economic sociology
_the european electronic newsletter

Volume 19 · Number 2 · March 2018
econsoc.mpifg.de

19.2

Content

Note from the editor

"The laws of economics." Economic devices, economics, economists, and the making of the economy

Olivier Godechot

Twenty years ago, Michel Callon edited *The Laws of the Markets,* a groundbreaking volume that substantially redefined economic sociology by resetting the relationship between sociology and economics (Callon 1998). Many articles in economic sociology at that time started (and still do today) with sharp criticism of neoclassical economics. The latter was censured for being overly simplistic and complex, overly reductionist and irrelevant. What is more, two centuries of repeated criticisms were largely ignored by the economic mainstream and its course was barely affected. But instead of ritually blaming economics for what it is, Michel Callon invited us to study what it does: "economics, in the broad sense of the term, performs, shapes and formats the economy, rather than observing how it functions" (Callon 1998). Through this radical proposition, Callon fully launched in economic sociology the research program on "performativity" whose roots were to be found in linguistics (Austin 1962) and which had earlier been imported into sociology by Pierre Bourdieu ([1982] 1991) and successfully applied by Marie-France Garcia-Parpet to the study of the creation of an auction market ([1986] 2007). Callon also oriented this research program along the performative dimension of technical devices that are usually thought of as neutral and transparent, such as formulas (MacKenzie and Millo 2003) and algorithms (Muniesa 2000 and 2007). This research climaxed with a study of the impact of the Black/Scholes formula on option pricing in financial markets (MacKenzie 2006).

On this basis, the study of the performativity of economics emerged initially as a sub-branch of Science and Technology Studies applied to mathematical neoclassical economics and its algorithmic devices, such as market-matching algorithms (MacKenzie, Muniesa, and Siu 2007). However, the development of this research program and the controversies surrounding its validity (Miller 2002 and 2005; Callon 2005) led to a widening of its scope, its objects, and its methods. Callon reformulated his concept in order to enable a much more plural notion of economics' performativity (Callon 2007). Both "confined economics" (that is, academic economics) and "economics at large" (actors in the economy) contribute to the "performation" of the economy, which is far from unilateral. "Performation's struggle" happen both within and between those two groups. Thus Callon invites us to go beyond socio-technical agency and to consider also the spheres of economics and of the economy, their resource structure, their instances of legitimation, and their forms of power. This redefined program therefore comes together with research in the sociology of science that analyzes the core structure of the field of the discipline of economics (Lebaron 2001; Fourcade 2009; Godechot 2011; Fourcade, Ollion, and Algan 2015). It also builds a bridge with political economy, an important stream of which is devoted to the role of institutions in the making and regulation of the economy (Woll 2014). More particularly, these national and international institutions, especially the economic ones (central banks, the OECD, the IMF, the European Commission, the World Bank) are increasingly populated with economists, either "confined" or "at large." While the balances of interests and power, between groups of experts, and the social classes and nations they represent do matter considerably, the types of training and knowledge in which are they embedded have a direct impact on how they frame economic problems and try to find solutions to them (Fligstein, Brundage, and Schultz 2017).

This issue of *economic sociology_the european electronic newsletter* is devoted to the role of *economic devices, economics, and economists* in the making of the economy. It bears witness to both common agreement on the fact that economics shapes the world and also the plurality and interdisciplinarity of the ways of approaching this phenomenon.

Liliana Doganova's article "Discounting the future, a political technology" follows the path initiated by the STS approach, applied to economics. She shows the performative impact of a central economic device, the Discounted Cash Flow accounting formula (DCF), which makes it possible to establish the value of an asset based on its future returns. However, she also goes beyond the STS tradition by concentrating on various uses and distortions of the formula in order to encapsulate moral considerations.

The piece by Marcus Wolf, "Ain't misbehaving. Behavioural economics and the making of financial literacy," also shows how economic literature changes reality – or at least tries to do so. Rather than sticking to mainstream rational-actor theory, his article focuses on the opposite academic stream, namely behavioral economics, which rejects the validity of the *homo œconomicus* hypothesis. But while the premises are opposite, the performation of the two streams are far from conflicting: a coalition of actors concerned with ordinary people's irrationality wants to try to turn them into rational investors by promoting financial education.

In "The dual messages of OECD economic surveys – Observations from the OECD Economics Department and the drafting and peer review of Economic Surveys," Maria Duclos Lindstrøm takes us inside the Chateau de La Muette, in the heart of a leading economic institution, the OECD. She observes in great detail the making and negotiation of Economic Surveys. In an interactionist spirit, she shows how the final estimates, the framing, and the wording of OECD surveys are negotiated between the OECD and the country delegates. In a sense, these surveys produce a form of relational performativity. They do not reveal the truth about a particular country, nor do they concentrate on modifications only of its national policy; they are framed in a way intended to favour the adoption of a given economic policy in all other OECD countries.

Sebastian Heidebrecht's paper "Central bank independence: economic common sense and economic device" analyzes the factors that govern central bankers' economic policies. His first results are extremely intriguing. At first sight, there is no clear link between the degree of conservativeness of the European Central Bank governing council and the degree of austerity of its monetary policy. However, one must recall that this unexpected indetermination was measured during an exceptional crisis period, in which some actors, as shown by Lebaron's paper, can escape social determinism and adopt economic positions that are not in line with what their social background.

Finally, Frédéric Lebaron, in "Autobiographical narratives and the social-historical science of economics: a contribution to reflexivity?", proposes to analyze an overlooked but immensely rich source of material for understanding the role of economists in the world: autobiographies. Providing a careful contextualization of their quest for justification, they uncover the details of field struggles, and the structural, social, and personal forces that lead to successes and failures with regard to the capacity to influence the economy.

References

Austin, John. 1962. *How to Do Things with Words*. Oxford: Oxford University Press.

Bourdieu, Pierre. 1991 [1982]. *Language and Symbolic Power*. Cambridge MA: Harvard University Press.

Callon, Michel. 1998. "Introduction: the Embeddedness of Economic Markets in Economics". In *The Laws of the Markets,* by Michel Callon (ed.), 1–57. London: Sociological Review Monograph, Blackwell Publishers.

Callon, Michel. 2005. "Why Virtualism Paves the Way to Political Impotence: A Reply to Daniel Miller's Critique of 'The Laws of the Markets'." *economic sociology_the european electronic newsletter* 6(2): 3–20.

Callon, Michel. 2007. "What does it Mean to Say that Economics is Performative?" In *Do Economists Make Markets? On the Performativity of Economics,* by Donald MacKenzie, Fabian Muniesa, and Lucia Siu (eds), 311–357. Princeton: Princeton University Press.

Fligstein, Neil, Jonah S. Brundage, and Michael Schultz. 2017. "Seeing Like the Fed: Culture, Cognition, and Framing in the Failure to Anticipate the Financial Crisis of 2008." *American Sociological Review* 82 (5), 879–909.

Fourcade, Marion, Etienne Ollion, and Yann Algan. 2015. "The Superiority of Economists." *Journal of Economics Perspectives* 29(1): 89–114.

Fourcade, Marion. 2009. *Economists and Societies. Discipline and Profession in the United States, Britain, and France, 1890s to 1990s*. Princeton: Princeton University Press.

Garcia-Parpet, Marie-France. 2007 [1986]. "The Social Construction of a Perfect Market: the Strawberry Auction at Fontaines-en-Sologne." In *Do Economists Make Markets? On the Performativity of Economics,* by Donald MacKenzie, Fabian Muniesa, and Lucia Siu (eds), 20–53. Princeton: Princeton University Press.

Godechot, Olivier. 2011. "How Did the Neoclassical Paradigm Conquer a Multi-disciplinary Research Institution? Economists at the EHESS from 1948 to 2005." *Revue de la régulation* 10. DOI: 10.4000/regulation.9429

Lebaron, Frédéric. 2001. "Economists and the Economic Order. The Field of Economists and the Field of Power in France." *European Societies* 3(1), 91–110.

MacKenzie, Donald, and Yuval Millo. 2003. "Constructing a Market, Performing Theory. The Historical Sociology of a Financial Derivatives Exchange." *American Journal of Sociology* 109(1): 107–145.

MacKenzie, Donald, Fabian Muniesa, and Lucia Siu. 2007. *Do Economists Make Markets? On the Performativity of Economics*. Princeton: Princeton University Press.

MacKenzie, Donald. 2006. *An Engine, not a Camera. How Financial Models Shape Markets. Cambridge* MA: MIT Press.

Miller, Daniel. 2002. "Turning Callon the Right Way up," *Economy and Society* 31(2): 218–233.

Miller, Daniel. 2005. "Reply to Michel Callon," *economic sociology_the european electronic newsletter* 6(3): 3–13.

Muniesa, Fabian. 2000. "Un robot walrasien. Cotation électronique et justesse de la découverte des prix." *Politix* 51(4): 121–154.

Muniesa, Fabian. 2007. "Market Technologies and the Pragmatics of Prices." *Economy and Society* 36(3): 377–395.

Woll, Cornelia. 2014. *The Power of Inaction: Bank Bailouts in Comparison.* New York: Cornell University Press.

Discounting the future: a political technology

Liliana Doganova

The political qualities of discounting

A recent article in the *New York Times* reported exciting news from research in psychology and neuroscience: what best distinguishes us from other animals is that "we contemplate the future" (Seligman and Tierney 2017). We should not call ourselves "Homo sapiens" but "Homo prospectus" (Seligman et al. 2016). Psychologists and neuroscientists have discovered that looking into the future, consciously or unconsciously, is a central function of our brain. The article mentions, for example, a study of 500 adults in Chicago that showed that they thought about the future three times more often than about the past; and even when they thought about the past, they could not help thinking about the future implications of the past events that they recalled.

This perspective stands in contrast with the arguments developed in the sparse but now burgeoning literature in economic sociology that has delved into the issue of the future. Sociologists and historians have shown that looking at the future is not an inherent characteristic of human beings, solidly anchored in their brains, but an ability, a habit, that they have acquired gradually, and sometimes painfully. The foundational work of scholars such as Max Weber (1930), Pierre Bourdieu (1963), or Sidney Pollard (1965) suggests that learning to look at the future, and envisaging this future as open-ended, distinct from the past, and ripe with opportunities, has been central to the development of capitalism. More recently, Jens Beckert (2016) has emphasized the ongoing relationship between the dynamics of capitalism and actors' temporal dispositions – more precisely, their ability to form "fictional expectations" about the future. Studies of the economy that take inspiration from science and technology studies (Callon 1998; MacKenzie 2006) have shed light on how valuation devices and calculative tools derived from management and economics shape the future we see (Giraudeau 2011; Pollock and Williams 2016) – and hence the future we will live in (the "present future" and the "future present" in Luhmann's [1976] terms).

Looking at the future means making the future count in the present. Interestingly, when one examines precisely how the future is looked at, through what lens, and with what instruments, it appears that we tend to *discount* the future, rather than to make it count. Discounting the future is a stylized fact and a central tenet in economics. Because of individuals' inherent preference for the present and the uncertainty and risk associated with the future, which by definition cannot be known, economists' argument goes, the future is and should be (the descriptive/prescriptive line is often ambiguous in economics) worth less than the present. It is, and has to be, "discounted" when made commensurate with the present. The scale of discounting, the extent to which the value of the future is reduced in comparison with the present, is what economists call the "discount rate." A discount rate equal to zero means that the future is given as much weight as the present. A discount rate equal to 4 percent means that the "present value" of 100 euros that one will receive in one year is no more than 96 euros. And the more distant the future is, the more it gets discounted.

Liliana Doganova is associate professor at the Center for the Sociology of Innovation, MINES ParisTech. At the intersection of economic sociology and Science and Technology Studies, her work has focused on business models, the valorization of public research, and markets for bio- and clean-technologies. She has published in journals such as Research Policy, Science and Public Policy and the Journal of Cultural Economy, and she is currently preparing a monograph on the historical sociology of discounting.

Discounting the future is often presented as a neutral economic tool, which reflects the actors' natural dispositions to prefer the present or resent uncertainty, and which enables us to make decisions based on rational calculation rather than on subjective judgments or even mere gut feeling. The argument developed in this article is quite different. Discounting the future, I will argue, is a political technology. Economic sociologists should approach instruments such as discounting like science and technology scholars have approached artifacts such as bridges (to take Langdon Winner's [1980] famous – although since then contested – example): that is, like objects that have politics. The objective of this article is to delineate the key "political qualities" (Barthe 2009) of discounting the future.

The first and certainly most obvious political quality of discounting is related to its role in making collective decisions about resource allocation. Let me illustrate this with a fictitious example drawn from my work on valuation practices in drug development (Doganova 2015). Imagine a pharmaceutical company faced with the following question: what is the value of a future drug that the company's research department is proposing to develop? Is it worth investing in research on the molecules that might, one day, lead to the envisaged future drug? Or is another development project more worthy? Such questions are addressed with the help of discounting. A formula, known as "discounted cash flow" (DCF) or "net present value" (NPV), is used to assess the value of a future drug and decide whether it should be developed. The future costs and revenues that the drug development project will generate during its life-span are estimated, and all of them are discounted, so that, say, the costs incurred two years from now are made commensurate with the revenues achieved in ten years' time. The sum of all these discounted future flows indicates the "net present value" of the future drug. The rule is then simple: if this value is positive, the drug is worth developing.

This fictional situation is certainly less complex than a real one: there would be many competing projects, resources may not be so scarce, and decisions hardly rely on economic calculations alone. Still, discounting techniques are the most widespread tool that firms use to assess projects. In a survey on the valuation practices of US companies operating in different industries, 70 percent of the respondents (chief financial officers) declared they used discounting (more precisely, discounted cash flow) "always or almost always" to decide which projects to finance (Graham and Harvey 2001). This is in no way surprising, since the discounting formula and the present value rule are one of the first things that a business school student learns. They are one of the first things that the reader of a corporate finance textbook is introduced to.

Governments, too, use discounting to make decisions about investments, but also about a number of other matters that are increasingly thought of as investments: for example, whether to pass environmental regulations or whether to provide social services. For example, the decision to pass environmental regulations relies on comparison of the costs that such regulation would incur for industry now, and the benefits that it will bring for society in the future (for example, the value of the human lives that it will help to save), with these benefits being discounted because they occur later in time.

Discounting is a political technology in so far as it assists collective decisions about resource allocation: which drug to develop, and more broadly, which project to invest in. Decisions about the allocation of resources are also decisions about the direction of innovation activities and hence about the groups whose needs will be taken care of and the new entities that will be brought into existence in order to do so: the patients whose disease might be cured and the drugs, devices or other treatments that these patients will live with.

Three other political qualities of discounting will be discussed in the remainder of this article, which are related, respectively, to questions of ontology, government, and identity. Discounting is an economic tool that leaves an enduring imprint on the objects that it encounters and shapes the characteristics of the entities that compose our world. It is an instrument for governing behavior that guides decision-making in a myriad of places and instances through discrete but no less consequential interventions. It problematizes the very separation of the present and the future by framing the debates that link our actions in the present to those who will endure their effects in the future.

These three political qualities of discounting will be discussed through examples drawn from three key episodes in the history of discounting (Doganova, forthcoming). The first episode corresponds to one of the first applications of the financial technique of discounting to "real," that is non-financial, assets, in the writings of German foresters in the middle of the nineteenth century. The second episode takes place in the middle of the twentieth century, when discounting the future spread into the practices of corporations, in particular through the discipline of capital budgeting. The third episode is related to the increasing importance of discounting in addressing environmental issues; it will be sketched through two brief examples: the challenges of banning asbestos in the 1980s in the United States, and current debates on discount rates and climate change. None of these episodes will be treated with the rigor it deserves; the objective of this cursory glance at the history of discounting and its political qualities is to give the reader a sense of how we have come to look at the future in such a way – by discounting it – and why this matters.

Valuing and managing

Forests were one of the first "real" objects to which the technique of discounting the future was applied (for a more detailed analysis of this episode, see Doganova 2018). To understand the reasons for this encounter between discounting and forests, and its implications, let us briefly examine two articles published in 1849 in the *General Journal of Forests and Hunting*, authored by two German foresters and mathematicians, Edmund Franz von Gehren and Martin Faustmann (von Gehren 1968; Faustmann 1968).

