PhD Guillaume Dupéret – Summary of the PhD thesis

Title : « Discipline… and punish ? Three economic and social science paradigms in the manipulation of Libor. »

This dissertation intends to better document the functioning of the Libor scandal, a central rate of the interbank market that was manipulated (at least) during the 2000s. However, its main purpose is to analyze this manipulation through several economic and social science approaches. The essential originality of this work therefore lies in its epistemological aim, which consists in making very diverse conceptual standpoints work around the same object.

After a general introduction of the thesis, the first chapter applies a conventionalist methodology. Thanks to the exploitation of internal communications made public during Libor manipulation trials, this work first precisely describes the network of actors (traders, brokers, contributors and regulator) involved. Based on Lewis' (1969) founding definition, it characterizes Libor manipulation as a convention, a self-reinforcing social norm progressively becoming unquestioned. It is not easy for a regulator to stop such a conventional dynamic, and it is therefore possible to shed light on both the past of Libor (in comparison with an indicator produced in Chicago that was not retained as a benchmark at the end of the 1990s) and its future (the reform of the indicator following the scandal).

In the second chapter, a more standard modeling approach presents an information economics model. In a theoretical framework inspired by the salient features of the Libor manipulation, a Bayesian model is proposed in which a manipulator learns by the magnitude of their fraud whether their supervisor is active or inactive. Two possible time frames for the optimal choice (successive traders active for only one period versus one single trader with an infinite payoff horizon) are compared: learning dynamics of the supervisor type, probability of control, magnitude of the payoff from the manipulation. From an applied economics perspective, the chapter concludes with a discussion of the Libor scandal to show how the model sheds light on what the manipulation of the indicator actually was.

The last chapter resorts to pragmatic sociology to enrich the conventionalist analysis by proposing to study what can bring about the genesis or the decline of a convention – a question that has not been much explored in the literature, especially, as in chapter 1, when the convention is considered as a self-reinforcing norm. Starting with a detailed presentation of the "worlds" or "cities of justification" presented by Boltanski and Thévenot (1991), the aim is to show how several of them have been invoked, at different times, in the history of Libor. The genesis of Libor use convention, the development of the manipulation agreement and finally its decline can then be presented as compromises or conflicts between worlds whose mobilizations gain or lose legitimacy depending on the context.

While it is not a question of opposing the different paradigms mobilized, nor of making one triumph at the expense of the others, the proposed dissertation rather intends to shed light on the benefits that can be gained from using multiple approaches derived from the diversity of disciplines and methods.