embedded
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Dear reader,

We are truly happy to present the second issue of Embedded.

Since the release of the first issue last year, we have been overwhelmed by the support that we have received from numerous people. First of all, we are grateful to all our readers – students and scholars from around the world – who have encouraged us, given us valuable feedback and shown immediate appreciation of the idea. Furthermore, we have been very touched by the kind and considerate gift that we have received from the Department of Business and Politics at Copenhagen Business School, offering us an office and storage room among other things.

A number of people have made this issue possible. Firstly, we wish to express our appreciation for the collaborations with our new sponsor Antons Kaffebar, with Hans Prytz Henriksen who has designed our new website, and finally, with our talented graphic designer Sara M. Flyvbjerg who has outdone herself with the new look. Secondly, this issue has been privileged by the help of Professor Richard Swedberg, who suggested that we expand our concept to include interviews with interesting scholars within the relevant disciplines. Moreover, we wish to thank Professor Leonard Seabrooke for, in various ways, introducing us to the work of Associate Professor Sine Nørholm Just and Assistant Professor Simone Polillo. This brings us to the final group that we want to extend our gratitude to, namely the four authors and Professor John L. Campbell who agreed to let us interview him. We owe them all our greatest thanks as it has been a true pleasure to work with all of them.
SO WHAT DO WE PRESENT TO YOU IN THIS SECOND ISSUE?

As a new element, we have decided to conduct an interview for each issue to engage with interesting scholars from the disciplines. To start this series, we bring an interview with Professor John L. Campbell from Dartmouth College about his work, who inspired him and where he sees things going within the field.

In the first article, Andreas Thune Andersen, MSc student of International Business and Politics, argues for the continued relevance of the work of Friederich List and compares the current US policy on the protection of intellectual property rights with the free-trade regime promoted by Britain with which List was at odds.

Next, Simone Polillo, Assistant Professor at the University of Virginia, discusses money, banking, and creditworthiness in terms of social membership. Drawing on the work of Joseph Schumpeter, he tries to conceptualize finance as a conflict between the conservative banking strategies and wildcat strategies pursued by different groups.

Thirdly, Iver Kjar, PhD student at the Copenhagen Business School, investigates the politics of fair trade. Applying an overall Gramscian framework, while also including insights from the work of Adam Smith and Thorstein Veblen, he argues that the fair trade society is split in a reformist and a radical movement, finding that the former dominates the fair trade agenda. Finally, he discusses a viable way forward for the radical branch.

Finally, Sine Nørholm Just, Associate Professor at Copenhagen Business School, discusses the notion of market performativity, viewing market formation as rhetorical circulation. The discussion gradually moves towards the more specific issue of the housing market, thus pointing the way to answering the question of who owns the housing bubble.

Best regards,

The Editors
When trying to come up with ideas for whom to interview as the first person in the series, Professor John L. Campbell was an obvious choice for several reasons. Firstly, he has made continuous important contributions to Institutional Theory, Comparative Political Economy and Fiscal Sociology. His long list of publications include articles in numerous acclaimed journals, several edited volumes as well as the books *Collapse of an Industry: Nuclear Power and the Contradictions of U.S. Policy (1988)*, *Institutional Change and Globalization (2004)* and the forthcoming *Policy Experts and the War of Ideas: Knowledge Regimes in the United States, France, Germany and Denmark*, coauthored with his research partner through nearly two decades Ove K. Pedersen. Secondly, Professor Campbell is a founding father of what became the International Center for Business and Politics, now Department of Business and Politics at Copenhagen Business School, which has had a profound impact on the conception of this journal. Finally, Professor Campbell turned 60 on April 19 and we find that this interview is a fitting way to celebrate this occasion.

Born in New Jersey in the United States in 1952, Professor Campbell did his BA in Sociology at St. Lawrence University and his MA in Sociology at Michigan State University before finishing his PhD at the University of Wisconsin-Madison. He has since held positions at Washington State University, University of Wisconsin-Parkside, Harvard University, and is currently Professor of Political Economy at Copenhagen Business School and The Class of 1925 Professor at Dartmouth College.

*Congratulations and thank you for meeting us.*

*Could you describe how you ended up here, what has been your path?*

If you looked at the work that I have done over my career, you might think that this guy is insane, because it seems to jump from one topic to another again and again without much coherence. I mean, my very first stuff was on comparative nuclear energy policy and then I went to tax policy analysis. First it was nuclear energy
policy and that was about the institutional determinants of policy outcomes and industry performance, institutions as independent variables. Then the next project flipped that around; the institutions; political and economic institutions, became the dependent variable. That was a big project that I did with several people, it was a research team, and we did the evolution of the institutional structure of eight sectors of the US economy.

In the course of doing that, it started to become clear to me that one of the most important institutional determinants of economic performance and how industries are organized and evolve, is tax policy, property rights policy, in fact. That took me to the third project, which was the analysis of the evolution of tax policy in the United States. In the midst of all this, by virtue of my interest in institutions and institutional change, I got invited to participate with some folks in Eastern Europe on a project. This was in the early 1990s just as the regimes had flipped so they were very interested in institutional change and how capitalism is organized and stuff like that. This is why I got in touch with Ove K. Pedersen for the first time and we ended up doing the overly ambitious volume on the changes that were going on in Eastern Europe at the time. My piece of that was on tax reform. The book was entitled *Legacies of Change.*

Over the course of this I got interested in globalization and there were debates at the time that suggested that globalization, economic globalization that is, started to really perk up, beginning in the sort of mid- to late 1980s. Not just Europeanization but globalization; that this would have some kind of a leveling effect on political and economic institutions around the world; the so-called race to the bottom. I was curious about that, because from an Institutional Theory point of view this did not make any sense because we know institutions are sticky and nationally specific. I was also interested in just theoretical issues having to do with institutional change, what change is, how do you study it and so I kind of put the two together and did a short book on that, which basically argued in terms of the globalization story that there has not been much of a race to the bottom. The empirics for that was tax policy in the OECD countries and I tracked that for about a fifteen year period, which should have been the credible time where everybody was racing to the bottom. I could not find the evidence for it really.

Then alongside that, I also started to get interested with Ove K. Pedersen and John A. Hall in just Denmark, because I was hanging around here a lot. And was sort of struck by the fact that Denmark is this small country, very high taxes, huge welfare state; by many economists’ accounts, this place should be a basket case — a disaster. But wait, it is not. Far from it, it is one of the most competitive economies in the world; has been for the last twenty years or so. That is a puzzle. And I will never
Interview with Professor John L. Campbell

forget this, John A. Hall and I were on, I think we were on his back porch one summer and we were talking about this, back in the United States and said we should write a paper on this from the American point of view. And one thing led to another so we did The Blue Book on Denmark which has now led to a new project that I am just starting up, a comparative analysis of several small countries and how they have or have not dealt successfully with the stagflation crisis in the 1980s and the financial crisis most recently.

So that is one project that I am working with right now. The one that I am finishing up right now has to do with the nature of ideas in politics and Comparative Political Economy. This is the project that I am doing with Ove K. Pedersen, which is a four-country comparison of France, Germany, United States and Denmark, looking at how their knowledge regimes, the constellation of policy research organizations, at the national level is structured, how it operates, what it does. And the idea here is that Comparative Political Economy and Economic Sociology has focused a lot on markets and a lot on states and the interaction between the two. But it has almost entirely neglected the role of ideas and discourse, particularly in so far as economic policymaking is concerned. We know a lot, from Political Science in particular, about who wins the fight when an idea is up for grabs for policy change. But we do not know much about where the idea came from in the first place. So we try to fill that void. We have done extensive interviewing with people in policy research organizations in these four countries and document analysis and we are writing a book on that.

I have also written about the 2008 financial crisis, corporate social responsibility and other things. But the thread that sort of keeps it moving and coherent is an interest in institutions, how they are created, how they change and what impact they have cross-nationally as well as over time on economic performance and related policy outcomes.

And you have left nuclear energy?

Way back, way back. Although you know when it all hit in Japan last year, I started to get phone calls from the press who wanted to talk about this stuff and I sort of felt the possibility of being dragged back into that but I have resisted that. But it was a good place to start. And the reason I started there was that I was looking for a dissertation topic right around the time that Three Mile Island had a partial meltdown; so I got interested in the technology and what was going on and discovered that the U.S., which had invented this technology out of a World War II project with the Manhattan Project, which produced the atomic bomb, was actually, its industry had collapsed even before Three Mile Island. There was a puzzle too. How did the country that invented this, the country that first commercialized this technology,
how come that industry went down the tubes; whereas France did not; Germany did not; Sweden did not?

What research institutions were you affiliated with?

Well, I did my undergraduate at St. Lawrence University, which is a small liberal arts college in upstate New York, not far from the Canadian border. And that is where I found out about Sociology, I am trained as a sociologist. And then you know, I just loved the stuff and so I majored in it in college, graduated and had absolutely no idea what I wanted to do, so I became a bartender for a while. Bartending is a great job, for many reasons, some are very obvious but the not so obvious reason in my case was that I would get to work at four o’clock in the afternoon, work my shift and close up, get home to bed at two or three o’clock in the morning and wake up maybe ten o’clock in the morning, everybody else is at work and there is nothing to do. And as luck would have it, I had this job in a college town, they had a great bookstore so I just kept reading Sociology and one day somebody asked me on a very slow night, “what are you going to do with the rest of your life? Obviously, you do not want to be a bartender forever.” And I actually had not thought about it too much but the words just sort of tumbled out of my mouth and I said, “I think I would like to teach this stuff, maybe do a little research.” How to do that and get paid? Well, you go to graduate school, so I did. I ended up at the University of Wisconsin-Madison for my doctoral work and focused on Sociology. My degree is in Sociology, although I took a lot of Comparative Politics courses. And at one moment I almost shifted from Sociology into Political Science but decided against that because I had passed all my exams and I did not want to go through that all over again. So that is the story.

Could we ask you to reflect on some people, books or ideas that have been influential in forming your thoughts?

Well, I guess what got me started was that I took a Sociology theory course in college and I loved it and wanted more of it so I approached the professor in that course when it was done and said, “is there more? Can I take it?” He said, “Yeah you know, there is another course but maybe there is another way to approach this.” I asked him, “What are we talking about?” and he said, “you can do an independent study with me. Then we will just figure out a reading list and you can go with that.” That was what I did. The first really influential book I think he had me read was the first volume of Marx’s *Das Capital, Volume I,* which for an undergraduate is 700 pages of pretty intense reading. It took me a while to work my way through it but it was great and it just sort of got my theoretical juices flowing. So then when it was time to look for graduate school, I wanted to find a place where I could read more stuff like that. So this was in the mid-1970s when the new Marxism was high on the political and sociological agenda among academic sociologists and political scientists. So I
ended up in a program at Wisconsin that focused on that. I also worked with Erik Olin Wright for a little while. Extremely smart guy, I learned a lot about how to think and write theoretically, with clarity, conceptual clarity, logical clarity, from him but at the same time I was taking Political Science courses and I did this with Leon Lindberg, who was a comparative politics guy in the Political Science department in Wisconsin. He was one of the first people that did stuff on the European Union and the development of the common market project. And he was the one who really turned me on to comparative institutional analysis, which was very good because I was beginning to get very dissatisfied with Marxist analysis, because it is all pitched at the level of modes of production, which is theoretically interesting, but if you want to understand national variation and how different capitalisms work, you cannot do mode of production analysis, it is too general. You have to come down a level, which is where the institutions are. Capitalism takes different institutional forms and that makes a huge difference in all sorts of things, in terms of economic and political performance. So Lindberg was there, so right place, right time for me, talking about institutional variation. His focus was pretty much exclusively on the big European continental countries plus Sweden, Japan and Britain. So that was probably the most important intellectual engagement, in terms of forming where I was and where I have come to now, I think. He was the big one.

I am trying to think about books; what were the most influential books for me? Back in 1985 an edited volume came out called *Bringing The State Back In* by Dietrich Rueschemeyer, Peter B. Evans and Theda Skocpol, which in terms of politics and to a certain extent Comparative Political Economy, put institutionalism right there. So that was important. Then a few years later Sven Steinmo, Kathleen Thelen and Frank Longstreth published *Structuring Politics*, which also made a big statement about comparative institutional analysis. So those were both very influential.

**Who did you do your dissertation under?**

That is actually an interesting story because, as I said, I was thinking about getting out of Sociology and moving into Political Science. And I devised this dissertation on comparative nuclear energy policy. I became disenchanted with Marxist analysis. I was very interested in comparative institutional analysis with Lindberg in Political Science. But my dissertation was going to be in Sociology, but I wanted to work with the guy in Political Science. So luckily for me Ivan Szelenyi showed up at the University of Wisconsin just around the time when I was formulating a dissertation question. Ivan was great, because he is a Weberian; he appreciates institutions, appreciates cross-national variation and is also a brilliant guy. He knew nothing about energy policy but we had conversations about the chapters that I was producing and his comments were just fantastic. So the deal was struck where he was my official
advisor but Lindberg was the man behind the curtain so to speak. So I worked pretty intensely with both of them and it worked out just fine.

**Who inspires you today, be that within the disciplines or outside of them?**

That is actually a good question, because I think in Sociology and maybe in Comparative Political Economy at the moment, things are rather quiet. So it is hard for me to answer that question actually. Is there anyone in particular that stands out? It is not to say that there are no good people doing good work. Let us think about it. Monica Prasad, who is a political sociologist at Northwestern University, she is doing interesting work on tax policy now. She is starting up a big data collection project which is actually a little bit gratifying, I have to say, because when I was doing work on tax policy, this was in the early and mid-1990s and nobody seemed to really care about the tax policy, the debates were all about welfare states and welfare policy; what are the conditions under which you get a big welfare state? My argument was always: well you are not going to get a welfare state unless you get a tax policy. But the debate was over there and I was over here. But there is a new generation of scholars; Monica is one of them, who have sort of taken up the cause so to speak. So what I then called Fiscal Sociology, following Joseph Schumpeter, has started to catch on with that and there is a group of young scholars in the United States and a couple in Europe that I am aware of, that are actually starting to take tax policy seriously in different ways, and that is gratifying. Who else? Robert Skidelsky has always been somebody that is high on my list. He wrote a book a couple of years ago about the financial crisis; *Keynes: The Return of the Master.* He is great because for somebody who is not formally trained in economics like me, he is a guy who can explain economic theory in terms that I can understand so he has been extremely helpful and continues to be helpful on that score. Paul Krugman is another one. He is a little bit more polemical. Joseph Stiglitz is another who is even more polemical. But you know these are economists that I like because they write for non-economists – I get it. I usually also happen to like what they have to say in terms of their opinions on things.

It has been our impression that some people within the field that you describe, have been dissatisfied with where things are moving and have started to look elsewhere into other fields. Is that something that you have also experienced?

That is happening a little bit. But you know one of the problems with conventional comparative institutional analysis is that it has been very static. It has not even tried to deal with the issue of change very much. That has changed a bit lately. Peter Hall, Kathleen Thelen, Wolfgang Streeck and James Mahoney among others have tried bringing the issue of change up with some success but I am not completely convinced that they have solved this problem yet. But I pay attention to that work and I think it is important and the project that I am doing now on knowledge regimes
actually addresses some of that literature as well. But again, it's a style that I like. These people are close to the data, comparative case studies, theoretically interesting, conceptually interesting. It is not pie-in-the-sky deductive theorizing, nor is it completely inductive empiricism. It's a nice blend of the two. And that is what I like.

**That leads us to the last question: what are your thoughts on where your field is going?**

Well, I can tell you where I hope it goes. I think it is going in two directions. One is what we just talked about, which is the issue of change. It is taking up the issue of change now, Political Sociology, Comparative Political Economy, and Economic Sociology. This is now becoming a focal point, which is great. And I think we will see advances within the next five or ten years on those fronts. The area where I thought that things were going but seem to have stalled and where I hope that my current project will get us out of the rut so to speak, is in the area of ideas and Comparative Political Economy, the stuff that I was talking about before. There was a time about ten years ago where people tried to bring ideas back in. And for a while people talked about what they called the "holy trinity" of ideas, interests and institutions and how those three things tended to interact in ways that would produce policy outcomes, economic outcomes, or what have you. I got very interested in that stuff early on and wrote a couple of papers about this in the late 1990s and I have written about it periodically on and off since then, but that has sort of stalled for methodological reasons among others.

I hope that the project that Ove K. Pedersen and I are now wrapping up on knowledge regimes pushes that forward. We very much hope that this book will help set agendas for the next generation of scholars who are interested in ideas, where they come from, how they get to policy maker, do they have effect, why, why not, these sort of things. We are doing this with four different cases, four countries, tracking change in each of these knowledge regimes over about a 30-35 year period of time, doing this with extensive interviews with people in policy research organizations in all these countries as well as content analysis of important policy documents and other materials. That is a major empirical undertaking. I do not know of anything that is even remotely similar to this that is out there. So I really do hope, and I might be deluding myself, but I hope that once this thing is out there, it starts to percolate in ways that will sort of jumpstart what I thought was going to be a very promising wave of research in Comparative Political Economy, but then it sort of stalled.

**What were the methodological obstacles?**

The question was: how do you know if an idea matters? People had a hell of a time trying to solve the methodology by which you can answer that question. A lot of people tried in different ways. I think the best efforts were extremely detailed case studies of a particular policy episode, where you basically traced backwards what
was the important idea that carried the day and then traced that backwards to try and figure out where it came from, how it got changed along its path of influence and so forth. That is fine but it is not very satisfying because these case studies have to be extremely narrow and specific in order to get the research done. So the question of generalizability looms very large over this. How much can one tax reform in one country tell us about the nature of ideas and their impact on public policy for example? So we are taking a different approach. Basically, we are not trying to track a single idea in a particular moment, but we are trying examine in a sense the institutional architecture at the national level that tries to produce ideas and tries to disseminate those ideas to policymakers. Our focus is specifically on economic policy; so an overlap between Political Sociology, Political Science, Economic Sociology, and Comparative Political Economy, it is all in there. We are at the intersection of all that stuff, and we will see if it works. So from the literatures that I am interested in, and the kind of work that I do, these are the two main things that are exciting for me: it is institutional change and the nature of ideas, and how they have impact.