The problem that served as a starting point for these articles was how to "determine the money value of bare forest land." This problem was raised by the implementation of legislation requiring that areas of forest be converted into agriculture, and the need to ascertain the price that should be paid to the foresters who were to sell their land. To address this problem, von Gehren gave the following example. Consider bare land suitable for scots pine grown on a rotation of 80 years. The land will produce a series of yields, with thinnings every 10 years and the final cut in 80 years' time. The volume of wood thus produced can be converted into monetary units, and then discounted at a rate of interest of 4 percent per annum to obtain its present value. The sum of these discounted future flows of money indicates the present value of the plot of forest land.

According to this reasoning, the value of forest land stems neither from the past (for example, the efforts put into caring for the land and trees) nor from the present (the current market price of wood), but from the future (the yields that the land will produce if put to a certain kind of use). This future, from which the land derives its value, is formed by a flow of money coming in and out, a series of costs and revenues expressed in monetary units. Thus depicted, forest land becomes comparable to a financial asset which consumes and generates money. The space of commensuration thus created introduces the possibility of an alternative scenario: instead of putting his money in growing a forest, the landowner could put it in the bank and obtain interest. The crucial operation of discounting is to factor this alternative scenario into the valuation of the forest land. It is because money is "locked in" the land that future flows should be discounted. The discount rate here is equal to the rate of interest (4 percent) because it encapsulates the alternative scenario of putting money in the bank.

Two implications of the form of reasoning involved in discounting the future should be highlighted. The first lies in transforming the forest owner into an investor, and transforming forest land into capital, whose value is comparable to that of other forms of capital. The second implication was expressed by one of the authors himself:

> "The practical importance of this calculation is easy to see. From it we obtain the necessary information on the forest value in such cases as voluntary and enforced sales (expropriation), destruction of the forest by fire, insects, man, etc., and assessment of the most advantageous silvicultural system and length of rotation." (Faustmann 1968)

Discounting the future thus allows us not only to calculate the value of a forest, but also to maximize this value by fine-tuning forest management and determining, in particular, the moment when trees should be cut. It turned out that the lengths of rotation recommended by the discounting technique were shorter than the ones then being practiced. The immediate consequence of discounting, hence of giving time a cost, is precipitation and haste: the need suddenly appeared to cut trees earlier than previously thought, since the long term entailed a loss of value. This discrepancy raised vivid controversies and Faustmann's discounting formula was not used for years, before it became a classic reference in forestry economics.

Focusing on the effects that discounting produces on the objects to which it comes to be applied, this example sheds light on another of its political qualities. A forest whose value is calculated by discounting the future is not the same forest as one whose, say, annual income is calculated. Statements about how much things are worth are statements about what things are, or what they should be. It is also in this sense that discounting is a political technology.

Governing investment

Discounting the future remained a marginal and highly contested technique until the middle of the twentieth century. Its spread was related, among other things, to the development of a novel discipline called capital budgeting. Capital budgeting was born to address a novel problem: how to measure the value of capital and choose the right investments; in other words, how to employ capital so as to maximize its value. This problem was novel, in so far as capital itself was a relatively novel category in firms' practices: it is only at the beginning of the twentieth century that investments were isolated from current expenditure and classified in a separate account (Haka 2006). Identifying investments as a specific category allowed for measuring the "return on investment," which compared the profits generated with the amount of capital employed, and thus opened the way for rewarding capital with a specific price for its services, rather than with the generic rate of interest.

One of the first and most influential textbooks on capital budgeting was authored by Joel Dean, professor of economics at Columbia University and founder of the consulting firm Joel Dean Associates, who played a central role in the promotion of discounting as a tool for valuing investments (Doganova 2014). The first sentences of the textbook are illuminating with regard to the broader narrative in which discounting developed:

> "This book is concerned with the economics of capital budgeting—that is, the kind of thinking that is necessary to design and carry through a systematic program for invest-

ing stockholders' money. Planning and control of capital expenditures is the basic top-management function, since management is originally hired to take control of stockholders' funds and to maximize their earning power." (Dean 1951, 51)

A novel conception of the manager emerges in these lines. For the manager whose duty lies in minimizing costs is substituted an "investing manager" whose duty lies in maximizing the value of the funds he has been entrusted with. He has to choose the right investments, so as to spend stockholders' money in the most profitable way. To make such choices, faced with the many investment proposals that are addressed to him, the manager is advised to rely on eleven principles that are clearly stated in the textbook, including: the focus on "future profit," "the comparison of future costs and profits with the relevant alternatives," and "the discounting of future flows, in order to take into account the decreasing value of revenues that are distant in time."

This example illustrates another political quality of discounting: its ability to serve as an instrument for governing behavior. Peter Miller (1991) has made this argument by showing how the UK government in the 1960s envisaged discounting as a means to act at a distance on firms' investment decisions. In the example examined here, discounting appears again as a means to act at a distance, but the agency to which it contributes is that of stockholders. Such action at a distance relies on (at least) two mechanisms.

First, discounting was promoted as a tool that can ensure rational decision-making. The managers that Dean describes in his textbook are left alone and take arbitrary decisions based on subjective judgment, with no other guide than "intuition" and "authority." They crucially lack "expert analyses and scientific control." Discounting is depicted as a promise to make the right decisions, based on rational calculation. This promise is at the heart of the project of "managerial economics"—a domain that Joel Dean, again, is credited with pioneering with another book published in 1951 and aiming to import economic theory into corporate practice in order to rationalize managerial decision-making (Zeff 2008). The requirement of rationality is supported by moral and political arguments: money belongs to stockholders; it is to them that managers are accountable; it is in their name that they have to act, that is, to invest.

A second mechanism lies in the definition of the discount rate. In the calculations of the German foresters discussed above, the discount rate was simply the rate of interest. When discounting became involved in the relationship between managers and stockholders, the meaning of the discount rate changed. Future flows were to be discounted using a different number: not the rate of interest, but the "cost of capital," which reflects the cost for the firm of two types of capital (debt and equity); that is, the returns required by two types of stockholders (bondholders and shareholders). The key issue was no longer that time had a cost or that the future was distant and uncertain, but that capital should be rewarded for the services it renders, for the profits it generates. The future, in a way, disappeared. The redefinition of the discount rate went hand in hand with a rise in discount rates. By way of example, according to its annual report, in 2004 the pharmaceutical company Eli Lilly used a discount rate of 18.75 percent. The contrast with the nineteenth-century foresters' discount rate of 4 percent is striking. Is this rate too high? What is the right discount rate? This question is at the heart of the debates on discounting in environmental and climate policy, to which I will now turn.

Problematizing the separation between the present and the future

In the early 1980s, the US Environmental Protection Agency drafted several proposals to ban asbestos, and then suddenly withdrew them. The Energy Committee of the House of Representatives commissioned a report, which revealed the role played by the White House Office of Management and Budget. The Office had recommended that the decision to ban asbestos should be based on a cost–benefit analysis: if the costs that regulation would incur for industry were higher than the benefits of saving human lives, regulation would not be justified. The Office had recommended, further, that estimates of the costs and benefits of regulating asbestos apply a discount on the value of a human life for the years it takes for cancer to develop. More precisely, the office assigned an arbitrary value of 1 million dollars to every life saved. But this value was to be discounted down to 22,000 dollars if cancer remains latent and causes death 40 years later. For the Office, explained an article in the *New York Times*, "the practice of discounting reflects the amount of time it takes to get a return for money spent now to protect lives" and "allows available resources to be used more rationally to save more lives" (Shabecoff 1985).

The report of the Energy Committee described this discounting theory as "morally repugnant." If widely adopted, the report added, the practice could "thwart regulation of many toxic substances through the application of cost-benefit criteria" and the nation would "fail to protect future generations from many serious chemical hazards." In 1992, the Office of Management and Budget published a circular revising its recommended discount rates, bringing them down from 10 percent to 7 percent. In 2003, another circular further revised recommended discount rates, distinguishing, in particular, between "intra-generational" and "inter-generational" discounting:

"Special ethical considerations arise when comparing benefits and costs across generations. Although most people demonstrate time preference in their own consumption behavior, it may not be appropriate for society to demonstrate a similar preference when deciding between the well-being of current and future generations. Future citizens who are affected by such choices cannot take part in making them, and today's society must act with some consideration of their interest."

How to deal with such "ethical considerations"? The circular proposed a first solution: use the same discount rates as in the intra-generational case, but "supplement the analysis with an explicit discussion of the intergenerational concerns: how future generations will be affected by the regulatory decision." This solution, the circular admitted, does not take into account the arguments of those who believe that "it is ethically impermissible to discount the utility of future generations" and that "government should treat all generations equally." The circular concluded that lower, but still positive, discount rates should be used even in inter-generational discounting.

The link between discount rates and future generations has been much debated, in particular following the publication of the Stern Review on the economics of climate change, which recommended the use of very low discount rates precisely for the purpose of giving weight to future generations (Stern 2006). These debates make visible the ongoing transformation of the discount rate: its definition translates new concerns and outlines a new entity – future generations – whose characteristics are gradually refined as the controversies unfold.

One of the reasons often put forward to justify discounting is that future generations will be richer and more knowledgeable, which would allow them to solve climate issues better than we can do today. This hypothesis is increasingly being called into question. Some argue that those future generations that will have more and know more are not necessarily those that will be most affected by the consequences of climate change. Some economists suggest using multiple discount rates, corresponding to different populations: present and future, rich and poor. If it is today's rich who pay the climate policies that will benefit tomorrow's poor, discount rates should rather be negative, giving greater weight to the latter. Whose future generations are we talking about, some ask, the future generations of us, the rich who can pay, or the future generations of the poor, who will probably suffer most from the effects of our actions?

Of particular interest for our exploration of the political qualities of discounting is how in these debates the present/future distinction gets coupled with a rich/poor distinction. The discount rate thus appears in a new light: as a technology that produces inequalities, which are both temporal (a future individual is worth less than a present individual) and geographical (for a unique discount rate does not account for the differentiated impacts of climate change across the planet). It is also in this sense that discounting the future is a political technology: these debates engage collective decisions about the sacrifice that "we" are ready to pay for "our" future, or for the "present" of the "future generations" in the multiple forms that they can take. These decisions also relate to the investments that are worth making, and the new entities (drugs, forests, and so on) that are worth bringing into existence. They also question the novel forms of social organization that should, or should not, be invented so that we can make the future count in our everyday activities, rather than discount it. What is at stake here is the kind of "we" that such decisions shape.

This final example illuminates the specificity of discounting with regard to other technologies of the future that have been studied in the literature in economic sociology and science and technology studies, which take the form of promises, expectations, projections, models, plans, scenarios, and so on (for a few varied examples, see Brown and Michael 2003; Sunder Rajan 2006; Dahan 2007; Giraudeau 2011; Andersson and Prat 2015). The particular nature of discounting lies in the ways in which it problematizes the very separation between the present and the future. Varying the discount rate means moving the slider back and forth in time. The problem, then, does not have to do with projecting the present into the future, or with mobilizing the future in the present, but with balancing the present and the future and drawing lines between them. The present and the future are consubstantial to the instrument of discounting, and this is probably the most intriguing of its political qualities.

References

Andersson, J., and P. Prat. 2015. ”Gouverner le long terme. La prospective et la production bureaucratique des futurs en France.” *Gouvernement et action publique 3*, 9–29.

Beckert, J. 2016. *Imagined Futures: Fictional Expectations and Capitalist Dynamics*. Cambridge: Harvard University Press.

Bourdieu, P. 1963. ”La société traditionnelle. Attitude à l'égard du temps et conduite économique.” *Sociologie du travail 1,* 24–44.

Brown, N., and M. Michael. 2003. ”A Sociology of Expectations: Retrospecting Prospects and Prospecting Retrospects.” *Technology Analysis and Strategic Management 15(1),* 3–18.

Callon, M. (ed.). 1998. *The Laws of the Markets*. Oxford: Blackwell.

Dahan, A. (ed.). 2007. *Les modèles du futur*. Paris: La Découverte.

Dean, J., 1951. *Capital Budgeting. Top-management Policy on Plant, Equipment, and Product Development.* New York (N.Y.): Columbia University Press.

Doganova, L. 2014. ”Décompter le futur: la formule des flux actualisés et le manager-investisseur.” *Sociétés Contemporaines 93(1)*, 67–87.

Doganova, L. 2015. ”Que vaut une molécule ? L'utilisation de la formule des flux de trésorerie actualisés dans les projets de développement de nouveaux médicaments.” *Revue d'Anthropologie des Connaissances 9(1)*, 17–38.

Doganova, L. 2018. "Discounting and the Making of the Future: on Uncertainty in Forest Management and Drug Development." In *Uncertain futures: Imaginaries, Narratives and Calculation in the Economy,* by J. Beckert and R. Bronk (eds). Oxford: Oxford University Press (forthcoming).

Doganova, L. Forthcoming. *Discounted Future*. New York: Zone Books.

Faustmann, M. 1968 (1849). "Calculation of the Value which Forest Land and Immature Stands Possess for Forestry." In *Martin Faustmann and the Evolution of Discounted Cash Flow. Two articles from the original German of 1849*, by M. Gane (ed.). Oxford: Commonwealth Forestry Institute, University of Oxford.

Giraudeau, M. 2011. "Imagining (the Future) Business: How to Make Firms with Plans? In *Imagining Organizations: Performative Imagery in Business and Beyond",* by P. Quattrone, N. Thrift, C. McClean, and F.-R. Puyou (eds*)*, 213–229. Abingdon: Routledge.

Graham, J., C. Harvey. 2001. "The Theory and Practice of Corporate Finance: Evidence from the Field." *Journal of Financial Economics 60(2–3)*, 187–243.

Haka, S. 2006. "A Review of the Literature on Capital Budgeting and Investment Appraisal: Past, Present, and Future Musings." In *Handbook of Management Accounting Research*. C. Chapman, A. Hopwood, and M. Shields (eds). Oxford: Elsevier.

Luhmann, N. 1976. "The Future Cannot Begin: Temporal Structures in Modern Society." *Social Research 43(1)*, 130–152.

MacKenzie, D. 2006. *An Engine, Not a Camera: How Financial Models Shape Markets*. Cambridge: MIT Press.

Miller, P. 1991. "Accounting Innovation Beyond the Enterprise: Problematizing Investment Decisions and Programming Economic Growth in the United Kingdom in the 1960s." *Accounting, Organizations and Society 16(8),* 733–762.

Pollard, S. 1965. *The Genesis of Modern Management. A Study of the Industrial Revolution in Great Britain*. London: Edward Arnolds Publishers.

Pollock, N., R. Williams. 2016. *How Industry Analysts Shape the Digital Future.* Oxford: Oxford University Press.

Seligman, M. E. P., P. Railton, R. F. Baumeister, and C. Sripada, 2016: *Homo Prospectus*. New York, NY: Oxford University Press.

Seligman, M. E. P., and J. Tierney. 2017. "We Aren't Built to Live in the Moment." *The New York Times*, May 19. https://www.nytimes.com/2017/05/19/opinion/sunday/why-the-future-is-always-on-your-mind.html

Shabecoff, P. 1985. "Budget Office Attacked over Rules for Asbestos." *The New York Times*, October 4. http://www.nytimes.com/1985/10/04/us/budget-office-attacked-over-rules-for-asbestos.html

Stern, N. 2006. *Stern Review on the Economics of Climate Change*. Cambridge: Cambridge University Press.

Sunder Rajan, K. 2006: *Biocapital: The Constitution of Postgenomic Life*. Durham, NC: Duke University Press.

Von Gehren, E. 1968 (1849). "On the Determination of the Money Value of Bare Forest Land." In *Martin Faustmann and the Evolution of Discounted Cash Flow. Two articles from the original German of 1849*, by M. Gane (ed.). Oxford: Commonwealth Forestry Institute, University of Oxford.

Weber, M. 1930. *The Protestant Ethic and the Spirit of Capitalism*. London and Boston: Unwin Hyman.

Winner, L. 1980. "Do Artifacts Have Politics?" *Daedalus 109(1)*, 121–136.

Zeff, S. 2008. "The Contribution of the Harvard Business School to Management Control, 1908–1980." *Journal of Management Accounting Research 20*, 175–208.

