Goldman Sachs	9	5.9%	1	1.5%
Harris Williams	8	5.2%	0	0
Citigroup	7	4.6%	1	1.5%
UBS	7	4.6%	1	1.5%
Deutsche Bank	7	4.6%	2	2.9%
J.P. Morgan Chase	6	3.9%	3	4.4%
Lehman Brothers	6	3.9%	4	5.9%
Barclays	5	3.3%	1	1.5%
Lazard	5	3.3%	0	0
BofA	5	3.3%	1	1.5%
Unspecified Investment Banking	5	3.3%	5	7.4%

Key Bank	4	2.6%	0	0
Houlihan Lokey	3	2.0%	0	0
Greenhill and Co.	3	2.0%	0	0
Global National Resource Group	3	2.0%	0	0
Bear Stearns	2	1.3%	0	0
Robert W. Baird and Co.	2	1.3%	0	0
Alex Brown & Sons	2	1.3%	0	0
Chemical Bank	2	1.3%	0	0
William Blair & Co.	2	1.3%	1	1.5%
Stephens Inc.	2	1.3%	0	0
Sun Trust Robinson Humphrey	2	1.3%	0	0
Lepercq, de Neuflize & Co.	1	.7%	0	0
Moelis & Co.	1	.7%	0	0
Guggenheim Securities	1	.7%	0	0
RBC Capital Partners	1	.7%	3	4.4%
Prudential Banking	1	.7%	0	0
Manufacturers Hanover	1	.7%	1	1.5%
Drexel Burnham Lambert	1	.7%	5	7.4%
CSFB and Bowles Hollowell Conner	1	.7%	0	0
Continental Bank	1	.7%	0	0
Mesirow Financial Banking	1	.7%	0	0
Cleary Gull	1	.7%	0	0
Robertson Stephens	1	.7%	1	1.5%

Donaldson Lufkin Jenrette	1	.7%	4	5.9%
ING	1	.7%	0	0
Oppenheimer Associates	1	.7%	0	0
Lincoln International	1	.7%	1	1.5%
National City Corporation	1	.7%	0	0
Seale and Associates	1	.7%	0	0
SG Cowen	1	.7%	0	0
Danske Bank	1	.7%	0	0
The Breckinridge Group	1	.7%	0	0
Imperial Capital LLC	1	.7%	0	0
First National	1	.7%	0	0
J.C. Bradford & Co.	1	.7%	0	0
Piper Jaffray	1	.7%	0	0
Schroeder & Co.	0	0	1	1.5%
Rothschild, Inc.	0	0	1	1.5%
Jefferies	0	0	5	7.4%
Kayne Anderson	0	0	1	1.5%
BNY Mellon	0	0	3	4.4%
Smith Barney	0	0	1	1.5%
HSBC	0	0	1	1.5%
Rodman, Renshaw	0	0	1	1.5%
Signal Hill	0	0	1	1.5%
TD Securities	0	0	1	1.5%

CIBC I Banking	0	0	2	2.9%
Fleet Bank	0	0	1	1.5%

Investment Banking Distribution in Sample and Comparison.

Again, I am not arguing that any particular investment bank has a lock on training bankers and setting the behavioral, ethical, and professional standards and practices of the finance industry, and can therefore explain what private equity investors do. What I am showing is that the institutions through which people pass are varied. Because of this, I do not think it is any particular institution's inculcation of habitus, but rather the larger conversations that happen in finance that tell us about why investors do what they do. Private equity investors invoke investment banking as an important experience across the majority of their professional's biographies, to argue for their competency in buying businesses with other people's money. The trifecta is educational attainment, professional attainment, and occasional philanthropic involvement.

Before moving on to other sections of the private equity firm websites, it is worth remarking on the gender and racial make-up of these firms. If a good definition of social science is the excruciating demonstration of the obvious, then what follows is excellent anthropology. Simply put, private equity firms are white and male[48]. Helpfully, Olympus Partners posts photographs of their team with each person's biography. They follow:

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[48] One may note a potential problem in the following analysis: I am ascribing people race and gender. This is tricky as I have not talked with them, nor have I observed them. Moreover, I am often going from my read of a glossy business photograph and or my sense of the gender of a name. Undoubtedly this is a pretty crude measure that misses a lot of nuance. However, race and gender did come up a fair amount in my research, and as noted before I did pass through a number of the same types of institutions (particularly educational) as my informants. As such I think this crude analysis I suggest is both not too far off of what my informants would suggest, and a reasonable start to generalizing about these sociological categories in investment firms.