*Do you have any closing remarks?*

Yes. This does not necessarily have to be ivory tower academic stuff. I was fortunate, after we published *The Blue Book*, the Danish prime minister had formed a Globalization Council. I got invited to address that, talk a little bit about Denmark, what I thought the government should or should not do. The prime minister sat right in front of me, the Globalization Council was right there, they probably ignored every word I said, but you know there is a potential there to have some impact. The press comes around occasionally, to find out about things, so you can have some impact on public discourse. So it is not just a matter of studying this stuff to become an academic, you can actually do things with it. And I firmly believe — and this is me advocating for institutional analysis — that if you are trained as either undergraduate or a graduate student in this kind of intellectual enterprise; sensitivity to institutions and especially in a comparative, cross-national context; this is extremely useful in business, and it is extremely useful in politics for all sorts of different reasons.
NOTES


“When anyone has attained the summit of greatness, he ‘kick’s away the ladder’ by which he has climbed up, in order to deprive others of the means to climb up after him.”

Friedrich List

**INTRODUCTION: A LISTIAN REVIVAL**

In an era of undoubted global change much of international relations debate has focused on dissecting the processes of globalization and their effects on the traditional state-centric Westphalian structures. The fall of the Berlin Wall opened the door to this period of globalization as it definitively transformed the international system from rigid bi-polarity to, albeit unbalanced, flexible multi-polarity. This present multi-polar structure is one that has become so saturated by the ideals of economic liberalism that it would appear James Rosenau’s (1984) understanding of a cascading interdependence is slowly becoming an accepted reality.¹ Thus further pushing and emphasizing the perceived belief that patterns of coherence have begun to break down all levels of global politics as such moving the international society towards a neo-medievalist² understanding of global structure based on fragmented authority. In this context the individual unitary state, and subsequently any notion of nation, are generally dismissed and ignored to the point that the nation-state is viewed as an ineffective and archaic throwback in a modern porous global system

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that is becoming increasingly governed by the laissez-faire economics of individual action projected onto the international cosmopolitan arena.

Whilst the champions of economic liberalism - Adam Smith, David Ricardo, John Stuart Mill, Thomas Malthus or Jean-Baptiste Say - have by and large become household names, the name Friedrich List on the other hand, seems all but resigned to the footnotes of history’s most forgotten pages. A fact that is acutely reflected in Robert Wade’s admission that MIT’s library had, in the late 1990’s, only one copy of List’s magnum opus – *Das Nationale System der Politischen Oekonomie*. A dusty text last borrowed in 1966 in bygone era that had Richard Nixon sitting in the Oval Office (Wade 2004). That there has been a negligence of Listian political economic theory is unquestioned, but it seems appropriate that it should be on the eve of the bicentennial of The National System of Political Economy that we drag List out from his dark isolation. It is in fact a necessary spotlighting of List’s nationalist anchored economic theory of mercantile realism since it gives a more relevant understanding of the 21st century global order. A reality, where regardless of any contemporary statements to the opposite, international relations continue to be primarily defined by Westphalian anarchy. A global anarchical order in which the mechanisms of the state may have changed but its sovereignty and subsequently primary security interests continue to endure and take priority through its ongoing unitary actor supremacy.

This paper will initially, for the purpose of context, present List’s theoretical framework in contrast to his main antagonist, Adam Smith. Having established List’s uniqueness and the subtle distinctions he places between the nation, state and the processes of the global economy, we can begin to apply his Weberian methodological framework to a modern global order. By overcoming Skinnerian periodicity, this paper can then effectively demonstrate how the use of contemporary economic liberal language, notably that of international free markets, is neither a reflection of a fast approaching borderless world nor the genuine sentiments for a utilitarian betterment of society. Rather the liberal economic language of Pax Americana, as was the case with Pax Britannica, is simply an intentional smokescreen for pursuing and cementing hegemonic relative power gains. A reality that can best be understood by appreciating List’s mercantile realism as its framework is anchored on the continuation of the Westphalian global order based on anarchy and can therefore account for why populist economic liberal language is exported by a system’s hegemon to overshadow, hide, even justify, realist self-interested action.
CRITIQUE OF LIBERALISM: A SEPARATION NOT FINITE INDEPENDENCE OF POLITICS AND ECONOMICS

Seeing as much of List's central works were in fact direct criticisms of more populist theories of economic liberalism. Mercantile realism can arguably only be understood through its fundamental opposition to the original ideas of Adam Smith. Ultimately, by maintaining that man's individualist rationality and desire for self-betterment would drive collective social change if permitted by an ‘invisible hand’ Smith sought largely to discredit any notion of politics functionality in economics (Woods in Baylis and Smith 2005). In other words, Smith attempted to place the processes of laissez-faire economics and the international economy above and fully independent of state political ambitions and the apparatus of decision-making processes. According to Eckard Bolsinger, it is exactly this idea, notably that politics and economics should and could exist in wholly finite independent spheres, which most vitally differentiates the theories of List and Smith (2005). A fact Bolsinger draws attention to when he quotes List’s Outlines of American Political Economy, “if… science is properly called political economy, there must be just as much politics in it as economy, and if there is no politics in it, the science has not got the proper name.” (List in Bolsinger 2005:4).

At this juncture it is essential to underscore that List, like Smith, also stresses a separation between economics and politics. But unlike Smith, List rejects this notion of finite independence between what he views as simply the separate spheres of politics and economics. List, in fact, preserves and elevates the centrality and superiority of politics with regards to economics and as such allows for contact, interaction and the self-interested exploitation of the international economy by the political state. Though the subtle distinction between Smith's finite independence and List's separation of politics and economics may seem somewhat pedantic, if not cemented there is a danger of placing List within the Marxist tradition. A methodological tradition that attempts to assimilate politics entirely with economics and therefore makes the state inseparable from the process of societal accumulation (accumulating social advantage or disadvantage), and in turn from the international marketplace. Such a society-based theoretical understanding would seek to treat the changing nature of capitalism in an era of globalization as the cause of “observable change in the state… [and therefore] the development of the state is interpreted a priori as serving the functional needs of capitalism.” (Palan in Germain 2000:147). From such a position Marxists would arguably view globalization as a liberal capitalist agenda where the state can do nothing but embrace change.4

METHODOLOGICAL INDIVIDUALISM: THE WEBERIAN NATION-STATE

List’s basic theoretical framework aligns itself closely to methodological individualism, a concept and term first introduced by Joseph Schumpeter in 1908. According
to Geoffrey Hodgson (2007), Schumpeter’s methodological individualism concentrates on placing the actions of the self-governing individual as the necessary unit of all social phenomena. This methodological basis has largely been reformatted and interwoven into the very fabric of the more politically relevant and accessible neo-Weberian theory of the state. A theory that is largely anchored in the principle of the individualism of the state within an anarchical international system, which for figurative purposes can be loosely compared to Kenneth Waltz’s overly used ‘billiard ball metaphor.’

By appreciating the underlying methodological individualism that can be found in List’s theoretical framework, one can more readily begin to account for a self-interested state-centered systemic structure that enables, and even encourages, action by distinct ‘black-boxed’ states with and within the international marketplace (Palan in Germain 2000). This interaction can in fact only occur as a result of List’s separation not complete finite independence between the political state and the international marketplace. Ultimately, List elevates the autonomous machinery of government and thus distinguishes himself not only from Smith but also from Marxist methodology. This is because a methodological individualism approach enables the state to act and react, influence and be influenced by the world market, and in the 21st century, the separate process of accelerating globalization. As such List, unlike Smith, places the political state in a separate position where it can take advantage or even dominate the international market in a zero-sum game based on relative gains.

‘NATIONAL’ POLITICAL ECONOMY: THE PRODUCT OF MODERNITY

List, in an attempt to further cement the economy’s position under a political umbrella, developed an understanding of a political economy based on three separate spheres: the individual economy, the national economy, and the cosmopolitan economy. He argued that Smith, as a result of his insistence on the finite independence of politics and economics, was too concerned with the individual and cosmopolitan economies and was therefore prevented from appreciating the overriding Westphalian structures that defined each of his individual economic exchanges (List in Bolsinger 2005). Liberalism was, according to List, a philosophical construction based on a theoretical foundation that simply was not an actuality as it ignored the given reality. In other words liberalism was impotent when confronted with the existence of the Weberian nation-state system, as it “provides neither”, List maintained, “for particular countries nor for particular people… [and did] not at all recognize the fracture of the human race into nations.” (List in Bolsinger 2005:5). James Fallows even goes so far as to argue that Smith’s infamous The Wealth of Nations was in fact hugely misleading as it fails to frame its argument within the given conditions of the international arena. In other words, Smith’s investigation and conclusion into
the causes of the wealth of a nation is principally flawed, as Smith’s discussion is not framed on a legitimate understanding of an international structure of nations (Fallows 1993).

Ignoring a more expansive debate on nation formation this investigation will take the liberty of briefly highlighting the Modernist understanding of the rise of the nation as a product of modernity. This understanding tends to be at the expense of German Romanticism and the belief in the natural phenomenon of the nation (primordialism). Though this seems a slightly superfluous distinction it is important in contextualizing a Listian understanding of nation with regards to its relationship with the individual and the international. Benedict Anderson argues that the concept of the nation was born in the age of the Enlightenment where a period of revolution had destroyed the legitimacy of the divinely ordained leading to the rise of imagined political communities. Imagined fraternities enjoying a common history, language and tradition that created a reality where “regardless of the actual inequality and exploitation that may prevail in each… [there] was always conceived as a deep, horizontal comradeship” (Anderson 1991:224).

It is exactly this constructed fraternity that can be seen in the writing of List. Where despite the lack of everyday face-to-face interaction there is still a collective sense of identity, a shared consciousness of nationalism among the individuals that make up an independent nation. This nation then becomes a rational actor capable of pursuing its interests in the global arena by spatially identifying a finite territorial boundary, thereby placing nationalism as the main instrument of nation-state building. The nation is then no longer “a mere grammatical being” List argues, “[as] it has [now] all the qualities of a rational being and real existence. It has a body and real possession…and speaks with its enemy – not the language of individuals, but the mouth of a cannon” (List in Bolsinger 2005:9).

As such List uses the national economy as a means to connect the individual and cosmopolitan economies of Smith, something that becomes evident when List describes nationality as the characteristic difference of his system. By using nationality as the link between individuality and humanity List creates a scenario where man is not directly part of the global community. Rather, according to Richard Ebeling, because List’s political economy begins with his modernist understanding of the nation, List ties the economic prosperity of every individual on the success or failure of each nation’s rational struggle for power in the global competition (Ebeling 1994).
The nation is the medium between individuals and mankind, a separate society of individuals, who, possessing common government, common laws, institutions, interest, common history, and glory, common defense and security of their rights, riches and lives, constitute a body, free and independent, following only the dictates of its interests as regards other independent bodies. (List in Bolsinger 2005:7)

**QUENTIN SKINNER: THE DEMAND FOR PERIODICITY**

By not only recognizing the existence of nationality and consequently the national interest, but also by placing the Weberian nation-state as the source of all political power, List, according to Bolsinger, aligns himself strongly within a structural-realist account of global political economy (2005). However before one can begin any discussion of the potential relevance of mercantile realism in understanding a modern global order seemingly dominated by American hegemony, one needs to appreciate Quentin Skinner’s belief that:

In every instance political language is inescapably the embodiment of a particular intention, on a particular occasion addressed to the solution of a particular problem, and thus specific to its situation in a way that it can only be naïve to try to transcend. (1969:50)

By acknowledging Skinnerian periodicity it becomes evident that if one cannot develop Listian mercantile realism into a neo-Listian understanding more in tune with a modern environment, then Listian theory remains stranded in the 19th century. This is due to the fact that there are no great universal truths to be uncovered in history. Only answers to specific questions constrained within a limited timeframe and experience. A reality List himself acknowledges when he maintained that any political economic strategy “must draw its lessons from experience (philosophy, policy and history)... [but] must be appropriate to the special wants and conditions of our time” (1856:63).

List’s mercantile realism was conceived during the 19th century in a period of Pax Britannica when the British attempted to forcibly implement free-trade policies not only with their own colonies but also throughout the international system. It can therefore be maintained that List’s patronage of a rational policy of state economic protectionism, the foundations for which can be found in mercantile realism, were developed in a time and therefore as a response to the systemic rhetoric and effects of British economic liberal practice. Essentially one can argue that List’s active advancement of anti-liberal protectionist economic policies, such as a customs union (Zollverein) and the sheltering of a national economy through ‘infant industry protection’, was fundamentally an attempt to encourage, ensure and increase a yet unified collection of German principalities relative power projection vis-à-vis the
19th century’s Britain, who, in their role as hegemon, disproportionately gained from an international free trade system, which they dominated.

If one subsequently adheres to Skinnerian principles one must maintain that List’s mercantile realism and the emphasizing of a national political economy, though interesting, is in fact only relevant to the understanding of 19th century European power relationships. Mercantile realism can therefore be seen to be largely impractical when transferred to a modern international environment, as it cannot account for a modern phenomenon alien to the 19th century Europe. Technological advances in chemistry, physics and electronics have redefined warfare and have disproportionately increased the capacity and reach of terrorism and non-state militants. The rise of nuclear proliferation, the systemized exploitation and depletion of the earth natural reasons, as well as increases in the global transfer of information and communication could not possibly have been imagined in the political courts of Victorian Europe. But it is however the perceived rise of a period of globalization leading to cascading interdependence and the subsequent termination of a global order anchored on the nation-state that most dramatically and definitively is seen to limit the 19th century theory of mercantile realism’s capacity for explaining a 21st century world order. This is because, as already demonstrated, mercantile realism takes the existence of a Westphalian system and the Weberian nation-state as its theoretical foundation. And as such if one cannot demonstrate, and accept, that the international system continues to be framed in a Westphalian structure, then List and his mercantile realism will and should for the purposes of understanding the 21st century global order, remain in their forgotten Victorian isolation.

GLOBALIZATION: WHO IS THE HORSE AND WHO IS THE BUGGY?

Regardless of what academic definition of globalization one accepts, whether it is Anthony Giddens’ understanding that it is “the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa,” (1990:21) or Jan Aart Scholte’s view that it is “the growth of supra-territorial relations between people” (2000:46), they all bring forward the notion of the accelerating intensity of global interaction, networks and flows leading to an increasing international interconnectedness beyond simply state-centered economic interdependence. Such understandings of globalization highlight a process where the very distinction between the domestic and the external breaks down and any Listian concept of finite territorial competing nation-state ceases to be feasibly justified. This is an idea Kenichi Ohmae pushes more into the context of international political economy by maintaining that nation-states in the 21st century are increasingly becoming a nostalgic fiction as they have already lost their role as meaningful units of participation in today’s borderless world:
“The glue holding traditional nation-states together has begun to dissolve. Changes in industry dynamics, available information, consumer preferences, and flows of capital; …and hog-tied by political system that prove ever-less responsive to new challenges, these political aggregations no longer make sense as meaningful units on an up-to-date map of economic activity.” (Ohmae in Lechner and Boli 2004:214)

Where one could have argued that the nation-state may originally have been a powerful engine of wealth creation, “fundamental changes in the currents of economic activity around the globe have carved out entirely new channels of activity that owe nothing to the lines of demarcation on traditional political maps.” (Ohmae in Lechner and Boli 2004:215). Theories of cosmopolitanism therefore argue that states are no longer masters of global markets; global markets are in fact masters over states and their domestic mechanisms of control. A relationship compared by Roger Cohen to that of a ‘horse and buggy’ where politics is lagging behind economics, and where politicians, despite going through the motions, are resigned to little more than bit players (1996). “No matter what political leaders do or say”, Walter Writson argues, “the screens will continue to light up, traders will trade, and currency values will continue to be set, not only by sovereign governments but by global plebiscite” (1992:15). This is an argument based on the belief that the privileged position of global markets means that capital can choose to exit and cripple the national economy if business disapproves of government actions.

One however needs to appreciate that such theories of globalization, embedded within populist neo-liberal language, are in fact largely self-fulfilling prophecies because any opposition or derivation is automatically seen as contradictory and archaic in a modern society so deeply saturated by these cosmopolitanism ideals (Kagarlitsky 2000). One must understand that such models of global order should be viewed as self-serving neo-liberal understandings of globalization, nothing more than revamped Smithian laissez-faire language. A misinterpretation that David Levi-Flaur argues is based on the fact that neo-liberals blindly assume to “associate globalization with the economic processes of accumulation and the division of labor at the expense of a diminishing economic role of the state” (1997:160).

ACCOUNTING FOR TRANSNATIONAL NETWORKS: THE RISE OF INTRA-STATE CONSENT

To try to argue that the mechanisms and discourses of the nation-state, particularly in the West, have remained totally unchanged since the Victorian Age would however be equally unjustified as it is evident that the state’s governing body no longer exercises the same capacity to completely dominate state decision-making processes. It is in particular intra-state power relationships that have changed as the governing body’s total domestic coercive authority over its populace has unques-
tionably been reduced as it has been replaced by a far more complex hierarchical intra-state structure. A structure where the traditional coercive asymmetrical power relationship between government and populace has been somewhat checked as a result of the rising role that consent now plays in influencing a state’s decision-making process. In many ways this fusing of the power relationship, though still asymmetrical, is reflected in the classical ideas of hegemonic theorist Antonio Gramsci when he compared the successful exercise of hegemony to that of a centaur, “half man, half beast, a necessary combination of coercion fused with consent” (Cox in Gill 1993:52).

It is largely the rise in technology – “the use of scientific knowledge to specific ways of doing things in a reproducible manner” (Brookes and Bell in Castells 2004:28) – that has enabled and altered the relationship between government and populace. Especially with regards to how technology is making information more readily accessible on the international arena and across state boarders enabling increased exchange, education and coordination of opposition. Margaret Keck and Kathryn Sikkink argue that these transnational advocacy networks create frames and linkages, which in turn guide, organize and leverage politics (1999). Evidence of this leverage can be seen in the politics of the Middle East since the Arab Spring or the international mobilization of public attention to Joseph Kony’s Lord’s Resistance Army that in turn has encouraged transnational political action.