Ain't misbehaving

Behavioral economics and the making of financial literacy

Marcus Wolf

No one to talk with
All by myself
No one to walk with
I'm happy on the shelf
Ain't misbehavin'
I'm savin' my love for you

Fats Waller/Andy Razaf – Ain't misbehavin' (1929)

Introduction

People's (mis)behavior has not only filled the library sections of theology and moral philosophy. Increasingly, scholars of economics are becoming more interested in the discrepancies between what they consider good economic decisions and the actual practices of individuals. The *mores* of society, as Weber (2001 [1905]) has argued, have been a crucial element in the making of capitalism, with practices of accounting and profit-seeking finding their way into socially acceptable forms of life. Not only did profit-seeking behavior become the norm of capitalist life per se, but today the state is attempting to interfere in ever more aspects of the lives of individuals, its citizens, such as obesity, global warming, and also financial behavior (Dubuisson-Quellier 2016).

The ways in which good behavior and misbehavior are framed, however, have changed considerably over recent centuries and have often been redefined after economic crises. What used to be condemned as "usury" in ancient and medieval times (Lazarus and deBlic 2007, 12) could be framed as "financial savvy" in the twenty-first century: in other words, letting your money work for you. This reframing is part of a process that researchers from diverse disciplines have termed the "financialization of daily life" (Martin 2002; Langley 2008), involving ordinary people in financial market deals. Being responsible for their own form of "everyday capital" (Martin 2002: 4), households have been made accountable for insuring themselves against risks and self-disciplining themselves in terms of saving, borrowing, and investing. Consumers are supposed to insure themselves against possible health issues, buy insurance for their cars and their homes, and secure themselves with additional private pension products (OECD 2004, 6). A demand to educate consumers in financial matters has accompanied this development and is a growing policy issue on a global level. The OECD in particular is a core actor and platform for the project of financial literacy education and has recently included the topic in its PISA study.

Financial literacy education is a fairly recent concept, having emerged on the policy stage in the US and the UK in the early 2000s. The aim of its proponents is to educate people on concepts such as inflation, interest, and risk diversification, but also to change their general attitudes towards financial products, services and – in the best case – also their behavior in markets. The main question I shall try to answer in this article concerns the role played by the discipline of economics in boosting financial literacy education and how this can be viewed from the perspective of the sociology of economic knowledge. My contribution will be to try to understand how a specific branch of economics has contributed to the changing understanding of consumer behavior and government intervention in markets. I shall try to grasp how behavioral economics has reframed government thinking about market participants, market stability, and the types of intervention that they should undertake in markets. Taking the project of financial literacy education as an example, I will show how behavioral economics prepared the discursive field for other approaches in economic policy.

In contrast to Hall (1993), I argue that a paradigm shift in economic policymaking cannot be explained solely by the field dynamics in parliament, ministries, and the changing political landscape. Rather, we need to look at the field dynamics of economics itself and look at the sociology of professions and the history of economic ideas together. This makes it necessary to look at the ideas embodied in the respective economic paradigm, the timing of its ascent, and coalition-building with think tanks, government organizations, and transnational advocacy networks.

Economists and economic policy

The roles of economics and economists have been described in diverse ways in social research. Depending on the assumed relations of economic discourses and their influence in policymaking, how economists are perceived ranges from mere technical advisers to conceptual pioneers.

Professions and ideas

It is clear to most academic observers of the economics profession that it has a special role in the social sciences in terms of its political influence and intellectual reputation. Economists hold a "virtual monopoly on giving policy advice" (Thaler 2015, 5) compared with other social sciences. One reason for this might be the dominance of financial and economic issues in politics; another has to do with the relatively coherent packages of policy recommendations emerging from a unified system of (liberal) economic thought. Starting from some basic premises and explaining a wide range of micro and macro phenomena, (mainstream) economists exercise a persuasive power that other social sciences lack. However, as Hirschman and Popp Berman (2014) emphasize, most economists know that this influence is limited at critical junctures or on important government decisions when political considerations can outweigh economic "expertise."

Policy advice is certainly only the most obvious channel of influence enjoyed by economics with regard to policy ideas. However, "ideas matter" on a range of levels, whether it be macroeconomic paradigms such as Keynesianism (Hall 1993) or more specific measures such as shadow-banking regulations (Ban et al. 2016). Depending on the circumstances, the direct or indirect character of the influence that ideas might enjoy may also change. The indirect influence of economics as "cognitive infrastructure" (Hirschman and Popp Berman 2014, 794) can define which political goals are generally worth pursuing, be it economic growth (Schmelzer 2016), free markets (Mirowski and Plehwe 2009), monetarism (Hall 1993), or – in the case of this article – inculcating more rational economic behavior in individuals. By drawing policymakers' attention to specific issues, economics thus not only represents a camera and tool box for observing and repairing social problems, but it actively creates fields of intervention and constructs problems that would not have existed without it (Mackenzie 2008).

Of course, one might think of ideas in general and economic policy ideas in particular as more connected to a nexus of knowledge and power, as "strategic constructions" (Jabko 2006) or "strategic weapons in the battle for control" (Blyth 2002). Clearly, the concrete role of ideas becomes visible only when one looks at into specific cases for analysis. As Hirschman and Popp Berman (2014) have argued, we should move beyond the question of whether ideas matter at all to questions of when they matter and why (Hirschman and Popp Berman 2014, 782). The answers to this question lie in the analysis of coalitions and the timing of ideas.

Coalitions

It is important to note that in the history of economics there have been a number of activist academics who have spanned the fields of politics and research and have used "ideas as coalition magnets" (Béland and Cox 2016). The mechanisms used to enable certain ideas to influence the design of policy projects include the recruitment of international organizations (Ban et al. 2016), the appointment of economists to direct advisory positions, or more subtle ways.

New paradigms and ideas in economic policymaking tend not to appear as spontaneous technical decisions on the best available alternative (something that approaches based on Bayesian learning overestimate), but rather are subject to substantive discursive battles and conceptual coalition-building.

Broader educational and political institutions (such as the academic alliances of economics, its role in the state and in associations) have always shaped which narrative frames are available to economists, which other actors they can ally with, and what self-understanding their profession has (Fourcade-Gourinchas, 2001: 398). Economists and their positions in the academic and political field are crucial for understanding the influence of economic knowledge on economic policymaking. This might be done at national level (Fourcade-Gourinchas 2001) or in the transnational realm (Fourcade 2006) and nec-

Marcus Wolf is a PhD candidate and research associate in the research group "Transnational Political Ordering in Global Finance" at the University of Bremen. His dissertation investigates the ascent of financial literacy education to the global policy stage. His main research interests lie in the fields of International Political Economy and Economic Sociology, most notably covering the issues of everyday finance and consumer debt. He received his bachelor degree in Philosophy and Social Sciences from the Humboldt University of Berlin and his master degree in Political Economy of European Integration from the Berlin School of Economics and Law. For the duration of his studies he received a scholarship from the Rosa-Luxemburg-Foundation.
marcus.wolf@uni-bremen.de

essarily takes into account meso-level field dynamics on various scales (university, media, national government, international organizations) and arenas in which economists try to exert influence.

Timing

In order to understand how economic thinking has influenced our perceptions of social reality, it is crucial to look at the historical conditions and institutional backgrounds that "shaped the intellectual location of economics" (Fourcade-Gourinchas 2001, 400). The discursive background of the 1940s, in which Hayek's *The Road to Serfdom* appeared, was certainly different from that of the late 1990s and stock market populism. We might still identify both with the rise of (neo)liberal ideas, but have to dig deeper to understand the exact historical conditions under which these discourses were established.

Timing is therefore a crucial aspect in the analysis of economics and its role in economic policymaking. Most empirical studies on the issue show that in times of political uncertainty, intellectual battles might open up space for new ideas (Hirschman and Popp Berman 2014, 783). Critical junctures can thus represent moments that can influence the range of later alternatives and paths (Mahoney 2000, 513), and early decisions can prove consequential for later developments (Blyth 2001).

Misbehavior and economics

From the 1990s onwards, private and public initiatives for financial literacy education were launched in order to establish both the knowledge and the initial motivation for households to participate in financial market activities. The core focus lay on the mobilization of people's savings for stock market investments, following the promises of capital market theorists (for example, Markowitz 1952). Their aim was to enable households to profit from the risk premiums of financial markets and thereby establish lifestyles centered on asset accumulation and the development of a portfolio (Sherraden 1991).

Simultaneously, financial literacy was presented as the cure to a range of problems, covering far more than stock investment. Some financial education proponents argue that consumers systematically overestimate their own capabilities (European Commission 2007, 3) – that they "don't know that they don't know." The education of consumers was thus presented as something that could counteract households' imperfect decisions with regard to finance. Most often, imperfect behavior and attitudes are attributed to consumers from lower classes (Altman 2012), women (Russia Financial Literacy and Education Trust Fund 2013; OECD 2013), or immigrant households (European Banking Federation 2009, 57–58; Lusardi and Mitchell 2014, 21). The discourse on financial literacy education explicitly targets so-called vulnerable groups and asserts that their financial practices do not meet the prerequisites of good financial market behavior.

However, education in financial matters is supposed to do more than ameliorate presumably irrational behavior; it is also aimed at broader societal issues. Fairly early, poverty alleviation was presented as a key aim of financial literacy initiatives, especially in countries such as India (OECD 2006). For OECD countries, the core narrative concerned the restructuring of the pension system and the privatization of risks to the individual (OECD 2003, 2). Other, rather macro phenomena (such as market instability and regulatory issues) have become more pronounced, especially after the financial and economic crisis of 2008. This overt association of presumably irrational micro behavior with macro issues of financial stability has given financial literacy another substantial boost in recent years.

We might still wonder what financial literacy represents. The dominant OECD definition states that financial literacy education is supposed to foster people's knowledge, attitudes, and behavior in financial terms (Atkinson and Messy 2012). The knowledge aspect covers awareness of concepts such as interest (or compound interest), inflation, and risk diversification (Atkinson and Messy 2012, 17). People equipped with more understanding of such key concepts, the argument goes, would be better off in financial market surroundings because they could read market signals and manage their own portfolios.

The attitude aspect addresses a slightly different element of "market personality." Here, financial literacy focuses on general character traits exhibited in markets, such as orientation towards future wealth,[1] or people's overestimation of their own abilities. The underlying assumption here of course is that there is one "rational" attitude towards finance, namely that of the informed customer who surveys the market attentively. This claim is one of the key differences between behavioral economists and financial literacy proponents.

The third aspect mentioned in relation to financial literacy is changing people's behavior. The usual questions on behavior in financial literacy surveys read like standard consumer finance surveys (the OECD questionnaire asks consumers whether they pay bills on time or have borrowed money recently) (Atkinson and Messy 2012, 23). People are expected to act in accordance with their knowledge and attitudes, so that consumer behavior is in line with what apologists of financial literacy education consider to be rational.

To date, the social scientific research on financial literacy education has focused mainly on the different national environments of financial education programs, as in Canada (Pinto 2012), the United Kingdom (Odih and Knights 1999; Montgomerie and Tepe-Belfrage 2016), Germany (Reifner 2006; Weber 2010); and France (Lazarus 2013). However, we might gain a lot for the study of economic knowledge and financial literacy if we understood both the conceptual heritage of financial literacy and the interlinkages of politics and economics in policymaking. For this, it is necessary to understand how the idea became commonplace in post-crisis discussions of consumer policy; how it came to be included in the PISA criteria in 2012; and how a transnational network of industry, academics, and policymakers came to gather around the issue. We have to understand the relevant changes in the discipline of economics, most notably the rise of behavioral economics and the field dynamics between economists and policymakers.

The rise of behavioral economics and the idea of the imperfect consumer

Behavioral economics has developed from a niche approach to a recognized subfield (Weber and Dawes 2005). But until behavioral scholars such as Daniel Kahnemann received the so-called "Nobel Prize in Economics" of the Swedish National Bank in 2002,[2] followed by Robert J. Shiller in 2013 and Richard Thaler in 2017, a long path had to be pursued to connect research from psychology and microeconomics to form a well-established strand of economic literature. In a time of liberalized markets and "free individuals," an economic branch demanding "libertarian paternalism" (Thaler and Sunstein 2008, 5) has to mobilize a range of moral or cognitive narratives to be successful, especially to legitimize intervention in presumably autonomous economic areas (Dubuisson-Quellier 2016, 30). Behavioral economics has gained ground, especially since the 1990s, as a major sub-discipline. The aim here cannot be to offer a comprehensive overview of behavioral economic research, however. Rather, I will highlight some of its main assumptions and intellectual coalition-building and examine the extent to which has contributed to the professional field of economics, as well as to economic policymaking. I will then show how financial literacy education has built on this new paradigm, but also has ignored some of its assumptions.

When economists in the United States first became interested in the seemingly irrational behavior of consumers in markets (for example, by choosing the default option of a product instead of surveying the market), they had almost no institutional power base in US universities; nor did they have associations or journals to rely on for professional authority. There was not even substantial interest in their research from any group outside economics. This changed especially with bridge-building to the neighboring discipline of psychology that opened up new opportunities for economists such as Richard Thaler (Thaler 1980). Psychologists such as Amon Tversky and Daniel Kahnemann had been interested for quite some time in processes of seemingly irrational decision-making (Kahnemann et al. 1982), but it took them until 1985 to establish themselves in the economics profession in the United States. That year, a mixed psychology-economics conference held at the University of Chicago proved to be the disciplinary gateway for the new approach (Thaler 2015, 159).

However, some additional features were needed to amplify the program of behavioral economics. Without being preceded by any substantial bad news on specific firms or market developments, in October 1987 stocks fell by more than 20 percent. The 1987 crisis would not be worth mentioning if it were not for the stimulus it gave to the discipline of behavioral economics and market psychology. This crisis differed from crises of advanced capitalism in preceding decades and centuries (Allen and Gale 2008; Wolfson and Epstein 2013). Not in nature, of course, since every time a crisis in capitalism occurs observers tend to claim that "this time is different" (Reinhart and Rogoff 2011, 15). In this case, however, analysis focused not on currency, inflation, banking, or debt (Reinhart and Rogoff 2011, 3–14) but rather on the irrational herding behavior that was claimed to be the main reason for the panic in capital markets from Wellington, New Zealand to New York.[3]

The 1990s further underlined behavioral scientists' criticisms of their more established colleagues. The stock market boom of the 1990s ended in a major market crash following the so-called "dot-com bubble" of the period between 1997 and 2001. One book published at the height of the bubble in 2000 proved to be an influential turning point in terms of economists' views on markets. It also had a remarkable influence on policymakers in the United States. Behavioral economist Robert J. Shiller was already said to be the source of Alan Greenspan's, then chairman of the Federal Reserve board, famous 1996 speech on the "irrational exuberance" in the US economy, which thus acknowledged herding effects in financial markets. Attributing irrationality to markets was in a way what behavioral economists had argued for decades: market actors' decisions did not rest solely on rational criteria and thus needed other explanatory paths. It was easy for mainstream economists to argue against single-issue studies by behavioral counterparts, but they found it harder to "dismiss studies that document[ed] poor choices in large-stakes domains such as saving for retirement, choosing a mortgage, or investing in the stock market" (Thaler 2015, 7).

When Shiller published his book *Irrational Exuberance* (Shiller 2000), he not only criticized his own area of microeconomics, but also financial media and TV commentators in recent years who had marketed the view that people should shifts their investment portfolios to stocks. As a critic of retirement funds' decision to put all their investment eggs in the one basket of stocks, Shiller paved the way for the success of behavioral research in the policy arena.

Core ideas

Behavioral economics' original aim was to show how individuals systematically deviated from what neoclassical economics suggested they would or should be doing in markets. Behavioral economists "found" that rules of thumb or heuristics guided people's decisions more often than rational considerations. However, behavioral economists were not much interested in where these informal norms and rules came from (Piore 2010). Essentially, it was argued that people made wrong decisions all the time for reasons of overconfidence, inertia (choosing the default option), herding, or framing (how specific problems are presented). None of these are part of the traditional corpus of neoclassical microeconomics.

If we assume the two central premises of mainstream economics to be rational preferences (based on full and relevant information) and market equilibria that should occur when individuals act in accordance with their rational preferences, then behavioral economics represented something of a reform movement within economics, but also one with a policy agenda. Behavioral economists tried to convince politicians that in order to avoid market instabilities (Schleifer 2000), they would have to "grapple with these messier aspects of market reality" (Shiller 2000, xiv) and change consumer behavior.

Of course, the behavioral approach to economics still largely refers to an ahistorical image of consumer behavior and market developments (Schimank 2011, 3) and we might argue that sociologists should rather deal with collective conditions and structures than with individual choices (Streeck 2010, 388). But no matter how the discipline of sociology or political economy might want to relate to the approach of behavioral economics, the latter has witnessed a steep increase in public attention.