Olympus Senior Investment Professionals.

So, of 14 senior firm members, 14 are male (100%) and 13 are white (93%). The firm's junior investment professionals follow:

Olympus Junior Investment Professionals.

This brings the firm's investment professional total to 16 men (94.1%) of 17 employees, and 16 white people (94.1%) of 17 people. This largely held for my sample and comparison:

Category	**Number Sample**	**Percent Sample**	**Number Comparison**	**Percent Comparison**
Number of Investment Professionals	293	100%	112	100%
Number Non Analyst/Associate/Senior Associate	220	75.1%	88	78.6%
Number of Men	264	90.1%	100	89.3%
Number of Women	29	9.9%	12	10.7%
Number of White Investment Professionals[49]	249	85.0%		
Number of White Male Investment Professionals	230	78.5%		

Gender and racial make-up of my sample and comparison.

For gender in particular, this seems to be well within Preqin's claim that 88.2% of North American private Equity executives are male (Primack 2014).

Firms' arguments for the competence of their employees have to do with education attainment and work experience. This echoes larger arguments that firms make for themselves in their about section, relying on aggregate years of experience, and successful investment track records. One limited partner pointed out that all firms are top-quartile because they get to define the boundaries of whatever quartile they want to be in. Though this dissertation is not primarily

[49] While all of the firms in my ethnographic sample posted photographs of their investment professionals, six firms from my comparison sample did not post photographs of some or all of their investment professionals. All of The firms who did not post had fewer than eight investment professionals (three, eight, eight, five, two, six). Because of this I could not make good numbers for the racial make-up of my comparison sample.

concerned with identity and subject formation, what people think about the type of people who they are, and how they are constantly becoming those types of people, I know enough to observe that meritocratic rhetoric on the one hand, and white male control of wealth and power on the other hand, is at a minimum, worthy of scrutiny. Why does the meritocracy look this way (cf. Hayes 2013)? Is it moving towards a direction in which wealth power and prestige is distributed evenly along racial and gender lines? Is the meritocracy a front for perpetuating raced and gendered inequalities? At this point, it is beyond the scope of my analysis to say, though a start might be made in consulting the vast literature on meritocracy, status and achievement in the United States, and how all of these interact with race and gender. However, the pictures of Olympus's investment professionals, and the corroboration my sample provides of the personal makeup of the world of private equity is worth consideration.

In the company of companies

Private equity firms often make a public record of the companies they buy as well as the reasons. This is most helpful to the enterprising anthropologist. Olympus itself lists six categories of companies that it buys encompassing dozens of companies: business services, logistics and transportation services, healthcare manufacturing & services, financial services, consumer restaurant, and software & IT services. Reviewing Rob Morris's profile at the start of this chapter pointed to how eclectic Olympus's profile was. They own everything from Bermuda based reinsurance companies to Anne's House of Nuts. The common thread, of course, as the rest of the dissertation argues, is that these companies are ripe for financialization, abstraction into spreadsheets and numbers and value arguments that are particular to private equity.

Straight up Strategy

Finally, private equity firms make an argument why they are good to help businesses. In Olympus's case, they offer the bolded statement that "We Make Our Money The Same Way Our Management Teams Do." They go on to say "by building great companies and creating shareholder value". They also say that they do not "meddle in day-to-day management," but instead are a "resource" to a company's management. They then provide a set of bullet points for what they specifically do for management teams:

- **Mergers, acquisitions and divestitures**
  We can help with every step of the M&A lifecycle, including:
  1) mapping out an acquisition strategy;
  2) identifying, approaching, evaluating and valuing acquisition targets;
  3) conducting due diligence;
  4) negotiating deal structure and terms;
  5) negotiating legal documents;
  6) financing and closing the deal; and
  7) helping with post-closing integration issues.

- **Capital market and capital structure decisions**
  We work with our companies to determine the right time to raise additional capital and to create the optimal capital structure. We then facilitate subsequent rounds of private capital financings, senior and subordinated debt financings, and public equity offerings.

- **Long-term strategic planning**
  We help management evaluate the industry landscape, exploit competitive advantages, and focus on the fastest growing and most profitable business opportunities.

- **Operational planning**
  We help management to establish near-term, tactical priorities, ensuring that resources are optimally deployed to maximize company performance.