That there has been a rise of transnational networks in an era of globalization is obvious, and network theory does offer significant insight into how the state no longer has a total monopoly over public affairs and therefore the decision-making processes. Public opinion, fostered and nurtured through these international trans-boarder networks, has become more political relevant and as such cannot be wholly ignored in the 21st century. Manuel Castells even argues that the traditional physical institutions and organizations of the space of places have been replaced by the space of flows: an open network society based on shared international electronic circuits and fast transportation corridors that connect distant locals (2004). Yet one must be wary not to push too aggressively the notion of a network society, as it is still the sovereign nation-state that chooses when to pay attention and take advantage of these transnational networks so as to gain legitimacy for their realist action. It is the political state, not some transnational network, which remains the dominating unitary actor in an international arena. One need look no further than the fact that network fostering international organizations such as the UNDP are in fact largely financially dependent on year to year grants from the international community or the fact that the US can relatively effortlessly and without apparent significant consequence cease its financial assistance to UNESCO.
MODERN SOVEREIGNTY: THE CONTINUED BLACK BOXED STATE

Globalization has undeniably created a process of world shrinkage, which has increased the “ease with which somebody on one side of the world can interact, to mutual benefit, with somebody on the other side of the world” (Larsson 2001:9). However as Tomas Larsson highlights in the previous quote, it is still a conscious choice. A choice to seek out benefit and as such what remains, and what endures, is the continued sovereign decision-making process of the nation-state vis-à-vis the Westphalian international system still dominated by self-interested action. The state can arguably no longer feasibly choose to pull back into a black vacuum, as there is an increasing necessity to interact globally in the zero-sum game of international power balances. But the state nonetheless still remains a black box. A black box that may not be as opaque as it once was due to the rising importance of intra-state consent and trans-boarder linkages/networks, but still it exercises finite independence and sovereignty.

Some scholars have even begun to argue, in contradiction to neo-liberal theories such as the market-state that the centrality of the nation-state as a unitary actor within the global order is increasing. For example there have been huge escalations in state intervention and involvement in the daily lives of citizens with governments more readily providing services that one hundred years ago were left to the individual citizen (Clark in Baylis and Smith 2005). This increasing internalization can be argued to have increased further since September 11, where we not only saw a brief darkness on Writson’s ‘ever bright trading screens’, but also a strengthening of the states monopoly of power in response to a perceived global threat of terrorism, such as President George W. Bush’s Patriot Act (Oct 26, 2001). A monopoly of power which the US state has exercised on several occasions over the last decade by not bailing out privileged multi-billion dollar companies such as Enron, Arthur Andersen and Lehman Brothers.

Even regions traditionally used as examples of a contemporary Westfailure have in recent years seen the shoring up of national boundaries with for example the rise of EU member states domestic resistance to the Schengen Agreement. This is something Gilpin furthers by arguing that modern regionalism is “an important response by nation-states to shared political problems and to a highly interdependent, competitive global market” (2001:11) where increased cooperation is intended to increase individual autonomy and improve bargaining positions. However the most condemning argument against any neo-liberal understanding of modern global order is Stephen Krasner’s belief that this supposedly economic connectedness appears to be limited specifically to the transatlantic area of the international
system. As such neo-liberalism, in the global context, over exaggerates the reduced autonomy and control of the nation-state (Krasner 1999).

**ECONOMICS VS. MILITARY: NEW TOOLS OF STATECRAFT**

Having demonstrated the continued dominance of the nation-state’s sovereignty one can overcome Ben Selwyn’s belief that the Achilles heel of Listian political economy is (ironically) “its… conception of the state” (2009:162). In other words one can highlight and appreciate the fact that List’s understanding of the global order, though of course slightly adapted with time, is still a relevant and accurate understanding of modern international power struggles.

In the condition and circumstances of the various nations: we observe giants and dwarfs, well-formed bodies and cripples, civilized, half-civilized, and barbarous nations… In all of them exists the impulse of self preservation, the striving for improvement which is implanted by nature. (List 1856:63)

However, this still leaves the problem of accounting for the modern period, which has undoubtedly seen an increase in the power of the national political economy, sometimes at the expense of more traditional military power. This is where a Listian understanding of a national economy dominated by political strategy becomes instrumental in establishing an accurate image of the modern global order. This is because, as in 1843, cosmopolitanism and free trade – or in a modern context globalization – are taken to be independent variables, among others, that can influence national growth rates and therefore power balances.

Though the fundamental security interests of the nation-state have remained relatively unchanged what we must appreciate is that the tools of statecraft used in power struggles for Listian self-preservation have changed. The modern nation-state, though fundamentally still finite and sovereign, is especially in Krasner’s western hemisphere, more and more dependent on economics to ensure relative power gains rather than traditional Clausewitzian concepts of war being the main extension of politics. Although List was referring to 19th century power balances and relative economic gains between Britain and the German principalities, the belief that “not to grow in strength and to become weak are synonymous… if England grows twice as powerful as she is, whilst you remain stationary you become twice as weak as England,” (List in Bolsinger 2005:9) still fundamentally holds true. This is despite the fact that power projection capabilities: “actor A getting actor B to do something B would not have otherwise done”(Dahl 1957:201), are increasingly measured economically rather than militarily.
States no longer need to conquer other states by military means. They can more readily rely on economic methods, facilitated through free markets, to penetrate, create dependence and as such achieve favorable power balances. The best example would be how Washington has encouraged band-wagoning by its respective allies around the world by applying economic pressures. Josef Joffe even goes so far as to compare this economic alliance system to that of a ‘hub and spokes’ where the hub should be viewed as America and the spokes as Washington’s multilateral economic and political linkages throughout the international community (Joffe in Ikenberry 1999). Thus the US, as the epicenter of a globalized open economy, can demand and take advantage of an international framework, which arguably needs US hegemony. Good examples are Turkey allowing Washington to use airbases such as Incirlik for combat mission against fellow Arab-countries and North Korean foreign policy, reflected through the various 6-Party Talks, which highlights the reality that it is simply too uncompetitive to sit absolutely independent of Washington’s hub.

SMOKESCREEN FOR MODERN REALIST ACTION: ‘KICKING AWAY THE LADDER’

For List the adoption of a liberal free trade policy, Britain in the 19th century, versus protectionist national mercantilism, the German principalities in the 19th century, should be framed as nothing more than a simple strategic political choice depending on specific security and power balances. This rationality of political economic strategic choice is still very relevant in the 21st century and even gains validity in that List’s mercantile realism was written in a period of British hegemony and we continue to live in an, albeit reduced, American hegemony. Because America, much like Pax Britannica, exercises systemic hegemony Washington specifically chooses to implement and export cosmopolitan economic policies so as to cement existing power balances and ensure more relative gains in a realist zero-sum game. In contrast the modern system’s non-hegemons, like the German principalities of the 19th century, seek to foster and protect nationalist oriented economic politics so as not to further increase American power by playing by Washington’s rules. Examples include Japan adopting a more state dominated domestic economy over the last decades and member states of the EU seeking relative infant industry protection within a Zollverein-esk union.

During the 19th century Britain, seeking to maintain its position of power, used its favorable monopolization of productive powers to actively smother the industries of competing states through the promotion of a free trade scenario. For example one can draw attention to the Importation Act 1846 which repealed the 1815 Corn Laws that had created barriers and protected British cereal producers for over three decades. According to Karl Case and Ray Fair (1999), the British Tory government’s policy shift was largely based on the economic philosophies of Adam Smith and David Ricardo, who believed that in a free trade situation Britain could use its he-
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gemonic positioning to its comparative advantage. However it is hugely relevant to appreciate the fact that Britain had initially purposefully established the Corn Laws as barriers to protect its own uncompetitive cereal production from a free market scenario after the ending of the Napoleonic Wars.

The Corn Law of 1815, and its subsequent repeal in 1846, are very apt examples of List’s understanding that “it is a very common clever device that when anyone has attained the summit of greatness… he kicks away the ladder by which he has climbed up, in order to deprive others of the means to climb up after him” (1856:295). When Britain did not exercise hegemony, it sought infant industry protection – the Corn Laws 1815 – so as to shelter its growing industries and as such foster its economic power. But once economic superiority had been achieved, in the decades after the Napoleonic Wars, Britain purposefully reversed its protectionist economic policies to create an open free market, which favored its newly established hegemony. The 1846 repeal of the Corn Laws, one example of Pax Britannica exporting free trade during the 19th century, was fundamentally an attempt to ‘kick away the ladder Britain herself had climbed up.’ In other words by exporting free trade Britain attempted to prevent competing non-hegemons from taking advantage of the same positive gains of economic protectionism they themselves had enjoyed in the previous decades and thus consolidate power balances.

This understanding is reflected in List’s insight that “by profession they [the English] were always cosmopolite and philanthropists, while in their aims and endeavors they were always monopolist” (1856:79). List as such saw the British support of free trade not as utilitarian idealism but rather as the conscious realist attempt to withhold from the international community of states the advantages they themselves have used to climb up the ladder. This understanding of hegemonic action remains applicable to Pax Americana where economic liberal rhetoric continues to be used as a smokescreen to pursue security interests, arguably even legitimizing and justifying offensive realist action. However instead of the US monopolizing the means to production, as Britain had done in the 19th century, Washington now attempts to monopolize the productive powers of human capital based on the continuing Listian reality that “the power of wealth is… infinitely more important than wealth itself” (List 1856:22). By monopolizing the knowledge economy the US can ensure its hegemony by pushing strict enforcements on copyrights and patents within a free market, thus increasing the opportunity costs for competing non-hegemons to access scientific knowledge needed to catch-up with the US (Chang 2002).

CONCLUSION: ‘THE GHOST OF PROTECTIONISM PAST’

Ultimately this paper has sought to breathe life and relevance into Friedrich List, the obscure 19th century political economist who Richard Ebeling aptly labeled
the ‘ghost of protectionism past’ (1994). By actively rediscovering List’s mercantile realism this paper has fundamentally demonstrated the scholarly capacity to apply List’s theoretical frameworks to a modern global order still ultimately defined by neo-realist paradigms of competing sovereign black-boxed nation-states principally focused on security interests. Furthermore, in this continuing game of power politics, mercantile realism in fact gives a hugely acute yet still dynamic analysis of modern international relations. This is because it highlights and accounts for the realist reality that fundamentally underpins all cosmopolitan rhetoric in a system of anarchy, notably that while non-hegemon's seek infant industry protection in the face of free trade, the hegemon instead tries to kick away this ladder of development by forcing economic liberalism onto the very fabric of the international system. A realist action which in turn is not only masked but also largely legitimized by the positive liberal rhetoric that underpins economic cosmopolitanism.

It is exactly this necessity for legitimization of realist action that can account for List’s forced isolation. An argument based on the fact that List’s academic understandings shed an uncomfortably bright light on supposed hegemonic utilitarian intention and action. As such this paper has sought to acknowledge the menacing and somewhat harrowing reality of a preexisting Listian ghost. A ghost that we know haunts us but we have largely chosen to ignore and even try to disguise in colorful illusions and positive references to the supposed winds of liberalism. For ultimately as long as the nation-state remains the main unit in international politics, even if we do exercise ambitions of realizing a Kantian perpetual peace, then realist self-interested norms and actions prevail. And if they do prevail then so does the Listian belief that, “the ‘invisible hand’ will also be compensated by the ‘visible hand’ of the state.” (List in Bolsinger 2005:9). For, as long as the pillars of the Westphalian temple remain intact, and remain erect, we must, according to Bolsinger (2005), adopt mercantile realism's specifically political approach to the political economy. We must accept that the nation-state sits in Listian separation from the global economy and will unwavering attempt to use the international marketplace to ensure its own security interests in a continuing relative zero-sum game.
NOTES

1. Rosenau bases the concept of cascading independence on the “presumption that the structures of global affairs are undergoing a profound crisis of authority… [where] the state governments are increasingly ineffective as international actors and individuals [are] increasing skilled in their public roles” (Rosenau 1984:245).

2. A term first used by Hedley Bull in The Anarchical Society: A Study of Order in World Order (1977) to describe a contemporary international system where state sovereignty would no longer automatically monopolize authority. Authority would as such become hugely complex with the erosion of traditional finite state boundaries as the mechanisms of power would become increasingly fragmentated and decentralized yet at the same time overlapping. An ‘international society’ that Bull’s English School of International Relations compares to Medieval Europe.

3. In the process of presenting List’s fundamental theory of the international political economy, as well as throughout the following pages, this paper will draw heavily on, and stay very much in line with, the contemporary work of Eckard Bolsinger (2005), notably The Foundation of Mercantile Realism, as it gives an exceedingly nuanced understanding of Friedrich List, Mercantile Realism and the primacy of politics over economics.

4. For more on Marxist Methodology - including critiques -with regards to understanding a period of globalization see Ranall Germain (2000) Globalization and its Critics.

5. According to Kenneth Waltz states are like billiard balls in that not only do they continuously clash with each other but they are also ‘solid like entities’ and therefore “their particular attributes cannot enter into the definition of the international political structure as an independent (i.e. determining) variable, precisely because their internal attributes do not vary” (1979:66).

6. For example 18th century German philosopher Johann G. Herder embeds nationalism, and as such culture, in a communities shared history of language. For more, see Frederick M. Barnard (2003) Herder on Nationality, Humanity, and History.

7. The middle of the 19th century was a period of great romantic nationalism and as such one can argue that List’s understanding and use of the term nation is relatively interchangeable with what we in a contemporary setting view as a state. For List, and many of the other 19th century political and economic theorists, the term nation was regularly used to define a finite territorial bounded state within which there was a shared common identity. Such a Listian understanding largely ignores the modern more theoretical distinctions that are placed between a nation and a state where it is argued that the state can exist in many varying forms beyond simply the nation-state.
8. A term used by Susan Strange to account for what she argued was the rising dilemma that exists between sovereign states, which exercise a monopoly of violence, and the capitalist market economy. She argued that the capitalist market “now poses problems that cannot be solved with the terms set by the state… because the latter is unwilling to give power to an international central bank” (In Brown 2005:172). For more, see Susan Strange The Retreat of the State (1996) and The WestFailure System (1999).
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Rediscovering Friedrich List and the Primacy of Politics over Economics


What is the nature of money, credit, and banking in capitalist economies? Recent analyses in the social science, in literatures as disparate as the comparative analysis of capitalist systems (Hall and Soskice 2001), the economic history of financial systems (Allen and Gale 2000; Verdier 2003), the sociology of banking (Stearns and Allan 1996; Carruthers and Ariovich 2010), the political economy of money (Hel- leiner 2003), and, of course, in more general terms, new-institutional economics (Williamson 1975, 1994) and economic sociology (Granovetter 1985; Carruthers 2011), all emphasize information in an effort to answer this question. Scholars specifically argue that information is scarce, valued, and subject to manipulation; and that actors face particularly difficult challenges when the pricing of services and goods forces them to rely on information that is neither available nor easily verifiable, thus inherently uncertain, and potentially inaccurate. In this view sensitive to the problem of information in a world of potential deceit, malfeasance, and radical uncertainty, money is significant as it allows the parties to an exchange to rely on means of payments that have general acceptability, thus removing at least one source of uncertainty, that inherent to the value of the currency. Credit, in turn, becomes a matter of judging the quality of individual and thus idiosyncratic promises to repay the debt in the future. Finally, banks serve an auxiliary function: they are depicted as the institutions that, when properly organized, best carry out this activity of assessment of the creditworthiness of potential debtors. The coordinating role or function that money, credit, and banking play within capitalism foregrounds such analyses.

In this article, I take issue with the premise that informational problems constitute the foundations of money, credit, and banking. I focus on three assumptions that...
underlie such a conceptualization. In what I call the assumption of fungible money, money is understood as a neutral means of accounting for value—and thus as an instrument that serves to establish commensurability among qualitatively different commodities. This assumption springs, most notably, from classical sociology, but characterizes economic understandings of markets as well. In what I call the assumption of banks as institutions of intermediation, banks are defined as organizations charged with the allocation and distribution of scarce financial resources (capital): banks intermediate between savers and spenders. This assumption characterizes most writings in the financial literature. Finally, in what I call the assumption of creditworthiness as objective assessment, the criteria by which borrowers are granted credit are understood to be a function of the traits of the borrower: the better these criteria capture such underlying traits, the better the odds that the financial obligation will be met in the future. This assumption characterizes writings in the sociology of stratification and inequality.

Appreciation of the nature of these assumptions, I claim, is essential to understanding how finance is not aimed at facilitating coordination, but is structured by, and mobilized in, conflict. Specifically, I will argue, money is not homogenous, but differentiated; banks are not institutions of intermediation, but creators of financial claims; and creditworthiness is not a property of individual borrowers, but a system whereby financial markets are stabilized. Understanding finance as a realm of conflict allows us to delineate two general strategies that characterize it—strategies I crystallize from an attentive, and so far neglected, reading of Schumpeter’s theory of banking. One is an exclusionary strategy, aimed at creating steep barriers between those who can legitimately issue, control, and hold money and credit in particular forms (a conservative strategy), leading to a cohesive banking system committed to binding, collective identities. The other is an inclusionary strategy, one that challenges, and attempts to transgress, the very barriers set up by conservative bankers, and thus weakens the commitment to existing identities (what I call a wildcat strategy). Attention to organized financial groups and the ideologies they propagate thus reveals that struggles over boundaries are constitutive of finance, rather than aberrations of its otherwise functional logic.