Figure 1 shows a rough estimate of the importance of the behavioral economics approach in terms of newspaper coverage. Basically, every major crisis that was discussed mainly as a crisis of consumer misbehavior (1987, 2000, 2008) turned out to amplify the research field's importance.

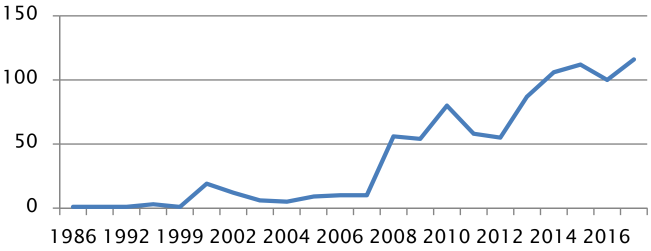


Figure 1. Number of newspaper articles on behavioral economics, 1986–2017
Note: Using *Factiva* and including the New York Times, the Washington Post and the Guardian as major newspapers from the North Atlantic (English-speaking) economic policy world.

Behavioral economics thus benefitted from three things in particular in establishing its professional basis. First, it allied with the neighboring discipline of psychology, which opened up at least some sort of professional legitimation. Secondly, its audience includes not only academia, but also the broader public and political institutions. This meant that national ministries, central banks and supervisory agencies became interested in the topic. And thirdly, the financial crises of 1987, the late 1990s, and, most notably, 2007–2008 gave it the public attention to establish itself as the savior of the financial system. Roughly during the same time, the incorporation of low- and middle-income households in financial market activities was accompanied by a second strand of thinking: financial literacy education.

The ascent of financial literacy education

The idea of financial literacy education, as it evolved in the Anglo-Saxon context in the late 1990s and early 2000s, has partly built on the growing interest in consumer behavior to which behavioral economists have contributed. Both the United States and the United Kingdom set up national institutions to accompany and drive household stock market investments with educational help. One of the first of its kind, the *Jump$tart Coalition for Personal Financial Literacy* in the United States brought together insurance companies, consumer credit counselling services, and the Federal Reserve Board as early as 1995. At this time, the project was as US-focused as it was industry-led. The coalition drafted material for school curricula and advice for policymakers to address the issue (Jump$tart Coalition for Personal Financial Literacy 2015).

Already in the early stages of the institutionalization of the topic in the 2000s, there was strong involvement in particular of financial economists as advisors in the United States and on global policy proposals. A Federal Reserve Board bulletin of 2002 was one of the first signs of institutionalization, discussing financial literacy education as a potential remedy for high levels of consumer debt and increasingly complex financial products (Braunstein and Welch 2002). In the United Kingdom, around the same time, New Labour set up the Personal Finance Education Group (PFEG) and the UK Financial Services Authority emphasized the importance of educating the population in financial matters (UK Financial Services Authority 1998).

It should be mentioned that the ascent of financial literacy would probably not have been possible to such an extent without the rise of stock-market populism (Martin 2002; Langley 2008) and the restructuring of the welfare state, especially of retirement systems. When pension policies shifted to a stock market orientation even in countries with strong public, defined-benefit pension systems, such as Sweden (Ryner 2004), this meant a massive steering of household savings to investments in stocks and bonds. This new "DC [defined contribution] world" (Langley and Leaver 2012, 475) made policymakers think about how to help people to navigate in a newly created market of finance for everyday investors.

It was in this environment and mainly through initiatives in Anglo-Saxon countries that the issue reached the global political arena (Interview with OECD official, March 2017). The concern here was not so much the individual misbehavior of consumers on markets as preparing people's minds for the new age of privatized pensions and insurance landscapes, as can be read in the OECD's first publication on the Financial Education Project in 2003 (OECD 2003). At that time, the issue was largely driven by individual countries, but of course the *Zeitgeist* had been one of individualization and the "third way" in politics, economics, and the social sciences (Andersson 2010).

The role of economists

Early research on financial literacy made explicit mention of the contribution of behavioral economics to showing the need for regulatory intervention in consumer behavior (Braunstein and Welch 2002). Especially US-based economists such as Lewis Mandell, Annamaria Lusardi, and Olivia Mitchell were strong advocates of financial education for the purpose of boosting stock market participation (van Rooij et al. 2007), sometimes also referring to behavioral economic research on the gaps between economists' models and actual consumer behavior (Lusardi and Mitchell 2014). The underlying promise was that "those who build financial savvy can earn above-average expected returns on their investments" (Lusardi and Mitchell 2014, 6).

Thenceforward Lusardi became not only one of the main academic proponents of financial literacy education, but also a member of the advisory body of the OECD PISA financial literacy survey (Interview with OECD official, March 2017). Despite doubts about the actual effects of financial literacy (Willis 2011), these economists were able to set the agenda, assuming that a well-functioning marketplace needs consumers to react appropriately to price signals and market developments, thus preventing irrational exuberance on markets. However, they focused explicitly on the "least financially savvy population groups" (Lusardi and Mitchell 2014, 5) and thereby abandoned behavioral economists' point that all individuals tend to behave irrationally and spread the view that only the uneducated behave wrongly. By looking at the correlation between financial literacy levels and issues such as consumer debt, budgeting practices or retirement planning, financial education proponents have successfully reframed problems such as consumer debt as issues of *individual* (mis)behavior. In this way, these economists have acted as "masters of definition" (Hajer 1995, 42), drafting survey questions or serving on the advisory bodies of governments and international organizations.

The crucial dimension for the success of financial literacy was thus the coalition-building of a diverse range of actors – from activist academics such as Lusardi and Mitchell to international organizations or national governments and supervisory bodies. Central banks have become increasingly important in the promotion of financial literacy education (Aprea et al. 2016, v), especially through the reframing of the subprime crisis as a crisis of consumer misbehavior. As a result, a significant part of the policy literature on financial literacy and education now explicitly refers to behavioral insights and the "relevance of attitudes, feelings, and the role of psychological factors in financial behavior and well-being outcomes" (FLEC 2016). Claims that households are using "crude rules of thumb when engaging in saving behavior" (Lusardi and Mitchell 2014, 21) strongly resemble the rhetoric of behavioral economics.

The OECD and the institutionalization of the topic

Similar to what Ban et al. (2016) have argued, the case of financial literacy education shows the strong role of international organizations as amplifiers for policy ideas. The OECD, like other international organizations, mainly recruits economists and thus is prone to mirror developments from the discipline of economics. The OECD thus cannot be reduced to its organizational role as promoter of the market economy; it is also a crucial recruitment platform for economists.

Despite the relative hostility of especially EU officials to the notion of financial literacy as a panacea, the OECD used the US subprime housing crisis in particular to make an urgent case for financial literacy efforts worldwide. The main narrative was no longer that individuals were only supposed to invest their savings in securities markets and insurance for better pension provision; rather financial literacy was now presented as a functional precondition for stable financial systems and the prevention of fraudulent business practices. The consumer was no longer supposed (only) to buy insurance for potential difficult times, but to budget wisely and save enough for a rainy day. Consumers thus became responsible for the well-being of the whole financial system, as the OECD stressed at its first post-Lehman Brothers summit:

"Failure to develop debt management skills can cause consumers to suffer, at best, financial distress and at worst, major financial crises, which can have severe consequences and lead to significant losses for financial institutions (as creditors)." (OECD 2008)

From then on, no policy publication on financial literacy went without a reference to the subprime crisis. In fact, the financial literacy discourse was amalgamated with one on vulnerable groups and protecting consumers from free market failures, thus turning around the market-friendly narrative of the pre-2008 period. In 2012, the issue was made part of the PISA study of 15-year-old school pupils' performance and thus framed as a core skill that young students of high-school age should have. The financial and economic crisis thus proved to be an opportunity to further enhance global institution-building around financial literacy education. An international network (INFE) was created at the OECD and affiliations with US universities, such as the Global Financial Literacy Excellence Center (GFLEC), consolidated the policy project institutionally.

In the aftermath of the Dot.com Crisis, proponents of financial literacy education took to drawing on a discourse of consumer misbehavior and "irrational exuberance" that has fundamentally changed the view of the consumer in economic policymaking. Consumer "misbehavior" is now regarded as a major risk to the stability of the financial system; almost all policy documents on financial education refer explicitly to market instabilities due to wrong budgeting, saving, debt, or investment behavior. Macro-problems, such as financial stability, are now discussed as resolvable (at least partly) through intervention in consumer behavior and skills. Of course, there are also alternative voices within the discussion on financial literacy education, but they are rarely heard at OECD headquarters in Paris. Reifner and Schelhowe, for instance, argue that most common definitions of financial education fail to incorporate critical attitudes towards the financial system, but rather only try to convey the "rules of the road" (Reifner and Schelhowe 2010).

Through the OECD, the relevant economists have been able to persuade a wide range of central bank officials and financial supervisory bodies of the importance of educating their citizens in finance. How this will play out in national contexts remains to be seen. However, we can already see the pressure that OECD surveys such as the PISA study's measure of financial literacy are putting on various countries to step up their efforts on the issue.

Conclusion

Research on the intellectual history of financial literacy education has only just begun, but it is a promising area for the future. Not only can we understand how professional fields emerge and change, but also how specific economic policy ideas serve as coalition magnets at specific times of economic crisis. The conceptual links between behavioral economics and financial literacy (Altman 2012) are as interesting as the two areas' personal and institutional networks. The topics are gaining in importance; the triumph of "nudging" as a policy idea (Strassheim 2017; Botzem forthcoming) is one sign of this. Even though behavioral economics remains a separate body of research whose policy recommendations partly even contradict those of financial literacy proponents, it has provided the "cognitive infrastructure" (Hirschman and Popp Berman 2014, 794) for financial literacy to become a political project.

This has led to the disapproval of "out-of-date" financial behavior, for instance when the OECD argues that consumers in countries such as Poland or the Czech Republic distrust modern financial instruments and maintain a belief in traditional ways of saving money (OECD 2004, 5). This rhetoric serves to "impose one best way to manage money and stigmatize existing monetary practices" (Lazarus 2016, 29), but also to establish a particular capitalist form of life (Sachweh and Münnich 2017). This includes the ownership of commodities, but also the mastering of behaviors and attitudes of calculation, foresight, and risk calculation to understand individualized offers of insurance, consumer credit, or investment products. The spirit of capitalism (Boltanski and Chiapello [1999] 2005) has thus experienced another reform movement. Economic sociology might take on the role of counteracting the individualism of both behavioral economic and financial literacy research and of serving as a critical voice in the study of new ideologies (Chiapello 2003).

Endnotes

1 The OECD questionnaire includes the attitudinal sentence "I tend to live for today and let tomorrow take care of itself" Atkinson and Messy (2012, 33).

2 Properly speaking, the prize is the "Swedish National Bank's Prize in Economic Sciences in Memory of Alfred Nobel"; the more colloquial name seeks to emulate the genuine Nobel prizes in terms of prestige and recognition of scientific advances.

3 Of course, thinking about herding behavior in finance is not a novelty in economics; for example, scholars such as Thaler explicitly refer to Keynes' notion of "animal spirits" (Thaler 2015, 209).

References

Allen, F. and D. Gale. 2008. *Financial crises*. Cheltenham: Edward Elgar.

Altman, M. 2012. "Implications of behavioural economics for financial literacy and public policy." *Journal of Socio-Economics* 41: 677–690.

Andersson, J. 2010. *The Library and the Workshop: Social Democracy and Capitalism in the Knowledge Age*. Stanford: Stanford University Press.

Aprea, C., E. Wuttke, K. Breuer, N. K. Koh, P. Davies, B. Greimel-Fuhrmann, et al. 2016. *International Handbook of Financial Literacy*. New York: Springer.

Atkinson, A. and F.-A. Messy. 2012. *Measuring Financial Literacy: Results of the OECD / International Network on Financial Education (INFE) Pilot Study*. Paris.

Ban, C., L. Seabrooke and S. Freitas. 2016. "Grey matter in shadow banking: international organizations and expert strategies in global financial governance." *Review of International Political Economy* 23(6): 1001–1033.

Béland, D. and R. H. Cox. 2016. "Ideas as coalition magnets: coalition building, policy entrepreneurs, and power relations." *Journal of European Public Policy* 23(3): 428–445.

Blyth, M. 2001. "The transformation of the Swedish model: Economic ideas, distributional conflict, and institutional change." *World Politics* 54(1): 1–26.

Blyth, M. 2002. *Great transformations: Economic ideas and institutional change in the twentieth century*. Cambridge, MA: Cambridge University Press.

Boltanski, L. and E. Chiapello. 2005 [1999]. *The new spirit of capitalism*. London, New York: Verso.

Botzem, S. Forthcoming. "The Governance of Behavioural Taxation: Moralization and the New Modes of Tax Collection." In *Handbook of Behavioural Change and Public Policy,* by S. Beck, and H. Strassheim (eds). Cheltenham: Edward Elgar Publishing.

Braunstein, S. and C. Welch. 2002. *Financial Literacy: An Overview of Practice, Research, and Policy*. Federal Reserve Bulletin. Washington D.C.

Chiapello, E. 2003. "Reconciling the Two Principal Meanings of the Notion of Ideology: The Example of the Concept of the 'Spirit of Capitalism'." *European Journal of Social Theory* 6(2): 155–171.

Dubuisson-Quellier, S. 2016. "Introduction: Le gouvernement des conduites comme modalité d'intervention de l'état sur les marchés." In *Gouverner les conduits,* by S. Dubuission-Quellier (ed.), 15–58. Paris: Presses de Sciences Po.

European Banking Federation. 2009. *Financial Literacy: Empowering Consumers to Make Right Choices*. Brussels.

European Commission. 2007. *COM 2007, 808 final: Communication from the Commission. Financial Education*. Brussels.

FLEC. 2016. *Financial Literacy Excellence Center: Promoting Financial Success in the United States: National Strategy for Financial Literacy*. Washington D.C.

Fourcade-Gourinchas, M. 2001. "Politics, institutional structures, and the rise of economics: A comparative study." *Theory and Society* 30: 397–447.

Fourcade, M. 2006. "The Construction of a Global Profession: The Transnationalization of Economics." *American Journal of Sociology* 112: 145–194.

Hajer, M.A. 1995. *Politics of Environmental Discourse: Ecological Modernization and the Policy Process*. Oxford: Oxford University Press.

Hall, P.A. 1993. "Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Britain." *Comparative Politics* 3: 275–296.

Hirschman, D. and E. Popp Berman. 2014. Do economists make policies? On the political effects of economics. *Socio-Economic Review* 12: 779–811.

Jabko, N. 2006. *Playing the Market: A Political Strategy for Uniting Europe, 1985–2005.* Ithaca: Cornell University Press.

Jump$tart Coalition for Personal Financial Literacy. 2015. *National Standards in K-12 Personal Finance Education*. Washington D.C.

Kahnemann, D., P. Slovic and A. Tversky. 1982. *Judgment under uncertainty: Heuristic and biases*. Cambridge: Cambridge University Press.

Langley, P. 2008. *The Everyday Life of Global Finance: Saving and Borrowing in Anglo-America*. Oxford, New York: Oxford University Press.

Langley, P. and A. Leaver. 2012. "Remaking Retirement Investors: Behavioural Economics and Defined-Contribution Occupational Pensions." *Journal of Cultural Economy* 5(4): 473–488.

Lazarus, J. (2013) "De l'aide à la responsabilisation: L'espace social de l'éducation financière en France." *Genèses* 93: 76–97.

Lazarus, J. 2016. "The issue of financial literacy: Low finance between risk and morality." *Economic Sociology. The European Electronic Newsletter* 17(3): 27–34.

Lazarus, J. and D. deBlic. 2007. *Sociologie de l'argent*. Paris: Éditions La Découverte.

Lusardi, A. and O. S. Mitchell. 2014. "The Economic Importance of Financial Literacy: Theory and Evidence." *Journal of Economic Literature* 52(1): 5–44.

Mackenzie, D. 2008. *An Engine, Not a Camera: How Financial Models Shape Markets*. Boston: MIT Press.

Mahoney, J. 2000. "Path dependence in historical sociology." *Theory and Society* 29(4): 507–548.

Markowitz, H. M. 1952. "Portfolio Selection." *The Journal of Finance* 7: 77–91.

Martin, R. 2002. *Financialization of daily life*. Philadelphia: Temple University Press.