- **New business development**
  We are involved in a wide array of business development activities for our portfolio companies including:
  1) helping to identify new sales channels;
  2) leveraging our network of contacts to introduce potential channel partners; 3) conducting meetings with potential partners; and
  4) helping to structure and negotiate the partnership relationships.

- **Budgeting and Financial Analysis**
  We provide assistance to management during the budgeting process and serve as an analytical resource for management to utilize when making complex financial decisions.

- **Recruiting**
  We work with management to address the personnel needs of the organization and then help find the right people through our extensive network of contacts, as well as coordinating the activities of third-party search firms.

This is an interesting list. Three of the bullet points claim skills that only financiers have as being necessary to a company's survival: budgeting and financial analysis, capital market and capital structure decisions (borrowing money, and paying off the borrowed money), and mergers, acquisitions, and divestitures. Were a company to do any of these things on their own, they would likely employ investment bankers or consultants to help. At a minimum they would have to work with a banker. The remaining four bullet points, however, are things to which financiers should have no special claim: recruiting, new business development, operational planning, and long term strategic planning. Plenty of companies do these things, and do them just fine, without private equity ownership and management. In fact, there is no reason, on the face of it, that an executive who managed GM's pension investments and now runs a private equity fund, should have anything useful to say about a Pizza Hut in Laredo, Texas. But that is why private equity firms' public presentation looks the way it does. The meritocracy is arguing for a general competency and a certain deservedness of one's location coupled with a set of professional skills that entitle one to make judgments across different industries and businesses. This is what this particular set of elites look like: undergraduate educated at a minimum, mostly graduate educated, and with years and years of work in investment banking, and occasionally consulting and the professions. It is white and male, and wears dull suits and buys nice ties. This is what expertise looks like in private equity. Firms and their websites are pleased to enumerate their credentials for all to see.

3. Reflections on the Meritocracy

This dissertation is primarily concerned with documenting the history and scope of the private equity industry, one particular way of creating and distributing wealth using tools of financialization. It is working in the vein of symbolic anthropology, and is largely describing private equity transactions from the investor's point of view. Simply, it is trying to describe how they make sense of what they do. As such, they do not always remark on the most salient details for a critical sociology of what they do. The analytic work necessary to make that kind of description and critique is beyond the scope of this dissertation. This is not to say I do not think it is important. It is to say, however, that it is not what I am doing.

That said, the dramatic contradiction of an emphasis on skills and talent and work experience in the face of obvious male and white racial domination of investing should alarm those who do not think that merit is determined by race, and that talent or aptitude, whatever that is, exists in equal proportion across humanity regardless of one's particular expression of gender or melanin. I do not know enough of critical race theory or feminist theory to analyze what my informants have told me from those points of view. I am sure, however, that the absence of considerations of race and gender in their discussions of what makes sense in a company points to the way in which their point of view is taken as natural and correct, likely to the exclusion of other ways of seeing the world. I had one venture capital partner tell me that his firm knew it had what I call a Zuckerberg bias, that is, it preferred young white computer science drop outs from prestigious universities, who also dress in a slovenly fashion. He said that they realized they were missing out on companies that would appeal to women and non-white people. What is more, the Zuckerberg bias did not turn out to be their most profitable type of entrepreneur—older people

with more industry experience did. They knew they had a problem with what they assumed was the most talented, but when I talked to them, they were at a loss as to how to fix things.

The rhetoric of meritocracy makes inequality acceptable, because people have fairly earned what they have. This is what Weber and Khan were talking about. Moreover, private equity investors feel comfortable enough with their particular credentials to display them and explain them on their websites. They see these metrics of success as appropriate for public display. Fairly quickly though, this particular instance of ascribing merit and worth crashes up against base line assumptions about the equal distribution of potential across humanity, and point towards incredibly obvious exclusions in terms of gender and race. As powerful as it is to describe the world from someone else's point of view, an account of larger social forces, those structuring race and gender, also structure their particular space of possibility (cf. especially Fisher 2012). The challenge for an anthropologist, as di Leonardo (1998) emphasized, is to keep the temptations of anthropology in tension. I sought to do so, in a dissertation which tends toward the positivist and the Marxist, by appending this chapter and presenting as much raw demographic data as possible, underscoring a basic contradiction between the rhetoric of meritocracy and equal opportunity for all, and the reality of gendered and raced exclusion.