**THE ASSUMPTION OF FUNGIBLE MONEY**

The assumption of “fungible money” derives from a large, mostly polemical literature, dating back to the writings of Karl Marx and Georg Simmel, which identifies in money the power of transcending any and all social boundaries that individuals may erect to contain its spread—and the spread of commercialization and cold calculation that money brings with it. Referencing Roman Emperor Vespasian’s quip upon imposing a tax on public lavatories, Marx writes in the first volume of Capital: *Pecunia non olet*—money does not smell (1921:24). For Marx, money is
a “universal equivalent,” deriving its power precisely from its detachment from commodities, rather than from its origins, no matter how undignified they might be (see also Fine and Lapavitsas 2000). Moreover, Marx argues, because commodities embody human labor but mystify their nature by appearing as objects devoid of human content, and because money further increases the abstractedness of the commodity form, money serves to reinforce the fetishism of commodities and thus workers’ alienation under capitalism—it serves as a kind of thick or “double” veil (Ingham 1996).

Simmel joins Marx in thinking of money as anonymous and depersonalized. But, he pushes the idea of the transformative power of money in a different direction from Marx, to argue that money is freedom, a freedom that entails a high cost:

[M]odern man is free, free because he can sell everything, and free because he can buy everything … [T]hrough money, man is no longer enslaved in things, so on the other hand is the content of his Ego, motivation and determination so much identical with concrete possessions that the constant selling and exchanging of them - even the mere fact that they are saleable - often means a selling and uprooting of personal values. (Simmel 1990:404)

With money, in short, comes modernity (Poggi 1993), and in particular, a detachment from more traditional sources of authority and identity—a theme further developed by anthropologists who witnessed, in regions newly exposed to the market, the demise of “special” monies (monetary tokens that pre-existed the market economy and circulated in restricted spheres of exchange, characterized by specific obligations and loyalties, and never by a market logic of free exchange), and their replacement with modern money (Polanyi 1944; Bohannan 1959; Parry and Bloch 1989).

Marx and Simmel, in short, make fundamental contributions to a tradition of a thinking of money as a “cold cash nexus” that dehumanizes social relations, deprives them of content and emotion, and subjects them to an alienating form of rationality. Remarkably, this is the same premise of economic analyses of markets, which tend to share the assumption that, without a “numeraire” within which prices can be expressed, markets cannot function properly. In the mainstream tradition of economics (based on marginalist assumptions), the hypothesis is that the numeraire emerges spontaneously (Menger 1892), but there is disagreement on this—especially among those who espouse neo-chartalism (Keynes 1930; Smithin 1994; Ingham 2004). In spite of such differences, the consensus is that it is only by ensuring that qualitatively incommensurable goods acquire quantitative commensurability, that money helps actors reduce the transaction costs inherent to a barter system. In a barter system, actors would have to agree on a mutually desirable set of exchanges
and media within which to carry them out, and would have to do so for each transaction (Ingham 2004). Money relieves them from this burdensome task (Helleiner 1999). In the main, then, the possibility that the actual forms taken by money, and the ways that these forms are used, may be dependent on the relations through which monetary (and financial) media are assigned to particular kinds of people, and thus circulate in certain networks, and not others, becomes an intractable problem in economic theory. Money must serve as an abstract unit of accounting for value, and thus its nature can only be defined in terms of commensurability (Fine and Lapavitsas 2000; Ingham 2001; Dodd 2006; Bryan and Rafferty 2007).

The fact that, in reality, money is differentiated into multiple forms, is underplayed in such understandings of the nature of money. Yet with the emergence of new ethnographic studies of money—most notably, Viviana Zelizer's (1994) work on the attempts of the early 20th century US government to create a homogeneous monetary system—sociologists have been arguing that, counter to the predictions of Marx, Simmel, and neo-classical economists, money continues being segregated and “earmarked” in modern contexts as well. Individuals keep making meaningful and consequential distinctions among payments depending on their source, direction, and intended use: thus, for instance, tips differ tremendously from cash gifts or compensation mandated by a court of law (Carruthers and Espeland 1998; Zelizer 2005b; Fourcade and Healy 2007). As social relations become more differentiated, money becomes more differentiated too; the special monies of so-called primitive societies do not disappear, so the all-pervasive commensurability of modern money turns out to be an exaggeration.

That money is fungible becomes a problematic proposition in light of the micro-sociology of money. This literature, to be sure, tends to focus primarily on the uses of money by marginalized groups, and on everyday monetary uses. So it debunks the assumption of “fungible money” only with respect to actors who are interstitial to the official economy, and primarily only with respect to the use, not the production, of money. Its impact on an understanding of moneys other than those circulating outside the mainstream banking system has been relatively weak. For instance, this literature does not develop a theory of financial instruments (Dodd 2005). In a more recent, and more structural view of money developed by Zelizer (2005a), Tilly (1998; also, Zelizer and Tilly 2006) and Collins (2000), different forms of money, including those financial instrument that circulate in official and formal markets, like stocks and bonds, are linked to different social experiences, which take the shape of distinctive “circuits.” As a result, these instruments are not commensurable. But from this perspective, the challenge remains that of specifying the conditions under which money transcends, rather than reinforces, the boundaries
of the distinctive circuit in which it circulates. In other words, the micro-sociology of money lacks a theory of the social organization of credit.

**THE ASSUMPTION OF BANKING AS INTERMEDIATION**

To the extent that one of the primary tasks of banks is to preside over the allocation of credit and financial resources, investigating how they make such distributive decisions should be of great interest to studies of money. Just like money, banks tend to be specialized and differentiated (Haveman and Rao 1997). Yet the assumption that banks are institutions of intermediation, guided by efficiency and transaction-cost reducing concerns, permeates scholarly approaches to this question. And this belief that the main function of banks is to connect savers to borrowers, leads to understandings of banks as neutral institutions whose spread (when unhindered by extraneous, i.e. non-economic factors) produces a more efficient allocation of resources. Bankers, in short, are specialists in intermediation (Diamond 1984). And given great cross-national variation in financial systems (Gerschenkron 1962; Zysman 1983; Verdier 2003; Forsyth and Verdier 2003), there is a large literature on what system is more economically efficient (Calomiris 1995; Allen and Gale 2000; Hall and Soskice 2001; Rajan and Zingales 2004), even though empirical studies that engage directly with what bankers actually do tend to show how misguided the question is (Fohlin 1999, 2007).

A growing number of heterodox economists, associated with the Post-Keynesian tradition, take issue with the intermediation-based view, to emphasize instead that bankers incessantly create money through the lending process (Minsky 1986; Moore 1988), because money, as Ingham (1996) perceptively argues, is always a social relation of credit and debt. In more technical terms, money is an *ex nihilo* accounting operation: from the point of view of banks, it is a simultaneous act of crediting the account of the client (thus creating a liability for the bank) and crediting the bank for the amount of the loan (thus creating an asset for the bank), with some quantity of money set aside for prudential purposes (Innes 1914). Banks and only banks do this. This point is very important to a more general theory of banking because it questions the assumption that bankers first accumulate and then move “piles” of money, so to speak. Rather, a view of banks as creators of liquidity makes sense of the fact that banks lend several times the amount they have in their deposits; and that, as Wray puts it, “no officer ever checks the bank’s reserve position before approving a loan” (1998:107).

If bankers, in sum, are not constrained by existing stocks of money, capital, or deposits - if they specialize in the creation of money - we should pay attention to the criteria they employ in doing so. How valuable a loan is to bankers will depend on how the money lent is employed in the future, but also, by and large, on the capacity
of bankers to guarantee that part of that future income flow will go back into their coffers, rather than being pocketed (or reinvested) by their borrowers. And this will also depend on the bankers’ ability to prevent other financial providers from reinvesting that money in other markets, such as derivative markets, over which bankers may have less control (Collins 1990).

A perspective on bankers as originators of financial circuits, in sum, opens two potential lines of inquiry. The first is an investigation of the conditions under which bankers cooperate with each other to realize value for their investment in the future (De Cecco 1974, 1986; Arrighi 1994; Aglietta and Breton 2001)—a particularly important question if the power that bankers exercise over other (potential) financial agents determines how financial investments are managed, and where financial flows are directed. Put differently, bankers do not depend directly on outside resources for the reproduction of their power, because their ability to accumulate resources is a result of their cohesion. Thus, a focus on the struggles among bankers should take priority over one on the alliances they make with outsiders. As Verdier (2003) argues, we should move from a focus on the demand for credit to a focus on its supply.

Having said this, when bankers deal with instruments that do not originate with their lending activities—when, for instance, they buy, sell, or underwrite securities, thus operating in secondary or derivative markets, they face new, distinctive challenges (Verdier 2003). By creating new monetary circuits, a bank will make its existing clients uncertain about the ability of the bank to carry out its original, credit functions appropriately (Seabrooke 2006). If those clients have access to political lobbies or other kinds of political organizations, they might put pressure on the bank, forcing it to be more accountable. Just as importantly, new financial activities and instruments may encourage the formation of new bank-like organizations, ready to appropriate those instruments and use them for different purposes than they were intended. This will potentially increase dissatisfaction with the banks’ inability to keep the financial system under control. A bank will have to provide accounts as to how these new financial operations fit in with its original, lending activities. Thus, political considerations may be central to a bank’s lending strategies.

The immediate objection to this argument is that there is a world (out there), the judgment and assessment of which gives bankers the ability to lend appropriately, and to justify and legitimize their decisions; and that on this bedrock of creditworthiness banking decisions ultimately must lie. This is the second line of inquiry opened up by a debunking of the assumption of banks as institutions of intermediation. To this assumption of creditworthiness as objective assessment we now turn.
THE ASSUMPTION OF CREDITWORTHINESS AS OBJECTIVE ASSESSMENT

What I call the assumption of “creditworthiness as objective assessment” is the idea that creditworthiness is a neutral and objective system of assessing whether borrowers can pay back the loans they owe. The assumption specifies the problem correctly—namely, in terms of how future uncertainty forces lenders to devise robust strategies to minimize losses and maximize gains. But, the implication usually drawn from the problem is misguided: it reduces creditworthiness to a search of objective, neutral means of assessing it, with the hypothesized payoff being that, upon finding such means of assessment, the capitalist process can thus unfold more efficiently.

It seems intuitive to attribute creditworthiness to specific credit relations, both because of a long tradition in mercantile and credit report practices (Olegario 2006), and because of the injustices, discrimination, and predatory practices that often characterize lending, particularly when it concerns marginalized individual borrowers. So with regards to the first point, Carruthers perceptively argues: “For credit to function ... the creditor has to trust a specific debtor at a particular time: will she repay in a year's time? Trust problem in credit cannot be resolved globally since they arise out of specific debtor-creditor pairings” (2005:362). Often, however, such global solutions do indeed exist, and so, with regard to the second point, a critical literature that emphasizes that access to credit can be a source of inequality of its own. But this literature is illustrative of both the advantages and the problems with such a perspective.

In contemporary United States, stigmatized identities (be they based on race, gender, or religion) undeniably affect the likelihood of a client getting credit independently of her objective ability to pay back the loan (e.g. sufficient income) (Overby 1994; Swire 1995; Calder 1999; Gabriel and Rosenthal 2005). There are two parts to this argument. First, there is the tendency to highlight either the utilitarian and pragmatic aspects of credit discrimination, thus depicting discriminatory practices as (dysfunctional) responses to market failures (as in the concept of “statistical discrimination,” see especially Bielby and Baron 1986): in the case of credit, the problem is explicitly tied to informational asymmetries (Bacharach and Gambetta 2001; Stiglitz 2011). The second part is a compartmentalization of the problem, with discrimination being attributed exclusively to non-market forces (e.g. preferences), and with the caveat that the institutional setting makes those forces more or less relevant to any given decision (Kyriacou 2005). Blanchflower, Levine and Zimmerman can be considered typical in this respect:
Discrimination occurs whenever the terms of a transaction are affected by personal characteristics of the participants that are not relevant to the transaction. In credit markets, discrimination on the basis of race and/or gender exists if loan approval rates or interest rates charged differ across groups with equal ability to repay. (2003:930)

Economists, then, tend to reduce discrimination to instances where “personal characteristics” impinge upon what should be “neutral” and “objective” transactions. The focus is self-consciously on the individual and his/her attributes. Whether discrimination is a result of market failure in communicating relevant information about transactors, or is the symptom of a deep-seated “taste for discrimination,” is under debate: but, the market continues being conceptualized as an arena where social membership should be irrelevant. Collective processes of appropriation of resources and opportunities are by definition left out of the analysis. As a result, this literature tends to assume that there is one efficient, effective, objective way of allocating credit and that deviation from it derive from non-economic considerations—and those non-economic considerations, in turn, have to do with social membership.

This cannot be said about a second, relational approach to discrimination that finds in Tilly (1998) its most sophisticated statement. Here the very boundary between economic (information-based) and non-economic (prejudice-based) discrimination dissolves because the nature and dynamics of the economic process itself are conceptualized differently. Instead of putting individuals at the center of the model, and considering advantages (or disadvantages) accruing to individuals on the basis of some ascribed category as an aberration, Tilly argues that economic benefits are always distributed on the basis of group membership. Tilly does not extend his approach to the context of credit markets. But if credit is disbursed in the form of differentiated financial instruments as a result of conflicts between contrasting strategies, inequality is built into the very nature of capitalist money and thus is a constitutive aspect of financial markets, not an aberration; the important insight of Tilly’s relational approach to inequality — that inequality derives from collective processes — can thus be applied to credit markets. This also means that we must consider the banking system a source of inequalities independent of other systems of stratification. And to do this we must move conflicting banking groups to the center of our understanding of money. If the struggle among providers of credit, and the means by which that struggle is avoided or at least controlled, are both so central to money, concerns with objectivity and efficiency can only be secondary to concerns with power. And if money acquires value to the extent that it circulates in the form of instruments that only certain kinds of actors can hold and exchange, as we shall see, control over such circuits (and thus over other creditors) is crucial.
MONEY AND STATUS GROUPS

Upon close inspection, the assumption of fungible money, the assumption of banks as institutions of intermediation, and the assumption of creditworthiness as objective assessment all embody both an individualistic and a functionalist logic. The logic is individualistic in its focus on individual creditors and debtors; it is functionalist in its assumption that the criteria upon which credit is assigned, the institutions through which it is distributed, and the forms in which credit is allocated are (more or less) efficient representations of an economic reality “out there,” over which they exercise no direct influence. Such functionalist stories miss the collective dilemmas and collective action problems into which groups inevitably run as they attempt to construct complex systems of resource appropriation, so a critical reading of the assumptions of money, banking, and creditworthiness is sociologically useful, precisely because it highlights these collective dimensions. But this requires a significant theoretical shift away from individuals as the unit of analysis, and towards groups instead.

Not groups, but status-groups, as Weber (1978) famously argued, are the basis upon which the individual appropriation of collectively generated benefits can take place. A status group is defined by a common orientation to and exploitation of a set of opportunities, communicated through a common culture and lifestyle (Barnes 1992). A status group, that is, turns opportunities and resources into restricted sources of advantage, for it monopolizes them and redistributes them among members of the group, at the expense of outsiders (Parkin 1983; Murphy 1984; Collins 1986). The boundary that defines membership in the group, importantly, is arbitrary (Weber 1978:341–2), but nevertheless consequential: it commits members of a group to a distinctive lifestyle and a common, collective identity.

Commitment to a lifestyle and an identity serves to attenuate the tension that would, otherwise, inevitably exist between the collective interests of a status group, and the individual interests of its members—the dilemma of collective action (Olson 1965). Members of a status group, in fact, benefit individually from the appropriation of a resource based on the collective power of the group. So it is in their individual interest, all other things being equal, to transcend the collective requirements the group imposes on the mode of appropriation, and push instead for individual appropriation. At an extreme, individual members may even claim the right to sell the means of appropriation of the monopolized resource on open markets—trading with individuals with whom they don’t share membership in the status group, with insiders and outsiders alike. This bodes disaster for the status group. Open markets erode the source of the status group’s privileged position; they open access to the very market opportunities that the status group, by contrast, attempts to close off to outsiders.
Once members of the status group value not merely the private, economic benefits deriving from the appropriation of the resource, but also the social benefits they draw from membership in the status group, and so the lifestyle and the forms of sociability that come with it, they are now faced by a different kind of calculation. Appropriating advantages and opportunities at the expense of the group is no longer possible without suffering social consequences, consequences that can be very serious depending on how exclusive membership in the status group is. Social ostracism must now be weighed against personal enrichment.

Money, credit, and its social organization in the banking system, are integral aspects of the lifestyle of the status group in at least two ways. First, most obviously, and in a manner still consistent with the assumption of fungibility, money (and thus credit and banking as well) makes possible access to resources, and thus to consumption experiences, with which members of the status group can enforce the boundary against outsiders. Sociologists have appropriated the term “economic capital” to describe this function of money (see Nitzan 1998 for a general critique).

Second, and less intuitively, money serves as a token of membership in communities of investors, depositors, and financial users more generally, in and of itself, precisely because it comes in differentiated forms whose possession is stratified. To make sense of this point, we must begin with an appreciation of the empirical reality of money—of the fact that “money” is exchanged in the form of financial instruments, such as banknotes, checks, stocks, bonds, junk bonds, credit default swaps, mortgages, commercial paper etc., with each instrument designed to be held not by everyone, but by particular actors or organizations, and to be traded, often through the intermediation of yet other actors or organizations, in particular kinds of markets, and not others. The boundaries drawn around each of these instruments, of course, vary in breadth and depth, but are boundaries nonetheless. Studies of discrimination in access to credit and banking services, while wedded to an individual-level approach that tends to obscure precisely the collective processes that underlie discrimination, thus show how access to more exclusive financial services remains severely restricted to those who might otherwise have acceptable income levels, except for the form in which they get paid (Mintz 2008). Banks treat sources of money that can be transmitted through electronic transfers (such as automatic payroll deposits) differently than money that has to be physically deposited. Bankers thus give favorable terms to income streams over which they have more direct and regular control; they treat other forms of money simply as “money,” thus denying access to its possessor to resources available to others. Thus, group-level processes undergird individual discrimination. Studies of financial markets (Abolafia 1996)
Three Myths of Money, and the Sociology of Financial Conflict

and investment banking (Podolny 1993; Zuckerman 1999) show a similar process at work in the more rarified realms of finance.