Mirowski, P. and D. Plehwe. 2009. *The Road From Mont Pèlerin: The Making of the Neoliberal Thought Collective.* Harvard: Harvard University Press.

Montgomerie, J. and D. Tepe-Belfrage. 2016. "A Feminist Moral-Political Economy of Uneven Reform in Austerity Britain: Fostering Financial and Parental Literacy." *Globalizations* 13(6): 890–905.

Odih, P. and D. Knights. 1999. "'Discipline needs time': Education for citizenship and the financially self-disciplined subject." *The School Field* X: 127–152.

OECD. 2003. *Financial Education Project: DAFFE/AS/WD(2003)24*. Paris.

OECD. 2004. *Progress Report on the OECD Financial Education Project*. Paris: DAFFE/CMF.

OECD. 2006. *Summary Record of the OECD Conference on Financial Education in New Delhi, India*. Paris.

OECD. 2008. *Summary Report of the OECD-Bank of Indonesia International Conference on Financial Education: DAF/CMF/AS/WD(2008)4*. 21–22.

OECD. 2013. *Addressing Women's Needs for Financial Education*. Paris.

Pinto, L. E. 2012. "When politics trump evidence: Financial literacy education narratives following the global financial crisis." *Journal of Education Policy* 28(1): 95–120.

Piore, M. J. 2010. "From bounded rationality to behavioural economics: Discussion Forum II." *Socio-Economic Review* 8: 383–387.

Reifner, U. 2006. *Financial Literacy in Europe*. Baden-Baden: Nomos.

Reifner, U. and A. Schelhowe. 2010. "Financial Education." *Journal of Social Science Education* 9(2): 32–42.

Reinhart, C. M. and K. S. Rogoff. 2011. *This Time is Different: Eight Centuries of Financial Folly*. Princeton: Princeton University Press.

Russia Financial Literacy and Education Trust Fund. 2013. *Women and Financial Literacy*.

Ryner, M. 2004. "Neo-liberalization of Social Democracy: The Swedish Case." *Comparative European Politics*(2): 97–119.

Sachweh, P. and S. Münnich. 2017. *Kapitalismus als Lebensform?: Deutungsmuster, Legitimation und Kritik in der Marktgesellschaft*. Wiesbaden: Springer VS.

Schimank, U. 2011. "Against all odds: the 'loyalty' of small investors." *Socio-Economic Review* 9(1): 107–135.

Schleifer, A. 2000. *Inefficient Markets: An Introduction to Behavioral Finance*. Oxford: Oxford University Press.

Schmelzer, M. 2016. *The hegemony of growth: The OECD and the making of the economic growth paradigm*. Cambridge: Cambridge University Press.

Sherraden, M. W. 1991. *Assets and the poor: A new American welfare policy*. Armonk, N.Y.: M.E. Sharpe.

Shiller, R. J. 2000. *Irrational Exuberance*. Princeton: Princeton University Press.

Strassheim, H. 2017. Behavioural Expertise and Regulatory Power in Europe. In: *Regulating Risks in the European Union: The Co-production of Expert and Executive Power,* by Weimer, M. and Ruijter, A. de (eds), 143–163. London: Hart Publishing.

Streeck, W. 2010. "Does 'behavioural economics' offer an alternative to the neoclassical paradigm?: Discussion Forum II." *Socio-Economic Review* 8: 387–397.

Thaler, R. 1980. "Toward a positive theory of consumer choice." *Journal of Economic Behavior & Organization* 1(1): 39–60.

Thaler, R. H. 2015. *Misbehaving: The Making of Behavioral Economics*. New York: Norton.

Thaler, R. H. and C. R. Sunstein. 2008. *Nudge: Improving Decisions About Health, Wealth, and Happiness*. New York: Yale University Press.

UK Financial Services Authority. 1998. *Promoting Public Understanding of Financial Services* . London: FSA.

van Rooij M., A. Lusardi and Rob J. M. Alessie, 2007. *Financial Literacy and Stock Market Participation*. Frankfurt/M.: Center for Financial Studies (27).

Weber, B. 2010. Finanzbildungsbürgertum und die Finanzialisierung des Alltags. *PROKLA. Zeitschrift für kritische Sozialwissenschaft* 40(3): 377–393.

Weber, M. 2001 [1905]. *The Protestant Ethic and the Spirit of Capitalism*. London: Routledge.

Weber, R. and R. Dawes. 2005. Behavioral Economics. In *The Handbook of Economic Sociology,* by N. J. Smelser and R. Swedberg (eds), 90–108. Princeton: Princeton University Press.

Willis, L. E. 2011. "The Financial Education Fallacy." *The American Economic Review* 101(3): 429–434.

Wolfson M. H. and G. A. Epstein. 2013. *The handbook of the political economy of financial crises*. New York, NY: Oxford University Press.

The dual messages of OECD economic surveys

Observations from the OECD's Economics Department and the drafting and peer review of Economic Surveys

Maria Duclos Lindstrøm

Since 1961 the OECD publication "Economic Surveys" has monitored the economies of OECD's member countries (and selected non-members) to identify policy areas in which they seem to be underperforming and to suggest policy action. They are an important instrument that enable the OECD to promote its comparative, evidence-based policy paradigm among both publics and governments. However, despite common agreement that the OECD is a significant player in establishing and coordinating agreed principles for economic governance at an intergovernmental level, the direct policy impact of the individual surveys is notoriously difficult to assess and measure in terms of direct uptake in the countries concerned (Armingeon 2003; Armingeon and Beyeler 2004; Clifton and Díaz-Fuentes 2011).

From a sociological perspective, it would be extremely useful to understand how OECD economists seek to have an impact on public policies within and across member countries, and how their knowledge production and interactions with member governments are organized for this purpose. As a way of entry into understanding the steady, but indirect, impact of the OECD's economic work, the process of drafting and reviewing the Economic Surveys is particularly interesting, because it lies at the heart of the OECD's peer review system, which the organization itself calls "a tool for cooperation and change" (OECD 2003).

Key to understanding the mechanisms by which the OECD seeks to exert an impact is recognition that it is not organized as a detached think tank producing reports and research for policymakers and academia. Rather, the express purpose of this intergovernmental peer-review system is to instigate a continuous policy learning process between member states and their government officials (Marcussen and Trondal 2011; Martins and Jakobi 2010; Thygesen 2008; Guilmette 2007; OECD 2003; Hodson and Maher 2001; Coats 1986).

Inside the Economics Department

The continuous production of country surveys, policy recommendations, and peer review evaluations by the Economic and Development Review Committee (EDRC) is thus important for understanding the situated practices by which OECD economists seek to have an impact on the development and coordination of public policies in the OECD area. Indeed, we have seen a surge in research analyzing the mechanisms of international organizations, focusing on how documents are produced and negotiated in these organizations (Kentikelenis and Seabrooke 2017; Fligstein, Brundage, and Schultz 2017; Gayon 2009; Harper 1998; Riles 2000).

The present article is based on in-depth research I conducted within the OECD Economics Department. I watched OECD economists at work and interviewed them about how the Surveys are drafted. I observed directoral feedback and peer review seminars at the Economic and Development Review Committee (EDRC), as well as, quite uniquely, the redrafting-sessions at which the OECD secretariat and representatives of the country under review meet to negotiate a final draft of the survey. I integrated these interviews and observations with detailed analysis of draft surveys at different stages of revision to capture what Smith calls "the intention of the text" (Smith 1990, 91), building on the suggestion that "the text intends methods and schemata for interpretation and … these can be recovered through analysis" (ibid).

Maria Duclos Lindstrøm is post doc on the project Global Challenges, Local Solutions? – Rethinking Professional Work in a World of Transnational Jurisdictions at the University of Copenhagen. Her current research focuses on professional boundary work within the emerging field of innovation management. *mdl@soc.ku.dk*

In this brief note, I will address an important fundamental question: What work are the Surveys designed to do? The analysis will show how, through the drafting process and peer review, the text is imbued with what my informants called "a dual message." Despite their external appearance as a kind of "gradebook" for the particular country under review, I show how the Economic Surveys are not intended merely to tell that country what it could and should do in relation to the particular economic problems identified in the report. They are also designed "for general OECD consumption"; to articulate and circulate general OECD recommendations and best practices.

The EDRC and the system of peer review

It is my impression that maybe it's not very clear to people what the OECD is all about. Well, it is peer reviews that are the essence of the OECD. We try to identify best practices. We try to find out how to evaluate each other.

(OECD economist, Economics Department, Country Desk)

The grand finale of any survey process is the peer review by the Economic and Development Review Committee (EDRC). This involves a full-day meeting in a peer review setting dedicated to discussing the Survey, its recommendations and implications. The setting of this meeting is as follows. The EDRC meets in one of the large conference rooms at Rue André Pascal in Paris. The room is spacious enough to seat the economic counsellors from the national representations to the OECD, as well as relevant staff from the OECD secretariat (desk, supervisors, and director), the delegation from the reviewed country (see below), the chair of the committee and observers from the EU and the IMF.

The EDRC proceeds according to a well-rehearsed protocol (OECD Policy Brief). Although this collective of representatives from all member countries share responsibility for the peer review and discussion of the Survey, two examining countries are appointed with special responsibility for the particular EDRC examination. They prepare a written assessment of the draft report and its recommendations ahead of the meeting, and decide, in collaboration with the chair of the Committee and the OECD economist responsible for drafting the report (desk), the key topics that should be given priority at the peer review session.

The meeting begins with an opening statement by the chair of the Committee, who chairs all EDRC peer reviews. The chair is appointed by the EDRC as a so-called council expert and his or her services in leading committee peer reviews are funded by the OECD general budget to ensure independence from both ECO (the OECD Economics Department) and the countries being evaluated in the EDRC. The chair opens each peer review session by summarizing the main findings of the draft survey and its recommendations, as well as the issues and questions for discussion raised by the examiners. This is also a way of symbolically marking the relative autonomy of the collective of the peer-reviewing committee and its responsibility for reviewing the economic policies of the relevant country and identifying revisions in the draft prepared by the Secretariat.

The examiners' job on this occasion is to guide and structure the discussion (the peer review) of the selected topics and to ensure that it concentrates on them. This discussion is supposed to clarify whether the Committee, as a collective, can agree with the main assessments and recommendations of the draft report prepared by the Secretariat in close cooperation with the reviewed country.

In the written comments submitted to the EDRC, the country under review expresses its views with regard to the analysis in the drafts, including its possible shortcomings. After this, any counsellor from any member country may participate in discussion of the topic, at which both the Secretariat and the country under review are allowed to respond, explain, and comment. The chair finally closes the meeting, late in the afternoon, with a summary of the discussions at the meeting. These closing remarks – called the Chair's Conclusions – form the basis for the final redrafting on the following day, to which I will now turn.

Minutes from the post-EDRC redrafting

It is 9.45 on a Friday morning, the day after the EDRC meeting. Eight men and one woman (and the observing sociologist) enter a rather bare meeting room under the roof of the Chateau. In sober contrast to the formality of the set-up of the large EDRC conference room on the preceding day, this meeting room is sparsely equipped, with a large meeting table, a screen, and a computer. This signals work.

The delegation of the country under review musters a total of seven people: the head of the delegation (a director from the Ministry of Economic Affairs), two economists from the same ministry, and one representative from each of the ministries for the sectors discussed in the chapters of the Survey. Also present in the delegation are the national Economic Counsellor accredited to the OECD and his or her assistant. The Desk/OECD secretariat is fully represented with a head of division (supervisor), the main author of the Survey (head of desk/senior economist) and second author (the desk economist).

OECD: "So, we have put in your suggestions …"
Country delegation: "Not suggestions, improvements!" [laughs]

The atmosphere can be described as professional: "We have a day's work ahead of us." The group assembles rather loosely, informally, and not quite punctually. A shorter (somewhat stylized) negotiation about who is to do the actual typing and about whether the text copy to be revised should be that of the OECD or of the country delegation is resolved, and people sit down. The delegation takes up most of the seats around the table. At one end, by the computer keyboard, sits the head of desk.

One's attention is already drawn to the screen, which shows a Word document, with the original text and with bright red letters reflecting the redrafting. This is the draft Survey with the national delegation's desired interventions in red. The OECD head of division proposes that "maybe the most flexible way" is to start with the Assessment and Recommendations section (the A&R) "which is what is really important":

OECD: [continues] … "and this morning we shall try to sort out the problems in the A&R. Let's see how far we can get with the A & R before 12.30 [when some members of the Delegation have to leave, MDL] and then later this afternoon look at the rest of the chapters. Of course, we have to take into account the Committee's comments. Here, it is a bit difficult for me, since the Chairman and the Committee were not very strong in their remarks".

The subtext seems to be that not many substantial revisions of the draft are required. The country delegation protests by intervening:

"I would say that in one or two cases, the discussion at the EDRC will have an impact on the wording!"

For a moment, the atmosphere surrounding how to proceed is somewhat edgy. The Delegation provides the next step forward by proposing:

"Maybe it is a good idea to start with the Conclusions of the Chairman to see if this will lead to slightly different wording". …

The Chair's Conclusions

As a remarkable contrast to the firmly established procedures for the EDRC peer review, and the importance given to the task of ensuring that the final text "[fully reflects] the center of gravity of the Committee's deliberations" (OECD webpage), I was rather surprised to learn that the Chair's Conclusions were present at the redrafting session only in the form of handwritten notes by desk and delegation, respectively. From a pragmatic point of view, this is productive for the redrafting process, I was told, as it "[ensures] that we do not have to begin by agreeing about what he said in the first place and putting that on paper before we can get started" (interview, head of desk). We may, following Smith (2005) understand the chair's conclusions from the EDRC as a significant symbol (Mead 1934) as we observe how the involved individuals from the OECD and the delegation interact in order to arrive at a version that everyone, including the Committee, can accept as being semantically equivalent to the chair's summary.

At the same time, in accordance with Smith's interactionist framework, we shall also see how this approach leaves plenty of room for the parties to shape the remarks and the drafting revisions with a view to projecting the analysis and policy recommendations of the Survey onto their preferred courses of action. As we shall see, the task of this high ranking group of economic professionals from the OECD and national governments is not to treat the conclusions as a checklist. Rather, as the final step of the drafting, the group is supposed to engage with the Chair's Conclusions in a process of co-production of knowledge towards the common goal of a so-called "agreed redraft" – a text that (again in the words of the head of desk) is "acceptable for the delegation and in line with the Committee" (interview).[1]

"Acceptable for the delegation" …

As previously described, the country under examination has a number of opportunities to discuss the analysis and conclusions of the Economic Survey. During the drafting process, there is already an informal discussion about which topics could be examined in the next Survey. This becomes more formal when the next Survey cycle starts and relevant subjects are selected. The first possibility for discussing possible issues of concern and policy recommendations is during the so-called structural mission, which is mostly a fact-gathering exercise. The second (so-called policy) mission has the purpose of presenting the national authorities with the Secretariat's findings and conclusions, giving the country concerned an opportunity to react. At the EDRC, the delegation is given the opportunity to make comments, pointing out factual errors and underlining areas of disagreement with the draft or with the comments from the two reviewing countries. Furthermore, the country must produce a so-called "one-pager" in advance of the EDRC. This is a document in which the national government can state points on which it holds a different view from that expressed in the draft. Consequently, at the time of the redrafting, all parties know very well where there is disagreement. Nevertheless, during redrafting, desk and delegation engage not in bargaining, negotiations, or compromise, but in yet another round of testing the arguments, as will become clear in the following discussion about the final text in a section in which the OECD draft Survey discusses reforms of the housing sector.

In its chapter on housing and labor mobility, OECD has pointed to "numerous rigidities" on the housing market in the examined country, in particular the size of the rental sector and the rigid rent control:[2]

The housing market is characterized by numerous rigidities, which may hamper geographical labor mobility. The rental segment is characterized by rigid rent control and an internationally large social housing sector. The below-market rents combined with eligibility checks only at entry have led to a low tenant turnover and almost sixty [percent] of tenants having incomes above the eligibility level. (from draft survey)

Like all structural policies, housing policies involve a number of different regulations (housing policies, rent control, taxation); they also have particular institutional features, so that housing markets vary considerably from one country to another. For instance, the size of the rental sector is structurally linked to demand and supply in the private housing sector, and thus also to policies regulating where land can be developed.