Money, in sum, cannot be assessed independently of its empirical differentiation: financial instruments do not acquire value because of the assets that “underlie” them (a value that the instrument allegedly “expresses”). Rather, there is a social logic to the ways that financial instruments are permitted to circulate in specific networks that mediates whatever connection the instrument has to underlying resources. In fact, we can take the further step to argue that, because the value of an instrument is not a function of what it can buy at the moment, but of what resources it will command in the future—with that future being uncertain (Minsky 1986)—social organization is the most direct guarantee of the value of an instrument. While control over the future can never be fully achieved, groups that successfully bind their members to common goals and shared practices are more likely to thrive than groups that systematically engender self-interested behavior. This includes shared understandings about who should be allowed to partake of the advantages reserved to group members, and thus how porous the boundaries of the group should be to outsiders; and most importantly, the extent to which outsiders have access to the same financial instruments reserved to group members. On both accounts, the sociologically interesting point becomes what social structure sustains (or impedes) the process of status-group reproduction through which those boundaries are demarcated and policed.

Bankers, I submit, are the central organizations in this structure. As producers of money (a characterization that the assumption of banking as intermediation necessarily obscures), they must solve a basic tension for money to be relatively stable. They must act as gatekeepers of status groups, investing the possessors of particular “currencies” with the prestige of membership in the status group, and excluding others from such benefits. But they must also negotiate those instances in which members trade money, in the specific forms in which it circulates within the status-group, with outsiders. They must renew the commitment of group members who have access to particular financial services to the boundaries they help draw around those status groups. A sociology of bankers is thus central to a sociology of money, and in the work of Joseph Schumpeter we find some useful theoretical considerations with which this connection can be made explicit.

SCHUMPETER AND THE SOCIOLOGY OF BANKERS

An understanding of financial systems will be incomplete without an understanding of banks, even (or perhaps, precisely) at a time when the power of banks seems to be in decline. For our present purposes, the crucial point is that, since bankers control not only the allocation of credit, as properly intermediary institutions also
do, but also control its creation, they face the problem of generating collective commitments to specified ways of using credit.

It is perhaps Schumpeter who most effectively makes this point. Schumpeter describes banks as “headquarters of capitalism,” that remove resources from the “circular flow” (thus disrupting the routinized ways that economic activities are carried out) and redirect those resources towards entrepreneurial activities (Schumpeter 1911; Swedberg 1992). In the capitalist system, Schumpeter argues:

[The most important] method of obtaining money [is through] the creation of purchasing power by banks. … It is always a question, not of transforming purchasing power which already exists in someone’s possession, but of the creation of new purchasing power out of nothing – out of nothing even if the credit contract by which the new purchasing power is created is supported by securities which are not themselves circulating media – which is added to the existing circulation. And this is the source from which new combinations are often financed, and from which they would have to be financed always, if results of previous development did not actually exist at any moment. (1911:73)

It is thus crucial that bankers retain “authority,” he adds, in the sense of not being easily impressed by empty promises, and resisting in particular the grandiose claims of entrepreneurs, when they are not convinced that entrepreneurial plans can be realized in some near-future. Schumpeter, as a matter of fact, recognizes a conservative stance of bankers in the face of entrepreneurial demands for credit as desirable and functional to the smooth working of the financial system.

The banker must not only know what the transaction is which he is asked to finance and how it is likely to turn out, but he must also know the customer, his business, and even his private habits, and get, by frequently “talking things” over with him, a clear picture of his situation. (1939:116)

Crucial to success in banking, Schumpeter argues, is that bankers deny credit to those who bankers think as undeserving. Just as important is that bankers design appropriate instruments to finance appropriate undertakings, so that they can exercise control over their debtors. Financing, that is, entails shared expectations that commit the borrower to a given course of action; and most importantly, that inform the borrower as to how the instrument should be used, and whether and under what terms it can be exchanged for other instruments.

The unit of analysis in Schumpeter’s scheme seems to be the individual, but in light of my previous discussion, it can be easily inferred that no individual banker will have the power or influence over its individual customers without other financial actors backing those decisions up. Control then, has to be a collective achievement.
within the banking system. When bankers organize into groups, they can more easily and efficiently erect boundaries around the circulation and exchange of instruments, as well as enforce shared expectations about the uses of those instruments. Most importantly, bankers can commit one another to respecting the “earmarks” they develop around those instruments. This is the kind of work that sound banking principles do.

Seen through the lenses of the assumption of banking as the mobilization of resources, and its attendant assumption of creditworthiness, sound banking may appear to be a set of neutral criteria and practices aimed at adjudicating between efficient, productive, and non-speculative uses of financial resources, and inefficient, unproductive, and speculative ones. Sound banking principles, abstracted from their socio-political context, could also be understood as the rules and regulations that relevant actors develop in order to stabilize the business of banking and ensure it follows ethical standards (Lovell 2009). I submit that the importance of sound banking principles lies elsewhere. It lies in the work they do to enforce shared understandings of what uses are appropriate for financial instruments.

Sound banking principles are devices to create collective commitments. Schumpeter implies this much as he argues that bankers must retain some distance from the entrepreneurs they finance because of the importance of impartiality in their judgments, and because in finance, “judgment [is] difficult and temptation strongest.” Given the “critical, checking, admonitory function” (1939:118) with respect to credit exercised by the banker, bankers must use intrusive screening practices; they inspect the customer, probe the soundness of the customer’s judgment, assess the credibility and viability of the customer’s propositions – and this is not a one-time decision, as bankers continue exercising this admonitory function “from the cradle to the grave,” as Gerschenkron (1962:14) had it in his memorable description of the German banking system. But later in his argument, Schumpeter adds that the impartiality of bankers in assessing business propositions cannot simply be a function of superior knowledge. Rather, it flows from what he defines as “intellectual and moral qualities” that the banking profession as a whole must nurture within its own ranks. These intellectual and moral qualities represent a “very high mark” that bankers violate not only at their own peril, but with deleterious outcomes for society as a whole. Schumpeter then argues:

In the case of bankers … failure to be up to what is a very high mark interferes with the working of the system as a whole. Moreover, bankers may at some times and in some countries, fail to be up to the mark corporatively: that is to say, tradition and standards may be absent to such a degree that practically anyone, however lacking in aptitude and training, can drift into the banking business, find customers, and deal with them according to his own ideas. In such countries
and times, wildcat banking – incidentally, also wildcat theory about banking – develops. This in itself – whatever the legal rules about collateral and so on may be – is sufficient to turn the history of capitalist evolution into a history of catastrophes. (1939:117)

By discussing a case that negates sound banking, or what he calls “wildcat banking,” Schumpeter better delineates the kinds of processes he sees as characteristic of “traditional” or conservative banking. Conservative bankers apply sound banking traditions that lead them to thoroughly inquire about the nature of what is being financed, with an eye to controlling not only the single financial relationship thereby created, but the meanings and expectations attached to similar financial transactions too.\(^1\) Conservative bankers can only meet this “high mark” corporatively, for when members of the profession begin dealing with customers according to “[their] own ideas,” when “tradition and standards” dissipate, the banking system opens up to instability. It opens, more specifically, to wildcat bankers, who are more cavalier than sound bankers, to put it mildly, in their financing decisions. To the conservatism of sound bankers, wildcats oppose a vision of financial innovation and expansion.

Schumpeter’s analysis rightly shifts to the systemic level: sound banking is a moral aspect of banking that characterizes the profession as a whole, whose impact can be best recognized when the system lacks it. This distinction between “sound” or “conservative” banking and “speculative” or “wildcat” banking, to use Schumpeter’s terms, no longer support a more superficial, individualistic reading—as if it were merely the result of differences in how bankers go about financing outsiders—but engages with questions of collective action. Accordingly, the effectiveness of sound banking principles no longer appears to be a result of how well the principles fit an economic reality. Rather, as political compromises among potentially rival banking factions, the primary goal of sound banking principles is to stifle the emergence of alternative sources of credit, or uses of credit that has already been issued, that do not correspond to the creditor’s intents. What makes sound banking principles crucial to the workings of the banking system, then, is that they justify certain practices of credit allocation, while impeding others; that they stabilize relations among financial firms; and ultimately, that they create boundaries between insiders and outsiders, between deserving producers and users of a given set of “currencies” or financial instruments, and undeserving ones—such as speculators or unsophisticated victims of financial predators. It is, in short, the relationship between sound banking principles, and the social relations that tie bankers to one another, that determine the durability and stability of financial arrangements.

Closer attention to Schumpeter’s description of the tension between banking conservatism and wildcat banking, moreover, reveals a dynamic aspect to the business
of banking. Schumpeter’s insight is that it is through cultural forms and moral solidarity that conservative bankers exercise dominance within the banking system, and that both cultural forms and moral solidarity are levers to control access to the banking system, namely, to impede a situation where “practically anyone, however lacking in aptitude and training, can drift into the banking business, find customers, and deal with them according to his own ideas” (1939:117). As a result, conservative banking—banking based on sound banking principles—refers not merely to good or better ways of doing banking, but to the ability to construct different kinds of experiences around the uses of different kinds of “monies,” experiences that exclude the undeserving while energizing the creditworthy. Conservative banking, that is, produces credit instruments steeped in banking tradition, instruments that indicate austerity and thoroughness, competence and thoughtfulness, strict adherence to prudence and principles. These moral and cultural earmarks serve to give shape to the circuits of money that are generated through the lending process. Because bankers are subject to collective action dilemmas, conflict—and the strategies certain banking factions devise to manage it—becomes central to our understanding of finance. So does the role of wildcat bankers, for they always loom in the background—ready to articulate new understandings about how credit should be managed, and importantly, ready to organize new constituencies of outsiders through the new methods they devise. Once wildcat practices spread to the core of the banking system, financial instability increases, as creditors and borrowers systematically transgress the boundaries through which credit was previously allocated. Schumpeter’s sociology of bankers allows us to see the centrality of bankers to processes of status-group formation in the context of a capitalist economy, as well as to specify a cultural mechanism through which status-groups can potentially dissolve.

CONCLUSIONS

Rather than taking at face value the myths of fungible money, banking as intermediation, and creditworthiness as individual and objective trait, we should recognize them as contingent claims articulated by banking factions that strive to impose collective commitments on a larger banking community. The myths, that is, should be both historically specific, and driven not by pressures to rationalize credit, but to create stable political alliances (Fligstein 1996, 2001a, 2001b).

One of the important implications of this argument is that attention to financial conflict should at least complement analyses of the political and institutional conditions within which banking takes place. Bankers struggle among one another in order to control the instruments they issue, and against other organizations to keep them out of the business of creating financial instruments. They search for legitimacy in sound or conservative banking principles. When those sound banking principles fail to create solidarity among bankers, speculation or wildcat banking
increases. This sets the stage for the search, on the part of conservative bankers, of new sound banking principles, but in the process, renders the financial system unstable, perhaps even dooming it to systemic failure.

Financial conflict will thus have its own dynamic, but how external conditions affect it is of great analytical (and empirical) importance too. Particularly crucial is the role of the state. When its expands its fiscal and financial reach, the state tends to become increasingly open to social demands—as it acts like neither “autonomous actor” nor “passive place,” but “active place,” to use Michael Mann’s (1993:53) felicitous expression. States with democratic regimes, by this logic, are particularly prone to undermining the exclusionary categories of creditworthiness through which conservative bankers attempt to control the process of credit creation. The more the state becomes open to societal interests, the more the budget serves to subvert the existing earmarks, boundaries, and exclusionary systems built around the allocation and circulation of credit, and the more likely it is that speculation and wildcat banking will take hold. The paradox of the democratic state is that it becomes itself vulnerable to financial speculation, more so than when the politics of the budget unfolds in more authoritarian settings. Sociologists of the caliber of Pareto (1968; Pareto and Powers 1984) recognized in this dynamic a contradiction of democratic systems.

A sociology of financial conflict, in sum, opens up the analysis of finance to new questions: to what extent will the principles of sound banking, that regulate and discipline the experience of holding different financial instruments, enhance the cohesion of conservative bankers? Sound banking principles, in fact, will not always succeed at increasing solidarity within the financial field; whether, and to what extent, bankers will organize around them, to see each other as members of a collectivity, their actions thus becoming concerned with the reproduction of the collective interests of the banking community, is an empirical question. Under what conditions, then, do conservative bankers succeed in institutionalizing sound banking principles? Under what conditions do wildcats gain the upper hand, opening up the field to previously excluded outsiders, thus tilting it towards speculation? And finally, which coalition tends to be more stable—that of conservative bankers, or that of wildcat bankers? Both the differentiation of money and the intensity of the conflicts that characterize the financial system affect the likelihood that sound banking principles will succeed in focusing the collective attention of banking actors on common identities, through which these bankers can cooperate. Further, it is an empirical question as to how these processes will interact, and what outcome these interactions will have on the shape of the financial system.
NOTES

1. This is not to deny the importance of individual credit-debt relations, but to consider them as part of a larger financial vision that bankers use to inform those individual allocations of credit. “Any other manufacturer simply wishes to sell the quantity of product which will yield the maximum net revenue and does not bother about what happens to the units after he has sold them. The manufacturer of balances who wants ‘his money’ back cannot for this and other reasons behave according to the same schema. For him other considerations enter into every transaction with every customer and make of it an individual case, which cannot be dealt with in the same way as the sale of a pair of boots. Moreover, every one of these individual cases is, on the one hand, an element of his relation to the customer which must be viewed as a whole, and on the other hand, an element in his total position which, also, must be watched as a whole. This forces upon him an attitude of reserve, which is entirely absent from the behavior of any other businessman. To be sure, this attitude is not always observed. … [This] is the very reason why there was also plenty of wisdom in the teaching of the so-called currency school.” (Schumpeter 1939: 640)
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In general terms, fair trade represents the trading of goods at a price defined by social needs and considerations rather than by the market (Raynolds 2000:298). Buying a conventional $3 latte in the US provides the producer of the coffee beans with less than two cents (Grodnik and Conroy 2007:86). Even on aggregate this is far below the price necessary for the average producer and his dependants to lead a dignified life. Luckily, “consumers clearly like Fair Trade” (Nicholls and Opal 2005:17) and the market for fair trade goods in Europe and the US has been growing tremendously within the last twenty years, albeit from a minuscule share to a very small share of world turnover. What began as an alternative trade agenda, reserved for fringe political activists willing to go the extra mile to buy goods in Third World shops, has become increasingly mainstream and accessible to the average consumer (Raynolds 2009:1085). In particular, the Fairtrade Labelling Organisation (FLO) has had success with their Fairtrade label in the huge markets for coffee and bananas. This is primarily due to successful marketing campaigns and the introduction of their labelled goods to conventional supermarkets. Also, transnational corporations (TNCs) such as Starbucks and Nestlé have been certified and allowed to use the Fairtrade label on some of their products (ibid.: 1088).

In this essay, I aim to develop a deeper theoretical understanding of why fair trade products have consumer appeal, and what this seeming social consumer conscience can possibly come to mean for the politics of international trade. I view fair trade as
an interesting phenomenon that has the potential to progressively challenge how we, as individuals, conduct ourselves in everyday life and what we conceive as political. At the same time, fair trade has a very direct effect on the livelihoods of the involved producers because they receive better prices for their goods. Thus, on one hand, the introduction of the Fairtrade label in supermarkets has been lauded for helping to overcome the problem of caring at a distance in the globalised economy, all the while the increase in market share means more producers can be included (Watson 2005:216). But this mainstreaming of the label has also been criticized for being overly pragmatic and allowing a marketisation of the political fair trade movement that serves to dilute its potential for transforming the current unequal terms of international trade (Boersma 2009). In this essay I aim to discuss this tension and assess whether the two agendas can be progressively combined in transforming the international trade system or are at odds.

To inform my analysis I will employ a number of theoretical points forwarded by Antonio Gramsci and academics inspired by him. I will argue below that Gramsci’s concepts of hegemony, war of position, and trasformismo (Marks 1957) are useful when analysing the fair trade movement within the current marketised neoliberal hegemony. Not only will this perspective help to assess the transformative potential of the aspects of fair trade, it will also help to explain the tensions created by the mainstreamed Fairtrade label and the ensuing fear that the fair trade movement is being co-opted by the current hegemonic order. As such, I hope to answer whether the current manifestations of fair trade can be accurately described as parts of a counter-hegemonic war of position or merely as a new niche good that is to be consumed conspicuously (Veblen [1899] 2001:52). These concepts will be elaborated and discussed in section two and three. In section four, it then becomes possible to advocate a progressive trajectory for the fair trade movement based on the analysis. Therefrom, I hope to advocate a progressive strategy that describes how the fair trade movement can navigate the vagaries of neoliberal hegemony and redefine “the politics of the possible” (Guthman 2007:474).

**WHAT IS FAIR TRADE?**

In order to avoid confusion, a bit of terminology needs to be addressed and clarified. Following Gavin Fridell (2010:458), I will distinguish between the ‘fair trade movement’ and the ‘fair trade network’. The term ‘network’ refers to “a formal system of non-governmental organisations (NGOs) that connects peasants and workers in the South with partners in the North through a system of fair trade rules” (ibid.:458). Historically, this network is part of a broader political fair trade movement with an agenda of an alternative international trading system. The movement aims to achieve market regulation and fairer trade through a plethora of political aktivisms and reforms (ibid.). Much of the newest literature on fair trade discusses two
‘branches’ of the fair trade movement. It can be viewed as a tension between the long-term project of radical transformation of international trade versus a shorter term project concerning poverty alleviation through more conventional, commercial means (Wilkinson 2007:220). Depending on whether you aim to transform or merely ameliorate the current neoliberal hegemony, this distinguishing is important when discussing the fair trade movement’s direction in the future. These distinctions will become important for the following analysis.