From the OECD's point of view, the social (or in the words of the head of desk "the social or what should we call it") housing sector is simply too large, too regulated, and not very well targeted, which has resulted in a housing policy that is too costly and inefficient. Moreover, because the only eligibility check comes when people move house, it is very attractive to remain in social housing, which in turn means that geographical labor mobility is hampered (because people might be less inclined to move from a dwelling with cheap rent). From the point of view of the desk, this is really the core problem. For the delegation, however, which is reluctant to accept the suggested deregulation of land development, and is protective of national housing policy, more is at stake than merely rent subsidies and housing policies.

Country delegation [looking at the screen]: "It can't be 60%. I don't have a problem with your saying something in the text about this being a bit high, but we need to get the facts right. This number, I just don't trust it "
OECD: [humorously]: "A bit high?"
Country delegation: [determined] "I don't care. I think the right level of [eligibility] should be [mentions a figure close to the current one]. If you think it's too high, then … [indicates with his hands and body language: "do as you wish"].
OECD: "The level of eligibility is not the issue here. The issue is that this sector is simply too large, and the problems which follow from this".
Country delegation: "I don't mind to exaggerate the problem. I am just saying that we need to check the facts, so we are sure the facts are right".
OECD: "Yes, okay, you check your facts, you give us the number, we put it into the text, no problem!"

"And in line with the Committee" …

The atmosphere is not completely relaxed. An SMS is sent to the national capital to check the current number of citizens whose income level has come to exceed the level of eligibility for rent subsidies. Waiting for this figure, the delegation moves on to try to resolve a number of related points of disagreement in the text. On the screen, text revisions succeed each other. With the basic question about the recommendations on housing policy still unresolved, it is not easy to find solutions that everyone agrees are good. At one point in the discussion, when the suggestions for text revisions become particularly detailed, the head of desk comments:

"This is basically not for [your] national consumption; it is for other countries, to tell them what they should do"

"Not for national consumption" – the dual messages of OECD surveys

Here we see how the head of desk was successful in making the redrafting process move on without changes to the OECD message by making a plea concerning the horizontal purpose of the Surveys and peer review: in other words, the fact that the Surveys are not merely for national consumption. In a post-redrafting interview, the head of desk explained what happened in the following way:

"In peer review, there are always two messages: one for the country, and one which is targeted at other countries, for general OECD consumption. This is something we are fully conscious of. In the drafting process, I am constantly concerned with whether what I am writing is relevant. 'Would this be of interest to anyone at all?' It may be of interest either for national consumption or for other countries. But I would say that most of the Surveys are for national consumption – maybe 75 or 80%." (interview)

Awareness of such dual messages, I propose, conveys one important code for understanding the work the Surveys are designed to do. We can take the analysis one step further and connect these dual messages to a more fundamental distinction undergirding the work at the OECD, between the horizontal and the vertical dimensions of the OECD's organization and knowledge production. These concepts are chosen because they are ethnographic terms used by OECD economists themselves to describe qualities of knowledge, but also the organizational principles of the OECD. The horizontal, in the context of the OECD, refers to cross-country, comparative, evidence-based, or general OECD recommendations – or in short the "OECD" perspective. Sometimes it also refers to cross-departmental cooperation and joint publications. The "vertical" refers to the single-country perspective: knowledge primarily for national consumption.

As core organizing principles for the work and organization of the OECD, the horizontal and vertical dimensions are not dichotomous, but articulate and organize the complex task of the peer review as economic analysis operating "between the (too) country specific and the (over) general" (interview). Curiously, we observed how this balance is not established as an overall equilibrium between the two principles throughout the Survey's analysis and recommendations. Instead, such horizontalizing elements are systematically inscribed and repeated in every Survey – side by side with vertical, country-specific analyses.

Conclusion

In this ethnographic vignette, I have asked the question: "What work are the OECD's Economic Surveys designed to do?" and analyzed the textually mediated sequences of action embodied in the peer review and the redrafting process. I conclude that the Surveys, in accordance with the OECD method of peer review, are designed both to be relevant for the particular country under review (which means that they are supposed to identify relevant problems for the country, as well as what the country could and should do in the current situation), and to contribute to promoting ongoing OECD work of a more horizontal character: general OECD recommendations, other OECD work, and cross-national policy comparisons.

Focusing on the textual intention of the Surveys brought out important dimensions of the textual foundation beneath the peer review organization of OECD's Economic Surveys. It revealed how such dual messages systematically establish a textual structure with multiple textual intentions, and hence multiple courses of action (Smith 2006, 66–68). The two kinds of message project two different kinds of potential impact for OECD analyses and policy recommendations. Vertical recommendations seek a direct impact by proposing solutions to concrete policy problems identified in the country under review (based, of course, on the OECD's more horizontal work). Horizontal recommendations are targeted for a more indirect impact, which contributes to the OECD's ongoing work of defining principles and best practices for economic policy within, across, and beyond OECD member countries. For these reasons, I propose that paying analytical attention to the epistemic scaling practices of the horizontal and vertical – and to the way these scaling practices are employed by the actors in the peer review process – contributes insights that are relevant for understanding the complex foundations of the impact, legitimacy, and authority of the OECD's Economic Surveys.

A second analytical conclusion is the reminder that the balance between the horizontal and vertical elements of OECD activities is not settled once and for all, or in the same way in all OECD work (or in each individual peer review and Economic Survey for that matter). This basic interactionist observation should not be seen as an analytical weakness of the framework. Rather, I propose that it indicates that the ethnographically grounded analytical focus on the dynamic interplay between horizontal and vertical elements could be applied to contemporary discussions about how to understand and assess the changing role of the OECD, which is characterized by increasing diversity and volume of membership of the EDRC committee and the peer-review institution[3] (Clifton and Díaz-Fuentes 2011). Here, the framework could be applied to examine whether the balance between horizontal and vertical elements of OECD analyses, recommendations, and public statements may be shifting, with implications for the expert role of the OECD and the balance between the particular and the general in OECD peer reviews.

Endnotes

1 Finally, the EDRC committee must also accept the agreed redraft. Besides this constraint, the protocol of the redrafting does not include an arbiter of any sort – and there is no closed timeframe for the process, which can last until the participants reach agreement on the draft. The redrafting session described in this note was, my OECD informant told me, "the easiest redrafting" he had ever experienced and led. I was told that one infamous redrafting lasted a full week.

2 I had earlier been told an OECD joke which runs like this: "What can destroy a society quicker than a nuclear bomb?" "Rent control!"

3 I have focused on analyzing this epistemic scaling axis. A more comprehensive analysis of the complex epistemic, political, and organizational situation that shapes the conceptual practices of OECD economists (and their counterparts in the member organizations), would include an analysis of how this analytic repertoire interacts with the organization's complex political and organizational constraints. Kentikelenis and Seabrooke (2017, 1070) have developed a model of power structures in intergovernmental organizations that captures some of this complexity.

References

Armingeon, Klaus, and Michelle Beyeler (eds). 2004. *The OECD and European Welfare States*. Cheltenham, UK; Northampton, MA, USA: Edward Elgar Publishing.

Armingeon, Klaus. 2003. "The OECD and European Welfare States". *Global Social Policy* 3(2): 143–146

Clifton, Judith, and Daniel Díaz-Fuentes. 2011. "The OECD and Phases in the International Political Economy, 1961–2011." *Review of International Political Economy* 18(5): 552–569.

Coats, A. W. (ed.) 1986. *Economists in International Agencies. An Exploratory Study.* New York: Praeger.

Djelic Marie-Laure, and Kerstin Sahlin-Andersson (eds). 2006. *Transnational Governance: Institutional Dynamics of Regulation*. Cambridge: Cambridge University Press.

Eastwood, Lauren E. 2013. "Negotiating UN Policy: Activating Texts in Setting-specific Policy Deliberations". In *Texts in Action: Exploring Ruling Relations Ethnographically,* by Smith, Dorothy E. and Susan M. Turner (eds). Toronto: University of Toronto Press.

Fligstein, Neil, Jonah Stuart Brundage and Michael Schultz. 2017. "Seeing Like the Fed: Culture, Cognition, and Framing in the Failure to Anticipate the Financial Crisis of 2008". *American Sociological Review* 82(3): 879–909.

Gayon, Vincent. 2009. "Un atelier d'écriture internationale : l'OCDE au travail. Éléments de sociologie de la forme 'rapport'. ". *Sociologie du travail* 51(3): 324–342.

Guilmette, Jean-H. 2007. *The Power of Peer Learning: Networks and Development Cooperation*. Ottawa, Canada: IDRC.

Harper, Richard H.R. 1998. *Inside the IMF: An Ethnography of Documents, Technology and Organisational Action.* London, UK: Academic Press.

Hodson, Dermot, and Ismelda Maher. 2001. "The Open Method as a New Mode of Governance: The Case of Soft Economic Policy Co-ordination". *Journal of common market studies* 39(4): 719–46.

Kentikelenis, Alexander E. and Leonard Seabrooke. 2017. "The Politics of World Polity: Script-writing in International Organizations". *American Sociological Review* 82(5): 1065–1092.

Mahon, Rianne and Stephen McBride. 2008. *The OECD and Transnational Governance*. British Columbia: UBC Press.

Marcussen, Martin, and Jarle Trondal. 2011. "The OECD civil Servant: Caught Between Scylla and Charybdis." *Review in International Political Economy* 18(5): 592–621.

Martins, Kerstin, and Anja P. Jakobi. 2010. *Mechanisms of OECD Governance.* Oxford: Oxford University Press.

Mead, George Herbert 2015 [1934],). Mind, Self and Society – the Definitive Edition (edited by Charles W. Morris). Chicago: The University of Chicago Press.

OECD. 2003. *Peer Review: An OECD Tool for Co-operation and Change. Complete Edition*. Paris: OECD Publication Services.

Riles, Annelise. 2000. *The Network Inside Out*. Ann Arbor: University of Michigan Press.

Smith, Dorothy E. 1990. *Texts, Facts and Femininity: Exploring the Relations of Ruling*. London: Routledge.

Smith, Dorothy E. 2001. "Texts and the Ontology of Organizations and Institutions". *Studies in Cultures, Organizations and Societies* 7(2): 159–198.

Smith, Dorothy E. 2005. *Institutional Ethnography: A Sociology for People*. Lanham: AltaMira Press.

Smith, Dorothy E. 2006. "Incorporating Texts into Ethnographic Practice". In *Institutional Ethnography as Practice, by Dorothy E. Smith (ed.).* New York: Rowman and Littlefield Publisher.

Thygesen, Niels. 2008. "Comparative Aspects of Peer Reviews: OECD, IMF and the European Union". In *Shaping Policy Reform and Peer Review in Southeast Asia: Integrating Economies amid Diversity,* OECD 2008. Paris: OECD.

Central bank independence: economic common sense and economic device

Sebastian Heidebrecht

Central bank independence, economics and economic experts

It is economic common sense that a high level of central bank independence – best coupled with an explicit mandate for price stability – is an important institutional device for maintaining that stability (for example, Eijffinger and De Haan 1996, 1). However, the idea that monetary policy works best when it is delegated to independent authorities averse to inflation, out of reach of politicians' influence, is historically contingent and part of a more or less neoliberal economic policy paradigm that became dominant over the course of the 1980s and the 1990s (Hall 1993; Blyth 2002). This ideational historical background is arguably particularly important for the establishment of the European Economic and Monetary Union (EMU) (McNamara 1998), which is designed around the European Central Bank (ECB), often perceived as being the most independent central bank in the world (Dincer and Eichengreen 2014).

In the European context, central bank independence became part of a flawed ideational consensus that continues to guide Europe's "self-defeating" (Matthijs and Blyth 2017) macroeconomic governance, with monetary and fiscal policy pushing in opposite directions. Today, a very expansive monetary policy conducted by the ECB is accompanied by very restrictive fiscal policy measures conducted by governments of Member States, with the latter constrained by binding European macroeconomic policy rules, such as the Two Pack and Six Pack reforms and the Fiscal Compact. The severe consequences of this policy mix probably deepen the divide between Member States of the European Economic and Monetary Union (EMU) due to divergent macroeconomic effects for northern European creditor states and the southern periphery (Heidebrecht and Kaeding 2018), as highlighted by key indicators such as youth unemployment. But it also has more direct political consequences, as indicated by the diverging votes for more radical right-wing parties in the European core and for more left-leaning parties on the European periphery (Kriesi 2016).

From the perspective proposed here, the problem with undeliberated central bank independence, besides its role in producing economic outcomes that are likely to benefit the winners of a low-inflation environment (Pixley et al. 2013), is that it serves as a powerful device for maintaining the ideational background of a flawed macroeconomic policy mix. This is an example of the performative influence of economic ideas developed in economics as a discipline: in other words, economic ideas and transferrable techniques can reformat and reorganize the phenomena its models in principle claim to describe (Callon 1998; MacKenzie and Millo 2003). The performative effects of economics are realized by economic professionals and popularizers who disseminate economic ideas – such as central bank independence – in the world. Ironically, some of the most influential economic experts are arguably – again – central bankers, and that is why this article is about their independent position and their expertise. They not only play an important role in the current macroeconomic policy mix, but in the case of the European Union (EU) they shaped, as experts, the design of EMU around the extremely independent ECB (for example, Verdun 1999).

Sebastian Heidebrecht is a researcher and PhD-student at the chair of European Integration and European Politics of the University of Duisburg-Essen. His work centres on economic and monetary policy as well as on politics in the European Union. Additionally, he teaches at the Heinrich-Heine-University Düsseldorf and at the Ecole Supérieure des Sciences Commerciales d'Angers. Recently, Sebastian Heidebrecht has been a co-editor of a special issue of the economics journal 'Credit and Capital Markets' on 'The Political Role of the European Central Bank', which will be published in early 2018.

Central bank independence as a neoliberal idea

The assumption that central bank independence is necessary to counteract inflationary biases rests on a number of theoretical explanations. In a nutshell, the basic argument is that politicians are likely to have incentives to use monetary policy to stimulate the economy and boost output in the short run for electoral reasons, regardless of whether these policies are likely to produce economic trouble in the longer run. Therefore, monetary policy should be transferred to independent bureaucrats in central banks, irrespective of the potentially unequal political-economic effects such delegation might entail.

The intellectual history of this fairly technocratic concept of central bank independence goes back to such axiomatic economic assumptions as the Philips curve (Phillips 1958), which assumes that lower unemployment will lead to higher rates of inflation, and vice versa. This inverse relationship, theoretically, allows policymakers to use monetary policy to reduce unemployment by effecting a monetary stimulus. Hence, the Phillips curve was integrated into Keynesian macroeconomic policymaking in the Bretton Woods era. However, the possibility of rational steering of a capitalist economy was prominently rejected as too good to be true. Academic criticism was early raised from Chicago, among others by such prominent figures as Milton Friedman (1968). These proponents pointed to the difference between monetary and real aggregates, arguing that if economic agents took the view that new nominal wealth created through monetary stimulus does not represent an increase in real wealth, they would adjust their expectations accordingly, so that the economy would end up in a situation with high unemployment and high inflation. The high inflation/high unemployment rates of the 1970s seemed to confirm the monetarist line.

Alongside these developments, the political weather also changed, favoring a more monetarist template over the late 1970s and 1980s, with Keynesian macroeconomics falling into abeyance. In this intellectual climate, key politicians such as Ronald Reagan took the view that "government is not the solution to our problems; government is the problem" (Reagan 1981). British prime minister Margaret Thatcher also promoted an individualist thinking, asserting that "there is no such thing as society" (1987). There was a paradigm shift of key assumptions about the economy, and a fundamental change in the main goals of macroeconomic policy (Widmaier 2016). While Keynesian analysis treated the private economy as inherently unstable and in need of fiscal adjustment, monetarists saw the private economy as stable and discretionary public policy as an impediment to efficient economic development. This was coupled with a change in the main goals of policymaking: while inflation replaced unemployment as its main concern, macroeconomic efforts to reduce unemployment were sidelined in favor of balanced budgets and direct tax reduction (Hall 1993, 284).

In this looming neoliberal climate, the economy was put before the polity, markets were presented as a neutral solution to economic problems, and the state was theorized as an obstacle to economic success and individual freedom (Amable 2011). In this context, the idea of delegating monetary policy away from public institutions, overseen by elected politicians, towards technocratic bureaucrats in independent central banks became appealing. The economic idea of central bank independence became so powerful that, even in very distinct macroeconomic and institutional environments central banks became independent institutions all over the world, especially in the 1980s and 1990s (McNamara 2002; Marcussen 2005).