Morally and politically motivated consumer behaviour is not a new concept. Boycotting or purchasing specific goods in reaction to political or moral issues has been known since ancient times. Good examples from history are the boycotts during the American revolution and the ‘buy empire’ campaigns in the UK during the 1920s (Trentmann 2007:1082). Nonetheless, the contemporary fair trade movement has developed from a set of ideas stemming from alternative trade movements in Europe in the 1960s that advocated ‘trade, not aid’. They were concerned with global economic injustice and unequal exchange (Raynolds 2000). Then and now, the global economy is viewed as structurally unequal and exploitative, and fair trade is viewed as an alternative with a different pricing mechanism that internalises all costs of production (Boersma 2009:54). Free market supporters insist that free trade, and thereby global free competition, is beneficial in the long run, even for the poorest societies (Krueger 2004). Fair traders would argue, as do I, that competition is too often assumed in free trade literature to be defined as a market where all actors are price takers, whereas supply and demand are both highly price elastic (Mohan 2010:58). A short description of the characteristics of the coffee market will show why this is not applicable.

Firstly, the producers of coffee are monocropping because it increases efficiency and gives economies of scale. At the same time the supply of coffee is extremely price inelastic since a coffee plant takes several years before it yields any sellable produce (Grodnik and Conroy 2007:86). This leads to a cyclic production pattern where producers increase their production capacity when prices rise, resulting in overproduction a few years later, which in turn leads prices to decline and bankruptcies. Having fewer producers results in less coffee and rising prices, and the crisis cycle can then restart (Burnham 2001:110). This is exacerbated by the fact that there are only a few oligopsonistic distributors in the market for wholesale coffee (Watson 2007:274). Thus, the producer is forced to sell his produce at whatever price he is able to obtain. One could argue that this is merely the natural working of the market. However, this actually reflects what Karl Polanyi called the ‘commodity fiction’ regarding the fictitious commodities (land, labour and money). Because labour is not merely a factor of production; price and supply volatility has severe human and social consequences when producers and their dependants perish along with their
businesses (Polanyi [1944] 2001:76). I argue that it is this concern about trade that historically lies as the foundation of the fair trade movement.

Thus, it was concern for the dehumanising consequences of free trade that initially led European activists to start selling products directly from the third world in Europe. But the selling of fair trade products was initially the means, not the end. Instead, the products served to educate and make consumers aware that consumption can be political, and secondly that they should demand political reform of the unequal institutional structures of the world markets (Fridell 2009:85). The movement got a more formal expression through the fair trade network when the certified fair trade market was created with the Max Havelaar brand in Holland in 1988 (Boersma 2009:54). In 1997 a number of certifications and labels was harmonised through the Fairtrade Labelling Organizations International (FLO) and this certification was gradually spread internationally so that FLO in 2007 had 20 national labelling initiatives in 21 different countries (Raynolds and Long 2007:16). For a product to use the Fairtrade label it must adhere to a number of trading and production criteria. They are:

- That a price that covers the true costs of production is paid to the producer
- That a social premium reserved for local development and capacity building is part of the price paid
- The possibility of partial payment in advance to avoid producers indebting themselves
- Long-term contracts, and trading based on personal relationships and trust that allow for stability and planning
- That all producer co-operatives are democratic and participative
- That plantations and factories provide ILO approved labour standards and decent wages to their employees (Tallontire 2006:40)

Although FLO Fairtrade certified sales only represent 0.01 per cent of total food sales, the label must be characterised as a huge success. Between 1998 and 2007 total sales worldwide have grown by 40 per cent annually (Mohan 2010:28). With this success of the Fairtrade label, a tension within the fair trade movement is developing concerning the future trajectory of fair trade. As FLO experienced increased commercial success, it became increasingly apparent that, for the growth to continue, access to larger and more effective means of distribution was necessary, which lead to FLO’s decision to cooperate with TNCs and conventional supermarkets such as Starbucks, Nestlé, Tesco, and Sainsbury’s (Wilkinson 2007:231; Boersma 2009:58).
Although these corporations do fulfil the certification criteria, their commitment to the fair trade ‘movement’ is minimal at best. Their logic is still steered by the ‘shareholder interest’ and the bottom line, rather than ‘stakeholder interest’ and the social relation to Southern producers (Fridell 2009:87). Through the inclusion of TNCs in the fair trade network, the fault-lines in the movement between the radical transformative agenda and the more pragmatic agenda of commercial poverty amelioration become apparent. The question below is therefore, whether this transformative agenda can survive affiliation with the very market that it hopes to transform?

SMITH, VEBLEN, AND GRAMSCI: WHAT RELEVANCE IS THERE FOR FAIR TRADE TODAY?

Karl Polanyi ([1944] 2001: 56) lauded Aristotle for his distinction between householding proper (oikonomia) and money-making (chrematistics) (see also Watson 2005:28). Similarly Karl Marx denoted the same shift as a general change from a non-capitalist society, were the value form in the economy changes from the commodity form into money and back into commodities bought for consumption (C-M-C), to a capitalist society that moves from the money form into commodities and back into the money form in order to make more money through profit (M-C-M'). With the commodity fetishism that delinks a commodity’s use value from its exchange value, this relentless profit seeking has become an imperative in capitalism that drives us to generally conceptualise products in terms of exchange value in the realm of chrematistics (Sayer 2003:345). Thus, most economists assume that consumers are self-interested and rational, utility maximizers when deciding what products to spend their limited monetary resources on (Mohan 2010:35). But in order to explain the consumption of fair trade, the concept of utility needs to be expanded to include forms of utility besides functional utility.

Andrew Sayer (2003) and Matthew Watson (2007), who both take Adam Smith’s thinking as the outset, discuss this expansion aptly. Although commodity fetishism in a marxist sense does occur, Sayer argues that, in order for a product to make sense as consumption, the individual must “decommodify products and actually use them, in a way that conveys meaning and identity” (Sayer 2003:346). Given the narrative of fairness and social responsibility that surrounds fair trade coffee, the consumer is able to attribute fair trade coffee with symbolic value beyond the functional value of the coffee itself through this decommodification. Watson explains how the individual through the mirror of society is constituted as a moral individual through other peoples’ reactions to our actions (Watson 2005:211). Thus, the individual might very likely buy fair trade coffee because he or she believes that it is the moral thing to do. However, this moral inclination is only meaningful in
the context of society – the product in itself does not convey any moral obligation (Watson 2007:266).

Here, Thorstein Veblen’s concept of conspicuous consumption becomes relevant. Conspicuous consumption is consumption for the purpose of invidious comparison. He writes, “Conspicuous expenditure … must be an expenditure of superfluities. In order to be reputable it must be wasteful” ((Veblen [1899] 2001: 72), see also James 2000: 32). But the ‘instinct of workmanship’ prohibits the individual from conscious, conspicuous consumption. He must still believe in his expenditure’s usefulness given the current customs and his subjective view of the good life for it to be an acceptable ‘wasteful expenditure’ (Veblen [1899] 2001: 72). Thus, I argue that although Watson is most likely correct, when he writes that consumers buy fair trade because they feel morally obliged (Watson 2007:264), the form of usefulness accredited to fair trade might nonetheless be socially constituted as a social vogue or custom, that is unrecognised as such by the consumer (Veblen [1899] 2001:75). Therefore, buying fair trade by no means necessitates any form of deeper political awareness or critique of the structural make up of international trade even though it is not ruled out. This, I would argue, is supported by Watson who goes one step further and shows how the consumption of fair trade goods in favour of conventional goods is not an act of justice (public duty) because it does not right an evil; rather, it is an act of beneficence (private virtue) because it is an act in the absence of good (Watson 2007:284). Therefore, the consumption of fair trade does not necessarily imply that the consumer considers the politics of consumption in any meaningful way.

These points have immense importance when trying to understand the fair trade movement as a political project. Whether consumers of fair trade actually become more politically aware and critical of the status quo when they buy Fairtrade is important. Especially at the more radical end of the spectrum in the fair trade movement, since fair trade goods are the means, not the end. Instead, their involvement with the current neo-liberal hegemony have been justified by reference to the agenda of long-term transformation of international trade, which is something that Fairtrade goods ideally should help to bring about (Boersma 2009). This leads to the fruitful inclusion of some of Antonio Gramsci’s analytical points of the ‘war of position’ and ‘passive revolution’ in fascist Italy.

While remembering that Gramsci should never be applied completely delinked from his historical context, his concept of hegemony can be very helpful when analysing the transformative agenda of the fair trade movement (Morton 2007:15). Machiavelli’s centaur inspired Gramsci’s concept of power; it is half man, half beast. Thus, power is exercised through a combination of persuasion and coercion. He-
Hegemony is then the organisation of society through domination by consent and ideology rather than force or coercion (Simon 1991:22; Cox 1983:164). In Italy, an ‘organic crisis’ made room for the fascists to seize power by having built alliances between the petty bourgeoisie and the landed class against the labour class (Morton 2007). Supplanting the notion of hegemony to today, the current hegemony that fair trade aims to challenge can be described as a neo-liberal world order dominated by transnational capitalism and profit maximisation (Cox 1986:211). Further, inherent to capitalism is a continual struggle over the extension of commodification of society (Chase-Dunn 1989:35), which is reflected in the neo-liberal ideology that aims to devolve social responsibility from the state to the individual through the market (Guthman 2007:457). The transnational elites forge alliances with, and give concessions to, the subaltern classes. Thus, the labour class and other subaltern groups that do not have an objective interest in the current order are to believe, through an ideology expressed in universal terms as ‘common sense’, that the current hegemony is in their best interest or that it is at least legitimate (Cox 1983:168; Gramsci 1957:90; Sassoon 1982).

Gramsci was a thinker of political struggle and was concerned with bringing about the hegemony of the labour class. A war of movement (i.e. revolution) is not an avenue for success since ‘the integral state’ (a concept that incorporates civil society along with the state as government) believes in and reifies the common sense of the given hegemony. Gramsci recommended a long-term war of position instead. The war of position should aim to imagine an alternative social order, and aim to educate the subaltern classes, thus helping them to realise that their class interests would be better served by an alliance with the labour class instead of the capitalist class. The labour class would then be able to seize power with the support of the subaltern classes and instate worker hegemony as well as a new solidary mode of production (Jones 2008:216; Simon 1991:25; Cox 1983:165). Although the fair trade movement does not necessarily seek worker hegemony, they did, at least initially; seek a transformation of the current world order through a war of position.

Hegemony is not static; instead the dominant groups continually exercise it. Alliances and the redistribution of resources are continually adjusted to ensure continued dominance by consent. Part of this staying in power happens through trasformismo, which is the co-opting of new movements in civil society that, in some ways, initially challenged the current hegemony. These movements are instead integrated in the current common sense through minor political concessions that allows them some modicum of success, but still ensures the dominant interests of the ruling class. Gramsci calls this continual pacification of counter-hegemonic movements ‘passive revolution’. The war of position that is counter-hegemonic and tries to create alternative institutions within civil society is thereby different from a reform-
ist agenda of passive revolution that tries to secure incremental gains within the existing hegemony. The difference is aptly exemplified by the difference between a revolutionist Marxist agenda and a reformist social democratic agenda (Simon 1991:25; Cox 1983:165).

WAR OF POSITION OR CONSPICUOUS CONSUMPTION?

Following above, the tension between the radical transformative agenda and the more pragmatic agenda of commercial poverty alleviation gains importance. The fair trade network has undeniably had success creating mainstream attention around fair trade and has managed to push TNCs trading coffee and bananas to adopt more labour friendly sourcing policies in exchange for certification (Robinson 2010). Also, celebrities, such as Chris Martin from the rock band Coldplay, have been introduced as ambassadors for the agenda (Goodman 2010:113). For the poverty alleviation branch of the fair trade movement, this development of the fair trade network is not problematic; rather it is a sign of immense success. But I would argue that this success is part of a passive revolution where the fair trade network’s demands are met to a certain extent by TNC’s in exchange for fair trade certification that can be used commercially (Fridell 2009). Thus, larger sales, increased media attention, and an increasing number of certified TNCs increases the number of producers that can benefit from the network’s efforts, which is something that undeniably has very concrete effects towards empowering Southern producers in their everyday lives (Wilkinson 2007:233). Therefore, the network becomes embedded in the existing structures of hegemony and in return receives some concessions that albeit do not transform the TNCs or the international terms of trade fundamentally. In this perspective Sushil Mohan (2010:43) would be correct in arguing that fair trade is not in opposition to free trade as currently construed under the WTO; rather, Fairtrade labelled products represent a niche market that consumers can choose to engage in, if they find it attractive or meaningful.

But this development is not unambiguously positive for the entire fair trade movement. According to Francisco Vander Hoff Boersma (2009), who is one of the founders of Max Havelaar and subscribes to the transformative fair trade agenda; poverty is not the problem. The problem is the irrational accumulation of wealth in international trade. Fair trade is not a crutch, meant to help uncompetitive producers; instead, fair trade aims to transform the very market relation. Fair trade is not a niche market – a premium product for which some consumers are willing to pay more. In this perspective, fair trade is a utopian project of market reform and social responsibility. It does not aim to co-exist; it aims to transform (ibid.:54). From this follows that fair trade is in opposition to the free trade ideology and the established order since it is the very core of international trade and consumer behaviour that is challenged.
Following Boersma’s take on fair trade, the current development of the fair trade network vis-à-vis a war of position is also problematic because it not only is co-opted through trasformismo, it also serves to reify the current form of government through governance, something that is characteristic of the neoliberal hegemony (Guthman 2007:466). The fair trade network provisions represent a shifting of social responsibility from the state (as government) to the market that is embedded in civil society (Raynolds, Hurray and Heller 2007:148). In Gramscian terms, power and government is still within the integral state but the focus of the exercised domination is increasingly made invisible as it becomes diversified and narrated in terms of the market imperative and its generalised common sense (Cox 1983:168; Fridell 2010:466). Morals are inserted into consumption through a discourse of privatised responsibility, what Foucault called bio-politics (Goodman 2004:910; Boersma 2009:52). More significantly, the fair trade network is an attempt to ameliorate negative consequences that stem from the structure of international trade – not from the actions of individuals per se. Julie Guthman describes this as a devolution that creates a discrepancy in scale, since the social regulation of the market is to be conducted at the scale of the individual consumer instead of restructuring how trade is conducted internationally and in the WTO (Guthman 2007:472). Also, inherent to the market is the fact that one must have something to sell in order to succeed and prosper. Therefore, the fiction that the market can provide for the weakest is still a fiction in fair trade. The Fairtrade label has indeed become a niche strategy. Those who “have nothing ‘marketable’ to sell to the North, be it a story, a particular aesthetics, or a more material sort of good that consumers can take home with them” (Goodman 2010:115) are still left to fend for themselves under circumstances of unequal exchange that remain unchanged.

But these considerations aside, can the fair trade network not be commended for empowering the consumer in the face of neoliberal hegemony? Following previous points raised about conspicuous consumption and the Smithian conceptualisation of consumption of fair trade as beneficence, my answer would be no. Although buying fair trade is objectively better for the Southern producers than not buying fair trade, it does not imply any degree of consumer empowerment. This is so precisely because a moral act that is conduced by a social custom or vogue unrecognised by the consumer does not amount to political intent. The fact is that for any transformative agenda to make sense within the fair trade network it is immensely important why consumers buy fair trade. If they do not consciously decide to support an alternative world order when they buy the fair trade product, but instead are merely driven to an act of beneficence through their passions (Watson 2005:220), then nothing has been achieved politically towards the war of position. No pressure will arise for a general reordering of the world order (Cox 1981). In this sense,
buying fair trade is rather conspicuous consumption, in a Veblenian sense, for the sake of invidious comparison.

From this also follows that the fair trade movement should return its focus to the state and the political arena rather than the market, for one must ask whether a truly counter-hegemonic movement can have its foundations in the very core of what it aims to transform? Gramsci’s answer is clear, reforms are not the solution, instead, alternative institutions must be build within civil society that present genuine alternatives to the subaltern classes (Gramsci 1957:97). Furthermore, he emphasises that the counter-hegemonic movement must be vested in the national-popular (Simon 1991:61) and that an emergent counter hegemony must find its foundations in national contexts before it can hope to bring about a change of the world order (Cox 1983:174).

THE WAY FORWARD FOR FAIR TRADE

I have argued above that the fair trade network has been decidedly co-opted by the neoliberal market hegemony. But I do not mean to argue that the fair trade movement should leave the Fairtrade label behind; rather, the struggle against co-optation is an integral part of the war of position. The fair trade movement must remember that no transformation will be achieved as long as the network’s commercial agenda dominates the movement. Further, the success of the network has been coinciding with a general decline in the success of the fair trade movement and its demands for an alternative economic order (Fridell 2010:458). It is apposite that this development is turned around and that the movement constitutes itself within and beyond the fair trade network as described below.

Less pragmatism concerning certification must be created, something the International Fair Trade Association (IFAT) already reacted upon in 2004 at the Mumbai World Social Forum by introducing a certification scheme that certifies producer organizations rather than individual products, as is the case in FLO. This would deny corporations such as Nestlé and Starbucks use of the label unless they engaged in fundamental reform (Wilkinson 2007:236). These reforms would entail a change of business model from profit maximisation in the interest of their shareholders to social considerations of propriety and dignity for all involved. Given FLO’s Fair-trade label’s commercial success (as described above) and possible consumer brand loyalty, such a step would not only ameliorate some of the critique raised above, but also raise the pressure on TNCs for further reforms.

This move should be followed by a redoubled effort to affect the WTO agenda and push for structural reform. It is important to remember that consumption is only consumption and does not carry any political agenda by itself; rather it should be as-
sumed that consumption is apolitical unless it is actively embedded with a political project and identity. Simply arguing that consumers that buy fair trade are political does not suffice, as has been shown above. Therefore, insisting that consumers are continually informed of the political reasons for the necessity of fair trade is of great importance. They are not being informed at the moment; rather, Fairtrade products are marketed as high quality premium goods with a feel good factor on top (Goodman 2010). The political agenda must not become secondary to commercial considerations about market shares. Fair trade products do not make free trade work for the poor, although it might seem like it; it merely treats the symptoms. Thus, fair trade must attempt to bridge its inherent tension between being a phenomenon that in its very conception is a neoliberal devolution of regulation, yet aims to transform this very order. A return to statist policy advocacy as the mainstay of the fair trade movement is therefore crucial if the fair trade network is to be bridled and the commercialisation of the movement avoided. Before summing up and concluding, I will therefore argue that the fair trade movement can only constitute a war of position, if it is able to transcend the looming fiction that conspicuous consumption can lead to radical reform. It is not a question of hegemony or non-hegemony, it is a question of what hegemony (Joseph 2008:79), and we should aim to change it into a better and more socially inclusive version.

CONCLUSION
In this essay, I have critically analysed fair trade society in order to assess whether the movement can be characterised as a Gramscian counter hegemonic movement in a war of position. The fair trade movement is split between a radical agenda seeking a solidary transformation of the international trade system that ensures an empowered life for Southern producers, and a more reformist agenda seeking poverty alleviation through the sale of fair trade products with a social premium within the boundaries of the existing hegemony. It was argued that the balance between these two agendas has tipped decidedly in the favour of the reformist agenda with the immense success of the FLO Faitrade label. In a Gramscian perspective, this gives rise to concern about a co-optation through trasformismo of the fair trade movement's transformative agenda. I argued that the move into corporate social responsibility and increased pragmatism concerning fair trade certification are clear signs that such a co-optation is taking place. After a theoretical discussion of some of Adam Smith and Thorstein Veblen's thinking concerning the moral and social consumer, I argued that merely consuming fair trade is not inherently political. It takes a conscious political decision beyond the consumption decision to justify claims that fair trade consumption serves a transformative agenda beyond conspicuous consumption. This is in spite of the fact that the consumer might very well feel that they perform a moral act when buying fair trade. Therefore, I recommended that the radical agenda within the fair trade movement must reassert its influence over the fair trade
network and the Fairtrade label. They must insist on less pragmatism concerning Fairtrade labelling so that TNCs unwilling to reform are decidedly ostracised from the network. They should ensure that the commercial agenda remains secondary relative to the transformative political agenda. Furthermore, the movement must redouble its political efforts beyond the market, while also returning to the orthodox statist realm of international political economy by lobbying and protesting in the WTO. These initiatives are crucial if the fair trade movement is to avoid complete co-optation by the current hegemonic order. This can prove increasingly difficult since the success of the Fairtrade label is exactly based on the very hegemony that the movement hopes to challenge. Insisting that the most successful initiative within the fair trade movement is not unambiguously good for the long-term strategy of the fair trade agenda will be hard, especially if TNCs and other commercial interests are allowed a say in the debate. I therefore have serious doubts that the passive revolution will be averted, but counter-hegemony has never been easy; at the very least the fair trade agenda has widened the politics of the possible.

NOTES

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How did the housing market become ‘irrationally exuberant’ (as Alan Greenspan (in)famously dubbed the force behind undue inflation of asset value)? And who is to blame? The answers to these questions, I suggest, are closely intertwined, if not in fact identical: (through) rhetorical circulation; more specifically, the circulation of property as a coveted ideal, on the one hand, and of responsibility as the passing buck, on the other. The centrifugal forces of desire and unaccountability, in turn, establish ‘the market’ as an independent, collective agent (Lee and LiPuma 2002:196) and foreclose both public and internal scrutiny of and deliberations about market developments (Kaplan 2003:489).

In making and exploring these claims, I rely on a merger of theories of economics and communication that centres upon the notion of performative circulation. That is, signs and symbols circulate in society in much the same way as goods and assets (Chaput 2010). And markets are performative in much the same way as speech acts (MacKenzie, Muniesa and Siu eds. 2007). Value – economic or otherwise – is constituted through its articulation and circulation. The main argument of the paper is theoretical and is unfolded in three steps: first, the notion of performativity of markets will be discussed. What does it mean to say that markets are performative? And what different conceptualizations of performativity are there? This first and longest part of the paper will establish the theoretical basis for viewing market for-

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formation as rhetorical circulation. On this basis, the notion of rhetorical circulation will then be discussed along two lines: affectivity and responsibility. The second part of the paper discusses how affect is both the driver and the outcome of processes of circulation. And the third part deals with the consequences of viewing market formation as rhetorical circulation, including the detachment of markets from individual human agents and the concomitant loss of control and displacement of responsibility. While the discussion of performativity of markets is concerned with general theories of market formation, the introduction of the notions of affectivity and responsibility gradually moves the discussion towards the more specific issue of the housing market. The paper ends with the presentation of an analytical framework for studying the rhetorical circulation in and through which the housing market is formed, thus pointing the way to answering the question of who owns the housing bubble.

THE PERFORMATIVITY OF MARKETS

How are markets created, maintained, and developed? As social and cultural studies of market formation have come to supplement classical economic approaches to markets, these questions impose themselves more and more forcefully. The emphasis is increasingly moving from the study of markets as stable entities to investigations of market formation as dynamic processes. The construction of markets, and the economy more generally, is, as Koray Çalışkan and Michel Callon put it, “… an achievement rather than a starting point or a pre-existing reality that can simply be revealed and acted upon” (2009:370). While the insight that markets may be organized and run in a number of ways is not revolutionary (Callon 2010:163), taking it not only as a basic – and often implicit – starting point, but also the objective of investigation does have some important consequences for our understanding of markets. I shall return to these consequences, but first I will unpack the theoretical underpinnings of the turn to market formation. I briefly consider the sociology of markets in a broad sense, and then turn to the more specific approach of performativity of markets and its roots in speech act theory.

FROM MARKETS TO MARKET FORMATION

Beginning from the assumption that market formation is a dynamic process, the sociology of markets can be broadly defined as dealing with the structuring of social exchange under conditions of capitalism. Neil Fligstein and Luke Dauter identify three main groups or approaches within the sociology of markets that are distinguished from each other through the different mechanisms with which they explain the emergence and continuous dynamics of markets: networks, institutions, and performativity (2007:106-7). These three approaches all partake in the turn to market formation as a social and relational process, and it may be more fruitful to introduce the general research programme by focusing on what unites the ap-
proaches rather than on how they differ. Thus, all three perspectives are interested in the relational structures that constitute markets, although this issue is most thoroughly addressed by the network approach. Similarly, processes of institutionalization that either function to make markets similar to or distinct from each other are not just of interest to the institutional approach, but also figure in the other two explanations of market formation.

The perspective of performativity, however, is quite unique in that it integrates not only human actors, but also objects, artefacts, techniques and ideas into the study of market formation as processes of networked institutionalization. In arguing that the available interpretive tools influence how markets are constituted, the concept of performativity is presented as the fulcrum of a critique of and corrective to other sociological explanations of market formation (Fligstein and Dauter 2007:107-8). Thus, the performative approach promises to resolve issues of agency that are absolutely central to our understanding of market formation: who and/or what is capable of making markets (Çalişkan and Callon 2010:10)? For this reason, I believe that the concept of performativity holds potential as the centrepiece of an encompassing theory of market formation; one that takes the complexity of empirical processes of market formation into account and is able to incorporate elements from various other approaches into the explanation of these processes. But what is performativity?

FROM SPEECH ACT THEORY TO PERFORMATIVITY

In recent years the notion of performativity has received increased attention in the social sciences as well as the humanities, and the concept has been developed in several directions. In the following I shall first provide a brief sketch of the common ground that various current theories of performativity find in (the critique of) J. L. Austin's speech act theory. In so doing, I present two alternative conceptualizations of performativity: Gilles Deleuze and Félix Guattari's understanding of performativity as redundancy, on the one hand, and Jacques Derrida's claim that performativity is reiteration, on the other. Then, I introduce Michel Callon's notion of performativity as performation that is central to the theory of performativity of markets (and begins from Deleuze and Guattari's version of performativity), and subsequently I present Judith Butler's understanding of performativity as subjection that forms the basis of a critique of Callon's work (and is mainly inspired by Derrida). Callon and Butler have recently engaged each other in critical dialogue, wherefore I end this section with a review of the debate between them. This will prepare the ground for the introduction of the idea of market formation as rhetorical circulation.

The basic tenet of speech act theory, as first developed by Austin, is that language is performative in the sense that speaking is not just an act of representing or con-
veying information, but also of intervening in or creating the world – as the title of Austin's famous series of lectures makes clear, the issue is 'how to do things with words' (Austin [1955] 1976).³ Austin divides speech acts into a locutionary aspect, an illocutionary force, and a perlocutionary effect. The locutionary aspect refers to the act of conveying meaning, as when taking the utterance 'it's cold in here' to be nothing but a statement on the room temperature. The illocutionary force is that which happens in and through the saying, as when the person, to whom the utterance 'it's cold in here' is directed, gets the message (although, in this example, it may be ambiguous what that message is, as the introduction of perlocutionary effect makes clear).⁴ Perlocutionary effect lies outside of the utterance, as when the information that it's cold causes the interlocutor to close the window (was the message, then, 'it's cold' or 'close the window'? And has the interlocutor understood it as the speaker intended it?) (Mey 2001:95-6). The main point is that all utterances are locutionary as well as illocutionary, and that they may have perlocutionary effect. This co-existence or simultaneity may mean that it can seem unnecessary to uphold the distinct categories, but, as we shall see, the distinctions and the way they are treated are quite important for the establishment of various versions of performativity.

Deleuze and Guattari, for instance, focus on the illocutionary force or what they term “the immanent relations between statements and acts” in order to argue that communication is not conveyance of a message, but the acting out of the message (1987:77). This is speech act theory in the radical form in which saying equals doing, and illocutionary force is seen to contain and explain performativity (Deleuze and Guattari 1987:78). This, however, does not lead Deleuze and Guattari to suggest that speech acts create something out of nothing; rather speech acts – or agencements (statement-act assemblages) as they prefer to call them – are theorized as redundancies.

This leads to privileging collective assemblage over individual enunciation:

[W]hat comes first is not an insertion of variously individuated statements, or an interlocking of different subjects of enunciation, but a collective assemblage resulting in the determination of relative subjectification procedures, or assignments of individuality and their shifting contributions within discourse. (Deleuze and Guattari 1987:80)

Although acts are conceived as being internal to statements, the relationship between individual acts and statements is folded into an established order of subjection and dominant signification (Deleuze and Guattari 1987:79).
Whereas Deleuze and Guattari begin from the notion of the illocutionary performance, the statement that is act in and of itself, and go on to inscribe the performative in the collective process of agencement, Derrida builds his notion of performativity on an explicit critique of Austin’s speech act theory. Specifically, Derrida criticises the idea that the illocutionary force of an utterance may be purely performative and create what it names. He counters this position with the claim that speech acts are not in and of themselves constitutive of social reality (Derrida 1986:7-8). The performative utterance, in Derrida’s conceptualization, functions through a reference back to or a repetition of already established forms:

Could a performative succeed if its formulation did not repeat a ‘coded’ or iterable utterance, or in other words, if the formula I pronounce in order to open a meeting, launch a ship or a marriage were not identifiable as conforming with an iterable model, if it were not then identifiable in some way as a ‘citation’? (Derrida 1988:18)

To Derrida the performative power of an utterance stems not from its original or unique and creative force, but from its reliance on and repetition of existing modes of articulation. Here, performativity is conceptualized as representation or reproduction rather than direct or unmediated productive action.

Derrida seems to agree with Deleuze and Guattari that processes of articulation rather than specific utterances are the main sites of performativity. Both conceptualizations present a critique of the notion of the autonomously and intentionally acting subject that underwrites the original speech act theory (Bearn 2000). However, they diverge on how we should understand the process of performativity. Deleuze and Guattari, on the one hand, conceptualize performativity as redundancy and see it as a dynamic process of connection and contextualisation (1987:126-27). This leads to a radicalization of the notion of performativity as contextualized action; with the concept of the agencement the actor becomes inscribed in the statement that is action, there is no ‘outside’ from where to speak (Phillips 2006:109). Derrida, on the other hand, moves from the notion of reiteration to an understanding of the performative process as decontextualised, dislocated from its origin (Hall 1999:185). This implies that we must abandon the idea that the utterance creates what it names – that speech and action, interpretation and context are ever identical. Instead, Derrida posits that performativity is based on the separation rather than the unity of the speaker and the statement-as-act, a position that leaves the speaker ever gesturing to or (re-)tracing pre-existing performances. Rather than being original or originary, statements are caught up in representation and delegation – deferring from rather than establishing unity (Derrida 1986:10).
The notion of performativity is both rich and contested. From the common starting point in speech act theory and the agreement that this theory must be revised in order to fully account for how language – and communication or meaning formation more generally – may be seen as action, various theories of performativity have been created. Let us now turn to the question of how performativity has been applied to market formation, and then move to the discussion of the merits of this approach.

PERFORMATIVITY AS PERFORMATION

The performativity of markets, as Michel Callon theorizes it, begins from Deleuze and Guattari’s notion of agencement. Callon stresses that the performativity of markets cannot be understood as single or unified actions, but must rather be seen as on-going processes; performativity, to him, is a process of “making happen” (2007:327). Performativity is always already contextualized, and the success of a performance depends on the way in which it makes use of and relates to existing tools for interpreting and creating markets. The study of the interrelationship between economic theories and markets is at the heart of Callon’s approach, but this study is emphatically not based on the idea that “…the economy could be created from scratch by economics” (Callon 2007:327). Instead, Callon focuses on the very relationship between the two – between theory and practice or context and action – as these are established and expressed in socio-technical agencements.

In order to highlight the dynamic interaction between markets, understood as social contexts, and specific configurations of or contributions to processes of marketization, Callon suggests that performation may be a more adequate term than performativity. Performation is defined as a “constantly renewed process” encompassing the recurrent expressions of agencements as well as their possible effects or lack thereof (Callon 2007:329-30). Although Callon is not absolutely consistent in this shift in terminology, the very introduction of performation as an alternative or more precise concept serves to emphasize the point that the process of marketization is never over, that markets never exist as entities, but emerge and are maintained in and through performation.

PERFORMATIVITY AS SUBJECTION

Callon emphasizes that markets are products of power struggles (Çalişkan and Callon 2010; Callon 2010). As Judith Butler has pointed out, however, his theory may be criticized for privileging the outcomes of struggles, rather than the actual struggling (Butler 2010:152). Butler uses Derrida’s idea that performativity lies in the conformity rather than the novelty of speech acts as a starting point for raising this critique. Rather than seeing performativity as performation, it should be understood as a process of subjection, of being interpellated as socially recognizable subjects (Butler 2003:278). Alluding to Nietzsche, Butler concedes that there
is no ‘doer behind the deed’, but stresses that deeds are always already constrained; they are repetitions of existing social and discursive norms rather than expressions of a unique subjectivity (Butler 1990:181). And, more fundamentally, the subject does not exist independently of the reiterative performances of existing norms, but only comes into being as a subject to norms, through a process of subjectivation/subjection – of being simultaneously constituted and constrained (Butler 2005:25). As Butler puts it, “...it is only through the experience of recognition that any of us becomes constituted as socially viable beings” (2004:2), and this experience is dependent on socially recognizable performance.

Performativity in this sense is the creation of the subject through a reiterative process. However, Butler does not see this process as being entirely confined to conformity. The very distinction between the norm and its repetition, ‘the constitutive condition of difference’, both places a strain on the individual to cite the norm as exactly as possible and creates room for alternative articulations (Butler 2000:41). The point, then, is that the norms and patterns that are reiterated in individual performances are always both enabling and constraining (Butler 1997:162). Subject positions are constituted in and through the tension between possibilities and limitations, within the limits of a norm understood both as a normative standard and a process of normalization (Butler 2004:206). In order to capture this duality of ability and restraint, Butler does not use the concept of performativity as referring to any specific act or its possible effects, but rather defines it as the agential potential of performance (Allen 1998:463-64), as the possibility of action. Performativity should be “...understood not as a singular or deliberate ‘act’, but, rather, as the reiterative and citational practice by which discourse produces the effects that it names” (Butler 1993:2). Here, performativity refers to the conditions of possibility of subjection as such, not to the specific ways in which people play along with or act up against norms.

PERFORMATIVITY AS POLITICS

Performativity is relational and processual; this is where Callon and Butler agree. Whether we focus on markets or subjects, the stability of these entities are disregarded, even denied, and instead their continuous (re-)configuration is emphasized; there is no inward act to accompany the outward performance (Bell 2006:215). In this sense Callon and Butler may be read as providing similar explanations of parallel processes: markets as effects of agencements, subjects as effects of discourse. By drawing attention to the way in which Callon’s conceptualization is shaped by Deleuze and Guattari as opposed to how Derrida figures among Butler’s main sources of inspiration, however, it becomes clear that the two conceptualizations may be alike, but that they are by no means identical. The constitutive condition of difference leaves Derrida to conceive of change as negation, as defined by the impossibil-
ity of overcoming difference, whereas Deleuze (in his collaboration with Guattari and in other works) insists on the possibility of a pure or positive repetition, one that overcomes difference (Bearn 2000). In Callon’s work, the Deleuzian optimism leads to a primarily descriptive focus on the ways in which performation actually plays out, on how successful socio-technical agencements are configured and what they make happen. And while the Derridean pessimism warns Butler of providing alternatives to the status quo, it also prompts a searing critique of existing strains on subjectivation. This difference between the two positions cannot be accounted for by reference to the various empirical emphases, but rather concerns the conceptualization of the very relationship between social processes such as market formation and individual processes of subjection. Therefore, it is no surprise that the burgeoning dialogue between the two has centred upon this issue. As already pointed out, the question becomes how to foreground that the performativity of markets does not run smoothly, but is instead a messy and contingent power struggle.

What is at stake here can be reformulated in the following way: ‘is Callon's conceptualization of economic performativity apolitical?’ This question is posed and probed by Butler with a rejoinder by Callon in a recent special issue of *Journal of Cultural Economy* (Butler 2010; Callon 2010). Here, Butler takes the conceptualization of performativity back to Austinian speech act theory in order to stress that economic performation is perlocutionary effect, rather than illocutionary force (Butler 2010:151). In speaking of the statement as effect, Butler breaks up the unity of the statement as act; the effect of the statement is not to create something in the here and now, but is, instead, detached from the act of stating. In making this move, Butler seemingly draws on existing analyses of market formation which, in her words, demonstrate that “to say that the market is performatively produced is not to say that it is produced ex nihilo at every instant, but only that its apparently seamless regeneration brings about a naturalized effect” (2010:149). However, she also reinserts difference as a constitutive condition of performativity, highlighting repetition as the basic condition of productivity in a way that is perhaps not foreign to studies of the performativity of markets, but not as prominent as Butler’s initial accreditation indicates.