This was also the period in which EMU was designed. EMU is clearly the product of the prevailing ideational environment in its market-based design, with the ECB – the most independent central bank in the world – at its core. The goal was to shield the only supranational central bank in the world from the influence of elected politicians, and in order to support market-based macroeconomic coordination in EMU, the ECB became solely responsible for price stability (not full employment, TFEU Art. 127) and was legally prohibited from monetary financing (TFEU Art. 123). This market-based approach was further enforced through the institutionalization of the so-called "no bailout clause" (TFEU Art. 125), accompanied by the Stability and Growth Pact. Overall, this regime was designed to ensure macroeconomic stability, interpreted primarily as "sound (public) finances", through the disciplinary power of (financial) markets (Commission of the EC 1993; Yiangou et al. 2013).

The European Central Bank is independent – but of what?

Although the ECB is an increasingly important actor at center stage of EMU market-based governance, the central bank's independence from (direct) political influence remains unchallenged. However, the central bank's policymaking instruments are significantly dependent on financial markets (Braun 2018). As Greta Krippner has shown with regard to the US Federal Reserve, the reliance of government entities on financial markets is typical of our neoliberal and highly financialized era in which fiscally constrained governments seek ways to govern the economy (Krippner 2007, 506). However, especially in the case of EMU, this special kind of governability (for a discussion see Braun 2014) through financial markets has come at a price: in contrast to other currency areas, such as the United States and the United Kingdom, in EMU monetary policy is delegated to supranational technocrats, while basically all other macroeconomic policy areas remain at the national level. While the transfer of monetary policy to the supranational ECB can be interpreted as a success in terms of price stability, the period after the financial and economic crisis in particular revealed weaknesses in EMU's asymmetric design. In effect, EMU's main problem was its simultaneous exposure to two complementary kinds of problem, both related to issues of central bank independence.

Already relatively weak public finances worsened due to the financial crisis, in which policymakers took the view that they had to support financial markets by socializing losses and had little room to reverse the privatization of previous profits. The weakening of public finances, together with the costs of financial market support induced a "doom-loop" between sovereign debt and financial stability, especially in periphery Member States' banking systems. Although several Member States initially reacted to the crisis with a more Keynesian policy response (Blyth 2013; Vail 2014), their weak public finances and constraining EMU governance rules impeded them from going further down that road in the longer run. EMU restrictions left Member States without the capacity for significant fiscal maneuvers, not to mention bereft of national monetary policy instruments for stabilizing their economies. This subsequently pushed several economies into recession (for a similar discussion see, for example, De Grauwe 2013). The persistent sovereign–banks doom-loop was further exacerbated by the denominator effects of shrinking economies on public debt ratios, which culminated in financial market concerns about EMU concord and rising bond-spreads due to perceived re-denomination risks.

EMU's vulnerability to re-denomination points not only to issues concerning relations between sovereign states and financial markets, but also to the persistence of a politico-economic power vacuum at its core. The problem was that, confronted with the effects of the financial crisis, EMU was exposed to potential doubts on the part of key political actors and financial markets, which diagnosed parallels with the gold standard and the Bretton Woods system, both of which proved to be reversible (Dyson 2014, 586). These concerns were present in the euro zone because, in contrast to other currency areas such as the United States or the United Kingdom, EMU lacks a supranational executive that could make credible contingent commitments to take exceptional measures backing monetary union, like politicians backing the – now too independent – central bank by acting ultimately as lender of last resort in the euro zone (Dyson 2013). Although the economic struggle of many EMU Member States reflects developments arising from the so-called global financial crisis, its European features are also linked to institutional design failures of EMU. European policymakers' belief in market "rationality" and institutional reliance on financial markets' disciplinary power – exacerbated by the high degree of central bank independence – turned out to be misguided.

Unchanging economic expertise

Anyone seeking empirical disconfirmation of neoliberal economic expertise could hardly do better than the severe developments that arose from the so-called "euro crisis" (see Blyth 2013, 208 for a similar argument). However, the expertise of influential European monetary policymakers remained broadly the same.[1] European central banking remains largely the preserve of middle-aged men (only four women have served on the ECB's Governing Council, out of 70 persons), who are on average 57 years old at the time of their first appointment as a national central bank governor and approximately 55 when appointed to the ECB's Executive Board. More than 80 percent of them hold their highest degree in economics (taking into account the French École nationale d'administration), followed by degrees in law, especially among central bankers from Germany and Austria, with close to 50 percent holding PhDs in economics. Around one-third received their degree from a university in a foreign country and one-third received their degree from an Anglo-American university. Ninety percent of all degrees received abroad are from Anglo-American universities, which reflects the importance of a particular Anglo-American tradition of economics among European policymakers.

In order to compare developments in expertise over time, I calculated a single number allowing for aggregation and thus for cross-time and cross-country comparisons by using a new data set on all European central bankers who have served in a monetary policymaking position on the ECB Governing Council since its establishment. I refer to a method proposed by Christopher Adolph (2013, especially p. 70), whose approach, based on regression analysis, allows the construction of an index of what he labels "central banker career conservatism". Accordingly, I sum the past career experience of individuals with what he found to be inflation-reducing career expertise (finance ministry and finance) and subtract experience in inflation-increasing career expertise (central bank and government bureaucracy excluding the finance ministry), while excluding what he found to be neutral categories (all other categories), on a monthly basis for all individuals. To aggregate this individual data into a single number for the ECB's Governing Council I take the variable's median, which is in line with research suggesting that it is the preferences of the median central bank board member that matter (Chapell et al. 2004; Hix et al. 2010). The resulting index ranges from CBCC = –1 (all "liberal" experience) to CBCC = 1 (all "conservative" experience). Based on the underlying assumptions of the approach, lower numbers indicate a career composition that favors economic growth over low inflation, while higher numbers indicate a more finance-friendly expertise composition prioritizing price stability.

The following figures present the development of the expertise composition of the ECB's Governing Council by presenting the median CBCC score on a monthly basis. Figure 1 shows the CBCC results (on the left axis) in relation to the development of the ECB's key interest rate (main refinancing operations, scaled in percentage points on the right axis), because lower CBCC scores should lead us to expect monetary policy-makers to set lower interest rates, and vice versa. Figure 2 presents the same results of the CBCC, this time in relation to the development of the ECB's balance sheet, which is scaled on the right axis in trillions of euros, allowing for inferences concerning the relationship of the changing composition of European central bankers' expertise and unconventional monetary policy. Note that in Figure 2 the CBCC index is inverted and scaled on the left axis, due to the assumed inverted relationship between the variable and the ECB's balance sheet expansion.

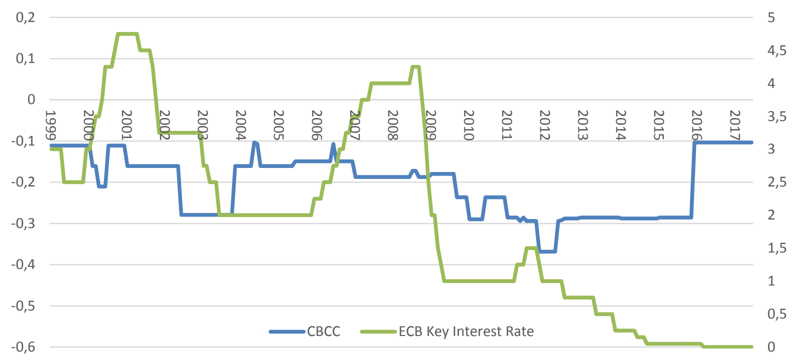


Figure 1. Central banker indices and key interest rate

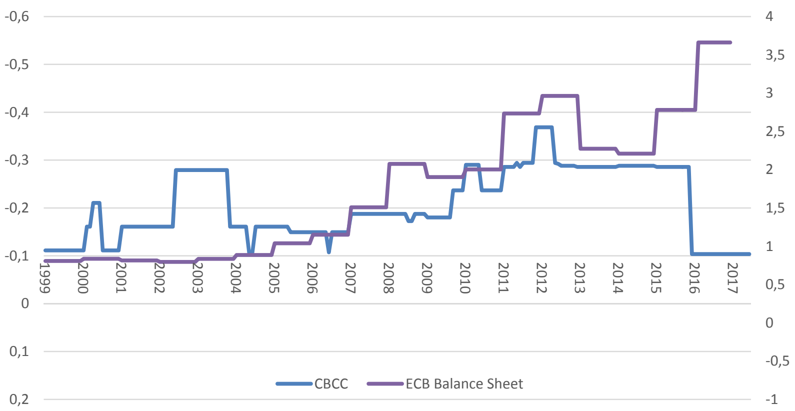


Figure 2. Central banker indices and ECB balance sheet

The data show that the expertise composition of the ECB Governing Council was relatively stable between 1999 and 2008–2009, with a more "liberal" deviation in 2002 and 2003. It again became more liberal subsequent to the financial crisis until the end of 2015; from that time on, the score for the ECB's Governing Council rises above even its highest pre-crisis level. The Governing Council started with a relatively conservative expertise composition, became more liberal especially in the aftermath of the financial crisis and reached its most conservative composition in late 2015, so that its members have a significantly more finance-friendly expertise composition.

In general, it is difficult to construct causal relations between Governing Council expertise composition and European monetary policy. Based on the data discussed here, I cannot substantiate – in contrast to Adolph's 2013 findings – a strong relationship between Governing Council composition and monetary policy, given their divergence in terms of developments of the key interest rate and use of the ECB's balance sheet as a proxy for unconventional monetary policy. While the relatively more liberal composition of the ECB's Governing Council between 2009 and 2015 might explain the ECB's use of unconventional monetary policy instruments and very low interest rates, I cannot report a strong relationship with interest rate setting or asset purchases over the whole period. Especially after Mario Draghi's (2012) prominent announcement in 2012 that he would "do whatever it takes" (to defend the euro), the relationship between expertise and monetary policy becomes rather arbitrary, and the variable cannot explain in particular both the close-to-zero interest rates and the ECB's balance sheet expansion since 2015.[2] The results, however, do allow me to report in cross-time comparison – despite short divergences in 2002–2003 and between 2011 and 2015 – a trend towards continuity rather than a change in the expertise composition of the ECB's Governing Council over time.

Central bank independence in political time

Given the divergent and severe economic consequences of macroeconomic policy within EMU, the continuity in expertise composition among some of its key economic experts is fairly surprising. However, it also reflects a "new normal" regime of economic policymaking, as nowadays economies are dependent on monetary stimulus. The ECB in particular is part of the specifically flawed macroeconomic policy consensus institutionalized in EMU, in which, since the financial crisis, European central bankers may pursue expansionary monetary policy, whatever their expertise composition. While monetary policy has to be expansionary, the dominant economic policy approach in EMU shifted from a short period of Keynesian measures towards more neoliberal and austerity-oriented approaches. Monetary policymakers, in turn, have to pursue massive expansionary monetary policy measures for reasons of financial stability, usually not despite, but because of the dominant austerity regime in EMU that leads to the appointment of more finance-friendly experts in the first place.

All this gives us reason to reconsider the role of independent central banks. Why does a European coalition of political actors support continuity in finance-friendly independent expertise, despite distinct and divergent economic developments? Who benefits from monetary stimulus? The ECB's market-based governance approach might give cause for concern. As Benjamin Braun (2018) rightly notes, the entanglement between technocrats in the central banks and financial sector counterparties boosts the political power of the latter. On one hand, my biographical data on the career paths of central bankers do not indicate on average – compared with other career experience – a strong or growing importance of both revolving doors and career backgrounds in the financial sector over time. On the other hand, the ECB reached its most finance-friendly stance at the end of 2015 and it is striking that I have to report the total absence of any experience with labor organizations among European central bankers since the ECB's establishment in 1999.

Central bank independence plays a prominent role in this story. The rise of neoliberal doctrine over the 1970s and 1980s made it possible to present central bank independence as both globally transferable (considering mostly differences in degree and neglecting differences in kind of political economic constellations in place and time) and transformative, thereby allowing for its transformation into a technology of political and bureaucratic power independent of national contexts (this is in line with arguments developed by Fourcade 2006, 152). The crucial case is arguably the establishment of EMU with the extremely independent ECB, despite all – also in its historical context – the well-known caveats in terms of politics, economics, accountability and legitimacy that this entailed. Further, in EMU, central bank independence was coupled with additional and corresponding institutional devices. According to the Protocol on the Statute of the ESCB and the ECB (Art. 11.2), ECB members should be "appointed […] from among persons of recognized standing and professional experience in monetary or banking matters" (Protocol on the Statute of the ESCB and the ECB, Art. 11.2).

This institutionalized form of central bank independence in EMU has maintained the reproduction of the composition of expertise among European monetary policymakers by means of formal and informal selection rules for individuals as the carriers of specific kinds of economic ideas. From this perspective, what makes central bank independence such a powerful economic device is the ideas' inherent performative power. In other words, it comes with a blueprint for institutional reform that shapes, on one hand, the expectations of economic actors, thus rendering institutional revision costly, while, on the other hand, central bank independence can consolidate neoliberal macroeconomic ideas in powerful independent institutions, thereby promoting the resilience of central components of this paradigm.

Economics presents central banking as a highly technical issue, which has tended to encourage those outside the discipline to treat monetary policy as something requiring the intervention of a kind of priesthood or, depending on one's perspective, in more Faustian terms as a kind of alchemy (for example, Greider 1989; Irwin 2012). However, recent developments might challenge this conviction. The key argument for central bank independence is its alleged effect on reducing inflation – but inflation is nowadays typically considered to be too low, so this argument can retaliate. Furthermore, given the ever-increasing competences delegated to independent central banks, it is clearer today than prior to the crisis that central banking is about more than setting interest rates in accordance with technocratic considerations. Most of what is new is political in nature and has to be coordinated with other policy areas. Discussing central bank independence therefore entails an even broader debate on macroeconomic policy. This is true, ironically, especially in context of EMU, given the ECB's increasing competences and its prominent role in EMU's rather obviously flawed macroeconomic policy mix. Nevertheless, while it is possible in principle to imagine devices such as inflation targets to be set by politically accountable officials, who could also establish the frameworks in which central banks should act, to date central bank independence has proved to be a powerful economic device for the purpose of perpetuating a rather technocratic economic common sense.

Endnotes

1 In this section we discuss empirical insights that are discussed further in Heidebrecht 2018, for example, with regard to differences between the European and Member State levels.

2 This could be due to the applied coding of the variable in accordance with Adolph's results – which somehow counterintuitively interprets career experience in institutions such as Deutsche Bundesbank as having a liberalizing effect.

References

Adolph, C. 2013. *Bankers, Bureaucrats and Central Bank Politics. The Myth of Neutrality.* Cambridge: Cambridge University Press.

Amable, B. 2011. "Morals and Politics in the Ideology of Neo-liberalism." *Socio-Economic Review 9(3):* 3–30.

Blyth, M. 2013. "Paradigms and Paradox: The Politics of Economic Ideas in Two Moments of Crisis." *Governance 26(2):* 197–215.

Blyth, M. 2002. *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century.* Cambridge: Cambridge University Press.

Braun, B. 2014. "Why Models Matter: The Making and Unmaking of Governability in Macroeconomic Discourse." *Journal of Critical Globalisation Studies 7:* 48–79.

Braun, B. 2018. "Central Banking and the Infrastructural Power of Finance: The Case of ECB Support for Repo and Securitisation Markets." *Socio-Economic Review, forthcoming*.

Callon, M. 1998. Introduction: the Embeddedness of Economic Markets in Economics. In *The laws of the markets*, by Michael Callon (ed.), 1–57. Oxford: Blackwell.

Chapell, H. W.,R. R. McGregor and T. Vermilyea. 2004. *Committee Decisions on Monetary Policy: Evidence from Historical Records of the Federal Open Market Committee.* MA: MIT Press.

Commission of the European Communities. 1993. "Stable Money – Sound Finances, Community Public Finances in the Perspective of EMU." *European Economy 53*.

De Grauwe, P. 2013. *Design Failures in the Eurozone: Can They Be Fixed? LSE 'Europe in Question' discussion paper series 57/2013*. London.

Dincer, N. and B. Eichengreen. 2014. "Central Bank Transparency and Independence: Updates and New Measures." *International Journal of Central Banking 10(1):* 189–253.

Draghi, M. 2012. *Speech at the Global Investment Conference in London. 26 July.* available at http://www.ecb.europa.eu/press/key/date/2012/html/sp120726.en.html, last accessed 15. January 2018.