The notion of the perlocutionary effect, then, serves as a starting point for Butler’s subsequent critique of (studies of) performativity of markets. In stressing the perlocutionary dimension of performativity Butler is offering a corrective to Callon’s take on markets; a correction that may lead to a stronger awareness of the politics of the performative. Her point is that we cannot theoretically assume that performativity ‘works’ and go on to trace these workings empirically, but must instead study how certain effects – and not others – take hold (2010:152-3). Thereby, the study of
economic performativity is (re-)connected with political and critical issues. Butler expresses the concern as follows:

[T]hough I agree wholeheartedly that it will not do to say that one opposes ‘capitalism’ as such, even when it is clear that there is no one capitalism, I am less clear that this means abandoning any effort to evaluate and oppose those multivalent operations of capitalism that augment income disparities, presume the functional necessity of poverty, and thwart efforts to establish just forms of redistribution of wealth. (2010:153)

In other words, processes of market formation do not just make markets happen, but may have detrimental effects on the subjects that are involved and invoked in these processes. The study of market formation should be attentive to – and critical of – these possible effects.

Callon basically accepts, or rather elides, Butler’s position by saying that economic performativity is indeed perlocutionary. This is, he claims, in fact what is meant by performation, and the point is that the shift from studying the statement as act to the statement as (possible) effect is a shift in temporal perspective rather than in ontological position. Illocutionary force is seen as a subcategory of – or an element in – perlocutionary performation (Callon 2010:164-5). Callon, then, counters Butler’s critique by saying that what she asks him to do is what he has been doing all along. He seeks to back this claim by reasserting the analytical focus on power struggle, going so far as to ascertain that “discourses draw boundaries, exclude and reject, and it is in these mechanisms that the political lies” (Callon 2010:165). In developing this point, however, it becomes evident that what Callon sees as analysis of power struggles is a mapping of (changing) relations of domination rather than an evaluation of their effects; an analysis of market formation from the inside, so to say. Callon even proposes the study of the outside of performation as a counter-programme to his own (2010:165) instead of setting up a study of how the inside and the outside interact, how the border – or difference – between the two is what constitutes both.

Moreover, the analytical division is replicated in Callon’s account of empirical political and economic processes. He asserts that these are ‘linked’, but goes on to speak of the political as that which is external to – or externalised from – a market economy:

Markets that work satisfactorily are markets that comply with the terms of reference imposed upon them (in terms of efficiency, equity, etc.) and simultaneously leave it up to the political debate to explicitly address the issues resulting from the misfires and overflowings generated by their enactment. (Callon 2010:166)
This is a quite accurate description of how processes of market formation work, and the study of such ‘successful’ performative processes is, of course, an important endeavour, but in merely pointing out that these processes externalise their own mess, the description begs the question of the cost of the success and, thereby, leaves the issue of critique wide open. The performativity of markets is, indeed, political (in Callon’s conception as well as Butler’s), but the analysis of performance tends to note this as a fact rather than engage it critically.

In the dialogue with Butler, Callon commits strongly to a political agenda for the performative study of market formation, but also reveals that this agenda is not yet fully realised. The issue of performativity as an effect – and as having effect – is currently overshadowed by the issue of its inherent workings (its illocutionary force), and it is through the (re-)insertion of difference that Butler may lend the study of market performativity a critical edge. In a broader sense this could mean studying market formation as both processes of performance and subjection, as processes that are structured around a difference (or what Butler might term a boundary of intelligibility) and have both internal and external effects; that is, produce both their insides and their outsides (Ellehave 2005:44-5). Bringing the notion of subjection into the study of performativity means paying more attention to the ways in which subjects emerge as discursive effects. And paying more attention to discourse would, as Callon seems to acknowledge, in itself tend to politicize the study. However, this does not account for the interrelation of performation and subjection, the simultaneous creation of markets and their subjects. A consideration of the affective character of agency – or emotional engagement as a prerequisite for action – may help bring the dynamics of interaction to the fore (Bennet 2010:20-1). Developing a notion of affective agency within the general framework of performativity may, in turn, enable a conceptualisation of market formation as rhetorical circulation. Rhetorically circulated affective signs, then, may be instated as drivers of market formation independently of conscious or rational individual actions.

**The Rhetorical Circulation of Affective Signs**

What is affect and how does it relate to the performativity of markets? Brian Massumi suggests that the “ability of affect to produce an economic effect more swiftly and surely than economics itself means that affect is itself a real condition, an intrinsic variable of the late-capitalist system, as infrastructural as the factory” (1995:106). Taking Massumi’s lead, affect may be defined as an intersubjectively distributed emotion that is experienced individually (Deleuze and Guattari 1987; Richard and Rudnyckyj 2009). Affect, then, is an intensity of feeling that arises through the articulation and distribution of affective signs – communication that holds (emotional) value. Or, as Sara Ahmed puts it, “signs increase in affective value as an effect of the movement between signs: the more signs circulate, the more affective
they become” (2004:45). It is in this sense that affect produces economic effect and, hence, is a driver of market performativity; the more intense and widely distributed the feeling, the greater the power of the affective sign to create what it names. Or put differently, affect is a necessary condition for the actualization of agency (Bennet 2010:24); the capability to enact or perform markets does not lie with individual actors, but at the intersubjective level of affect. That is, affect replaces intentional-ity as the explanation of effect, and assemblages of human and non-human agents replace individual acts as the locus of agency (Çalişkan and Callon 2010:10). As a consequence, market formation should be understood as a reflection of/upon affective agency; the performativity of markets lies not with any individual actor or in any particular utterance, but at the level of the flow or circulation of affect.

More specifically, we are dealing with the circulation of signs that have meaning and value and are endowed with meaning and value through their circulation. This is what Catherine Chaput terms rhetorical circulation: “rhetoric is not an isolated in-stance or even a series of instances but a circulation of exchanges, the whole of which govern our individual and collective decisions” (2010:8). Again, focus is shifted from the persuasive power of the individual speaker or utterance, the traditional domain of rhetoric understood as the “art of speaking well” (Quintilian 1969:2 15.38), to the discursive level at which affective signs are distributed. Affect may be experienced individually as Massumi has it, or, in Chaput’s terms, govern individual decisions, but it arises through the intersubjective and relational process of its circulation in and through which the circulated signs become charged with affective energy – that is, persuasive or performative power. From this perspective, studying processes of market formation amounts to “…following rhetoric as it energizes different audi-ences throughout diverse situations” (Chaput 2010:6). This brings us back to Butler’s point about performativity as a contingent power struggle, and we can now specify what the struggle is about, namely the circulation of affective signs. At any given moment one sign or group of signs may be circulated more frequently and be more highly charged with affective energy than others and, thus, hold agency to (per)form the market. Yet, alternative signs are always available, and the continuous process of market formation is driven by the ways in which signs interrelate – sometimes forming alliances to promote and reinforce one version of the market, creating stability, sometimes clashing and shifting positions so as to destabilise the market formation and enable change. This raises the questions of how some signs come to be circulated more than others and, hence, to dominate processes of market forma-tion and of how shifts in the circulation of signs may occur.

As a first indication of how these questions may be answered, let us turn to the example of the housing market and begin the consideration of how the rhetorical circulation of affective signs is performative of this market. First, it should be noted
that property – or more specifically, housing as an investment as well as a home – has become an affective sign that not only sustains its own circulation, but also functions as a market driver (Rose 1994). Being a homeowner is widely understood as a basic source of personal security and autonomy; not only is it connected to the need/desire to take care of oneself and one’s family (as witnessed by highly energised affective signs like ‘home sweet home’ and ‘my home is my castle’), owning a home is also historically linked to citizenship (in e.g. the U.S. constitution of 1787 and the Danish constitution of 1849 voting rights were restricted to (male) property owners), and it is perceived as a source of economic autonomy (this view, of course, ignores the sense in which the (prospective) homeowner becomes tied to his/her mortgage and the physical location of the dwelling itself, but it holds sway in so far as buying property is predominantly circulated as a relatively safe investment that will always pay off in the long run).

The basic mechanism of the housing bubble (the inflation of house prices and the concomitant hectic activity of the market, replete with various schemes for financing the acquisition of property such as the by now notorious subprime mortgages), then, is that the more people talk about property, the more they desire it. Once in motion, this rhetorical circulation of the sign ‘property’ and the selling/buying of actual properties – and the other elements of the socio-technical agencement of the market (e.g. the already mentioned mortgage schemes as well as the economic theories and formulae on which they rely) – reinforce each other to produce ever more affective energy; an irrationally exuberant housing market. Once this irrational exuberance is recognized, however, the opposite process may take hold, imbuing the rhetorical circulation of the housing market with feelings of insecurity and risk that in turn reinforce – and are reinforced by – a fall in activity on the housing market and falling prices of property. A process that is driven by, and creative of, its own highly energised affective signs such as the concept of ‘default’ and the accompanying images of boarded-up houses and homeless people.

Michael Kaplan has made the point about how the introduction of the notion of a crisis may create the crisis succinctly in relation to Alan Greenspan’s first use of the term ‘irrational exuberance’, noting that “Greenspan’s linguistic performance is iconically identical to the economic ‘reality’ to which it appears to refer” (2003:479). In the context of the housing market, the notion of irrational exuberance is expressed in the affective sign of the ‘bubble’; once this sign begins to circulate it becomes energised and creates what it names in a ‘talk of the devil’ sort of way. The basic sign of property remains highly affective, but it becomes differently charged, and this new performativity – or agential potential – leads to a radical reconfiguration of the market. What is at stake here, then, is the marketization of housing, meaning that its rhetorical circulation has come to “…operate intrinsically accord-
ing to the economics of risk and reward” (Chaput 2010:5). As a consequence, the market may, at any given moment, be talked ‘up’ or ‘down’ – be seen as more or less risky or rewarding. Or rather, the market is always in the process of being talked up or down, but who may be said to be responsible for this talk and its concomitant market developments?

THE CIRCULATION OF (NON-)RESPONSIBILITY

From the theoretical perspective of performativity no individual person has the power to instigate market developments – let alone to create markets in the broader sense. Thus, it was not Greenspan, who made the financial markets ‘irrationally exuberant’; rather the wide circulation of this affective sign endowed it with performative power. And, similarly, it is not the talk of the bubble alone that caused it to burst, but the way in which this affective sign came to be circulated within the socio-technical agencement of the housing market. Although the language of performativity may be unfamiliar to most ‘ordinary people’ (whatever this subject position may be taken to mean), its explanation of market formation fits well with popular perceptions of the market. In Benjamin Lee and Edward LiPuma’s words “members of capitalist economies almost invariably think of ‘the market’ as a third-person collective agent, to which first-person agents, such as ‘We the investors,’ respond but do not necessarily identify with” (2002:196). Market developments seemingly occur independently of individual human actors, and in the rhetorical circulation of the housing market this leads to elision of agency and responsibility. In talking about the housing bubble every participant in the rhetorical circulation is quick to shift the blame, and the buck seems to stop with ‘the market’. This also leads to a lack of debate, or, put more precisely, a shift from debate about and critical scrutiny of the market to a debate about the debate. As Kaplan argues, “…there is nothing to deliberate about, save the process of deliberation about deliberation” (2003:489). Although this could be seen as a highly reflexive move, it actually does not reflect upon the market as a dynamic process. Instead, the market is commonly assumed to be beyond such ‘mere talk’ – responsibility evaporates in the talk about the talking.

From the theoretical vantage point of performativity of markets, however, it is evident that there is nothing ‘natural’ or ‘inevitable’ about market developments such as the inflation or puncture of a bubble. To the contrary, market formation cannot be separated from the constant commentary on or speculations about it; commentary and speculation are the stuff that markets are made of – there is no market behind the talk (about the talk) about the market. Rather than blaming the market as if it were an independent actor, it would be more correct to point the finger at processes of circulation. Thus, the notion that no individual actor is responsible is maintained, but it also becomes apparent that every actor shares the responsibility.
Again, Butler’s version of performativity as subjection springs to mind; actors are positioned in and through their participation in rhetorical circulation, but also have the potential to make signs circulate differently, to redirect the affective energy of property, as it were.

This is where the study of market formation as rhetorical circulation becomes truly critical. Although scholars should be wary of offering quick fixes to complex problems, we should not fall back on descriptive analyses of the status quo either. Instead, analyses of specific configurations of markets – of the ways in which affective signs are circulated at any given time – should point the way to careful considerations of how markets might be reconfigured – how affective signs might be circulated in different and more open-ended ways. “In the rhetorical circulation model,” Chaput contends, “success derives from a better understanding of differently situated positions and an enhanced ability to engage differently situated people, processes that open dialogue rather than win debates” (2010:19). When transferred to the study of (housing) market performativity, the goal becomes to indicate how processes of market formation could become less unidirectional, less dominated by one set of interlinked affective signs, and more aware of the various positions, struggles, and alternatives of which it is always made up. We must broaden the perspective theoretically, analytically and practically; instead of reifying market dynamics in order to take stock of the market, we must attempt to grasp the process as process, to take the full consequence of the insight that markets are not entities or beings, but unending processes of becoming (Whitehead 1929:34-35).

**STUDYING MARKET FORMATION AS RHETORICAL CIRCULATION**

In this paper, I have sought to contribute to the on-going turn from studies of markets to investigations of market formation by pointing to the merits of applying a performative perspective. I have presented the general consequences of looking to the performativity of markets: an understanding of markets as being always in the making and a turn from the products of individual actions to a focus on relational processes. Furthermore, I have discussed various strands of performativity in order to indicate how the currently dominant understanding of performativity of markets, namely that of Michel Callon, may be supplemented. More specifically, I have suggested that Judith Butler’s understanding of performativity as subjection, with its concomitant focus on the struggles that are inherent to performative processes, may provide studies of market performativity with a much needed critical edge. On this basis I have suggested that the performativity of markets may best be understood as the rhetorical circulation of affective signs, since such an understanding both emphasizes the collectively processual nature of market formation and highlights the element of struggle or the possibility that the performative processes could (and will) play out differently. Finally, I have advocated an understanding of markets in
which stability is neither viewed as an empirical reality, nor as a normative ideal. Instead, markets are and should be dynamic, contested, pluralistic processes for which no one actor is ever responsible, but in which all participants always share.

The overall analytical aim that emerges from this theoretical position is to explain and criticise market formation in the making by following flows of affective energy in and through (public) discourse. As a final remark, let me indicate how such a study might proceed. First, the shift from stable entity to dynamic process may be facilitated by an understanding of communication – and performance more generally – as collaboration (Gulbrandsen and Just 2011). We may look at the ways in which affective signs are rhetorically circulated as processes of invitation and participation – no one is in charge of the overall process, but it is nevertheless expressed in individual utterances and acts; somebody invites others to understand the housing market as a bubble economy and others take up the invitation and participate in the circulation of this affective sign. We may find tools for studying this collaborative process in network analysis, especially as it has been applied within science and technology studies with the aim of mapping knowledge controversies (Whatmore 2009) and/or following the development of issues (Marres 2005). Thus, we may map the rhetorical circulation of affective signs in a similar fashion, but in order to highlight the dynamic element of this study, the map must be temporally as well as spatially sensitive. That is, longitudinal studies of market formation are called for. The question is how the affective energies of signs change over time, leading to reconfigurations of the socio-technical agencement of the market – as illustrated by the considerations of how the affective sign of ‘property’, while always highly charged and basically desired, may take on more or less specific affectivities associated with security and risk. Detailed understandings of these processes may, in turn, lead to suggestions as to how we may enable the processes of market formation to run more responsibly, which, in this context, does not mean more smoothly or uniformly, but to the contrary in a more pluralistic and openly antagonistic manner, highlighting the many different interests and positions that are always at play and enabling them all to share in and energise market performativity. Only when we realise that – and more importantly how – we all share in processes of market formation, how we all own the housing bubble, can we begin to form more responsible markets.
NOTES

1. This assumption is couched within a broader shift in the field of sociology through which relation and process have emerged as objects of study in their own right and not as mere props or tools for explaining actor positions and/or structural regularities (Emirbayer 1997).

2. Fligstein and Dauter underscore that there are other important approaches, highlighting political economy and population ecology. As the purpose of this section is not to give a full review of the field, but to set the context for the subsequent discussion of performativity, only the main alternatives are presented.

3. It is discussed whether Austin abandoned the category of the constative completely or maintained that constative statements such as ‘this is a ship’ are different from performatives such as ‘I name this ship the Queen Elizabeth.’ The common interpretation, however, is to assume that all utterances have a performative dimension – asserting that ‘this is a ship’ is never ‘just’ constative since it makes (performs) the assertion (Lycan 2008:147). Nevertheless, so-called pure performatives, e.g. naming a ship or making a promise, continue to have special status within speech act theory, since the act does, in these examples, seem to occur in and through the utterance or at the illocutionary level.

4. This is why statements such as ‘I name this ship’ are favorite examples of the illocutionary force; in such statements it is clear what happens in and through the utterance. Whereas we need to know the context in order to understand whether ‘it’s cold in here’ should be understood as ‘I’m giving you information about the temperature’ or ‘I’m asking you to do something about the temperature’ – and even in context the utterance may continue to be ambiguous.

5. The notion of performativity of markets stems from the somewhat broader work on performativity of economics that focuses on the ways in which economists and economic theories create the economy. While economists and other professionals are certainly involved in market formation, the present paper does not accord them a special or privileged role, but instead sees them as being on a par with other human and non-human actors that make up the agencement of the market.

6. Note the echo of Deleuze and Guattari’s idea of the ‘interlocking of different subjects of enunciation’ here. While Butler is mainly inspired by Derrida, her critique of Callon could, at least in part, also be based on the Deleuzian approach to performativity to which Callon pays homage.
REFERENCES


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