Dyson, K. 2013. "Sworn to Grim Necessity? Imperfections of European Economic Governance, Normative Political Theory, and Supreme Emergency." *Journal of European Integration 35(3):* 207–222.

Dyson, K. 2014. *States, Debt, and Power: Saints and Sinners in European History and Integration.* Oxford: Oxford University Press.

Eijffinger, S. C. W. and J. De Haan. 1996. "The Political Economy of Central Bank Independence." *Special Papers in International Economics 19*.

Fourcade M. 2006. The Construction of a Global Profession: The Transnationalization of Economics. American *Journal of Sociology 112(1):* 145–94.

Friedman, M. 1968. "The Role of Monetary Policy." *American Economic Review 68(1):* 1–17.

Hall, P. A. 1993. "Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Britain." *Comparative Politics 25(3):* 275–296.

Heidebrecht, S. 2018. "Solidifying Consensus. An Inquiry into the Expertise of European Monetary Policy Makers." *Credit and Capital Markets* (forthcoming).

Heidebrecht, S. and M. Kaeding. 2018. "The Political Role of the European Central Bank: Sitting in Between European Politics and National Constraints." Credit and Capital Markets (forthcoming).

Hix, S., B. Hoyland and N. Vivyan. 2010. "From Doves to Hawks: A Spatial Analysis of Voting in the Monetary Policy Committee of the Bank of England." *European Journal of Political Research 49:* 731–758.

Kriesi, H. 2016. "The Politicization of European Integration." *Journal of Common Market Studies 54(1):* 32–47.

Krippner, G. R. 2007. "The Making of US Monetary Policy: Central Bank Transparency and the Neoliberal Dilemma." *Theory and Society 36(6):* 477–513.

MacKenzie, D. and Y. Millo. 2003. "Constructing a Market, Performing Theory: The Historical Sociology of a Financial Derivatives Exchange." *American Journal of Sociology 109:* 107–145.

Marcussen, M. 2005. "Central Banks on the Move." *Journal of European Public Policy 12(5):* 903–923.

Matthijs, M. and M. Blyth. 2017. "When is it Rational to Learn the Wrong Lessons? Technocratic Authority, Social Learning, and Euro Fragility." *Perspectives on Politics 16(1).* Published online: 18 September 2017.

McNamara, K. 1998. *The Currency of Ideas. Monetary Politics in the European Union.* New York: Cornell University Press.

McNamara, K. 2002. "Rational Fictions: Central Bank Independence and the Social Logic of Delegation." *West European Politics 25(1):* 47–76.

Phillips, A. W. 1958. "The Relationship between Unemployment and the Rate of Change of Money Wages in the United Kingdom 1861–1957." *Economica 25(100):* 283–299.

Pixley, J., S. Whimster, and S. Wilson. 2013. "Central bank independence: A social economic and democratic critique." *The Economic and Labour Relations Review 24(1):* 32–50.

Reagan, R. 1981. *Inaugural Address. 20th January 1981.* Available online: http://www.presidency.ucsb.edu/ws/?pid=43130, last accessed on 10. January 2018.

Thatcher, M. 1987. *Interview for 'Woman's Own'.* 23rd September. Provided online by the Margaret Thatcher Foundation, https://www.margaretthatcher.org/document/106689, accessed 15.01.2018.

Vail, M. 2014. "Varieties of Liberalism: Keynesian Responses to the Great Recession in France and Germany." *Governance 27(1):* 63–85.

Verdun, A. 1999. "The Role of the Delors Committee in the Creation of EMU: an Epistemic Community?" *Journal of European Public Policy 6(2):* 308–328.

Widmaier, W. 2016. "The Power of Economic Ideas – through, over and in – Political Time: the Construction, Conversion and Crisis of the Neoliberal Order in the US and UK." *Journal of European Public Policy 23(3):* 338–356.

Yiangou, J., K. O'keeffe, and G. Glöckler. 2013. "'Tough Love': How the ECB's Monetary Financing Prohibition Pushes Deeper Euro Area Integration." *Journal of European Integration 35(3):* 223–237.

Autobiographical narratives and the social-historical science of economics: a contribution to reflexivity?

Frédéric Lebaron

Introduction

Narratives of personal experience written by economists are generally considered to be illegitimate as empirical data in the field of economic science as defined by the dominant conception of economic methodology. However, they are both numerous and rich. They feed journalistic commentaries and accumulate in historians' archives, from which they sometimes emerge in the form of individual or collective biographies, and may be used by sociologists as materials in their explanatory or descriptive analyses.

This article will focus on this last use. It proposes to consider autobiographical accounts of experience written by economists and, more generally, economic actors (central bankers and finance ministers first of all), as an important contribution to the reflexivity of the social sciences, in Bourdieu's sense (Bourdieu 2005). It will methodically take into account the multiple consequences of researchers' integration in their society and, in return, integrate into the analysis of the "facts" the role played by knowledge and scholarly practices in the construction of social reality. This approach can be based on the notion of the "theoretical effect" developed by Pierre Bourdieu (1991), or on "performativity" as conceived in works by, for example, McKenzie, Muniesa and Callon (Callon 1998; Muniesa, McKenzie and Siu 2007).

We will begin by discussing some of the classic issues in autobiographical narratives on the basis of various bibliographical references providing testimonies from economists, then we will deal more directly with two recent contributions to the analysis of crises, translated into several languages, by Ben Bernanke (2015), which concerns the United States and the Great Recession of 2008, and by Yanis Varoufakis (2017), concerning the Greek and euro-zone crisis.

The modest objective of this article is to draw from these examples some of the characteristics of autobiographical narratives by economists and economic actors and, above all, to propose a preliminary reflection on their possible uses for a social-historical science of economics, paying particular attention to the role of expert actors, discourses, and ideology in economic dynamics.

1. Storytelling, an essential component of economic reality

In line with analyses that make actors' discourses a major component of the contemporary economic order (for central banks, see in particular Holmes 2013) and works put discursive processes at the center of public policy analysis (Edelman 1977), story-telling can be considered one of the most important discursive practices in the economic field, performed by various actors, whether leaders or people trying, through their analyses, to participate in constructing the meaning of decisions and events.

Robert Shiller recently encouraged this in a text entitled "narrative economics" (2017). Re-evaluating the role of narratives in the functioning of the economy (in our case, economic policies) is therefore topical and, in our view, involves mobilizing various tools of discourse analysis, which will only be outlined here.

Any analysis of the economic, macroeconomic, and financial situation, any analysis of an economic crisis can be interpreted as a storytelling practice that necessarily obeys certain norms, which define a particular discursive genre.

The narratives organize and structure the social representation of the dynamics of the economy: their first function is to organize a symbolic order, based, for example, on the use of chronological breakdowns, the definition of actors and sequences of events, and the more or less structured promotion of significant actions. These narratives are also used to represent the dynamics of the economy, stressing its direction, path, and rhythm. They thus contribute to building a stabilized representation of what might otherwise appear to be a chaos of incomprehensible facts.

Frédéric Lebaron is professor of sociology at the Ecole normale supérieure – Paris-Saclay and head of the department of social sciences. He specializes in economic sociology, political sociology and sociology of discourses. He recently published : Andreas Schmitz, "An Interview with Frédéric Lebaron on the Genesis and Principles of Bourdieusian Sociology: The Real Is (Still) Relational", Theory, Culture & Society, First Published December 13, 2017, Frédéric Lebaron, Pierre Blavier, "Classes et nations en Europe. Quelle articulation? ", Actes de la recherche en sciences sociales, 219, septembre 2017, 80–97.

The second function of autobiographical narratives is to legitimize actors and actions, albeit in a very practical way. This process of legitimation is well known and far removed from the mere transmission of information spontaneously associated with language. This is why oral history, made up of "legitimate" and "controlled" narratives, is so popular inside political and economic institutions, which see it as a means of accumulating the symbolic capital that is useful, if not necessary, for any institution.

Autobiographical narratives, acts of enunciation, finally, mobilize linguistic and more generally symbolic resources, which, in the case of economics, can be of a "scientific" nature (concepts and theoretical arguments, numbers, curves, diagrams, tables, equations), "institutional" (taken from an official discourse, including legal discourse defined by a communications consultant) or "factual" and "practical" (portraits, anecdotes, reported discourses).

While it is not possible to summarize the history of autobiographical narratives ("testimonies") of economic actors and economists, we can at least underline how old and prolific the genre is. This is particularly the case in France, which has a strong literary tradition: in 1954, Emile Moreau, former Governor of the Banque de France, published his memoirs from the period 1926–1928, almost thirty years later (Moreau 1954). During this period, he was directly involved, with Raymond Poincaré, Charles Rist, and Pierre Quesnay, in a phase of monetary and financial stabilization, in a context of intense exchange rate crisis with Great Britain.

The document's originality lies in the fact that it is a journal written as events unfolded, in which the author frankly evokes his sometimes conflicting interactions, beginning with the announcement "by a brief and urgent telephone call" of his appointment by "President Caillaux" to replace Mr. Robineau as head of the Banque de France, which was "dominated by its Secretary-General, Mr. Aupetit" (p. 1). Prefiguring what we will find very frequently in this kind of narrative, many times he evokes his immediate circle, first of all his wife ("my wife is sorry [about my appointment]," p. 3), elements of his lifestyle ("In the evening, dinner at the French Embassy," p. 264). He acknowledges that he accepted the position out of "a taste for struggle" (p. 13), which gives his story a heroic character, and does not hide his initial doubts about his legitimacy for such a position, which soon dissipated through action.

In this narrative, we see above all the governor, a fierce defender of the independence of the institution as it was conceived at the time (most of his career was spent inside the Banque de France), and a monetary reform that he considers to be in line with the interests of his institution, at odds with the government (in the first place the president of the Council, Raymond Poincaré) and the political actors, the press, and the members of the Council of Regency. He does not hide the positions he takes, judgments about people, disagreements, and so on.

2. Ben Bernanke: storytelling as a legitimation of the (heretical) action of a central banker during the crisis

If the title of Bernanke's book, *The Courage to Act* (2015), is quite clear on the author's intentions, the text is much more than a simple pro-domo plea, even if the function of legitimizing a courageous action, the one that led him to launch a radically "unconventional" monetary and financial policy, and to break with the orthodoxy of central banking, is obvious in this text.

Indeed, the author begins his work with an autobiographical account of his family and childhood, training, and a very traditional career. In addition to growing up in a middle-class Jewish milieu, we discover the decisive influence of one of his grandmothers, which shaped his interest in the 1930s, to which he devoted part of his academic work. This prepares the reader to understand how and why he chose to act.

The articulation of the individual and the collective is at the heart of the book, which makes it possible to reconstruct the author's positions and the workings of his authority within the Federal Open Market Committee and, more generally, of all those involved in crisis management, particularly in extreme circumstances, such as the collapse of Lehman Brothers.

The book is first and foremost a narrative of actions in the first person, where "I" is omnipresent: "I resolved to pause …", "I proposed moving in that direction …". But it is also a testimony from within about the functioning of the Federal Open Market Committee, which is the steering body for US monetary policy. One reads the daily analysis of the positions taken by the actors of the council in the face of the most recent economic data: the opposition between "hawks" and "doves" is frequently used. Bernanke sometimes evokes his personal feelings, such as when he recounts the dilemmas surrounding the collapse of Lehman Brothers Bank: ", I felt considerable sympathy for this last argument" [opposing Wall Street and Main Street]. The "we" reappears when Bernanke reports on decisions taken by the FOMC after various discussions, as in Lehman Brother's bankruptcy. He defends collective decisions while indicating that they were not "choices."

Chapter 19, on quantitative easing and the "end of orthodoxy," describes the rationale behind adopting the policy of bulk purchases of Treasury bills ("large-scale asset purchases," qualified as "quantitative easing" in the media and financial markets), and the major institutional and political resistance to this development.

Over the course of the book, the author gives a few descriptions of the important actors in crisis management, such as Hank Paulson " who projected a restless energy that took me some time to get used to," or Richard Shelby, whose "good-old-boy mannerisms belied a shrewd intelligence and cosmopolitan tastes." Distilling the anecdotes in small doses, Bernanke evokes his common liking with Hank Paulson for oatmeal, a visit to the hairdresser, and various other well-chosen private situations. He confides that he did not distance himself from the Republican Party, but also that the party has moved away from him with its increasingly right-wing orientation. He boasts, however, that he was attacked by both the extreme right and the "extreme left," embodied by Socialist Senator Bernie Sanders, in a classic centrist rejection of "extremes."

Jean-Claude Trichet, former president of the ECB, a man described as a moralist untrained in economics, defended, at the end of his mandate, monetary tightening and a return to orthodoxy in Europe: this criticism is nevertheless encapsulated in a tribute to a "gentlemanly, diplomatic" French civil servant. This balanced opinion on the former president of the ECB contrasts with a very positive judgment on Mario Draghi, who "was influenced by the New Keynesian framework that serves as the leading policy paradigm in the United States," which went in the right direction but had to face "fiscal policy creating even more powerful headwinds than in the United States."

The stories of personal interactions are perhaps the most revealing, such as the Martin Building dinner (Chapter 23) with Tim Geithner, Robert Rubin, Larry Summers, and Hank Paulson (former Treasury Secretaries), Paul Volcker and Alan Greenspan (former Fed chairmen), and Don Kohn (former Fed Vice-chairman),"lively conservation," "unusual," "colored by complicated personal relationships."

In fact, very little is learned about possible differences and tensions, and the group is described, finally, as communicating for the satisfaction of having participated in the promotion of national interest, contributing to the leader's sense of integration into the Great National History. Even if Larry Summers' position on QE, while he was a candidate to succeed Bernanke, is one of the positive conclusions of the evening, Bernanke, showing a certain restraint, does not take sides with regard to any of his potential successors.

The final message of the book is centered on collegiality and consensus, which should come as no surprise from a Republican economist, appointed by a Republican to head the Fed, re-appointed by a Democrat with the majority support of the Democrats and who, in a few months, was to change the global frame of reference for monetary policy, while preserving his relations with the main players in US politics.

3. Story-telling as a tool for symbolic struggle and rehabilitation

Yanis Varoufakis's narrative (2017), which relates his experience as finance minister of Alexis Tsipras's "radical left" government in Greece in 2015, at the center of the euro-zone crisis, is situated in a more conflictual and critical context.

Varoufakis's main reason for publishing a potentially controversial testimony is that he wishes to explain and correct various allegations on his brief time at the head of the Greek Ministry of Finance. To this intention of rehabilitation is added the desire to prolong a symbolic struggle that has proved both intense and complex.

The book focuses on his extremely difficult discussions with representatives of the "Troika" and various actors of what he meaningfully calls, in the English title of the book, "the deep establishment" of European institutions. Most of the events took place during a very short period of time, from the end of January to the beginning of July 2015, but the book also returns to the author's family trajectory and analyses his gradual rapprochement with Syriza during the crisis of 2010, before the victory of this party at the January parliamentary elections, despite various pressures from the European institutions.

In the case of Varoufakis we find again several elements present in the two previous examples, particularly in Bernanke's memoirs. However it is the differences that show how subtly the narrative contributes to constructing the meaning of an event and economic policy decisions, while also trying to influence the present. Indeed, Varoufakis does not hesitate to deliver psychological and behavioral analyses, sometimes very critical about certain actors, and to restore conversations recorded by him without the knowledge provides for the interlocutor. He is not afraid to reveal deep, vehement, and sometimes "low blows" in interpersonal conflicts, which are common in situations of intense organizational and social crisis. He repeatedly mentions virulent media campaigns against him, and it is difficult not to attribute some of the events he describes to the effects of his self-presentation and often provocative humor, which may have deprived him of some potential supporters.

Academic economist, married to an artist, coming from an ideologically divided family and former personal friend of the Papandreou – socialist leaders – lineage, he prides himself on having set up solid and modern doctoral programs in economics at the University of Athens, where he was close to the future governor of the central bank, Yanis Stournaras, who has since become a staunch supporter of austerity and one of his harshest opponents.

He is well inserted in the globalized academic field. Hence, just before being appointed Minister of Finance, he was a visiting professor at the Lyndon B. Johnson School of Public Affairs in Austin, Texas. Once appointed minister, Varoufakis continued to demonstrate his connections with the most legitimate actors, particularly renowned professors from Anglo-Saxon economics. For instance, the book begins with a friendly discussion with Larry Summers, former president of Harvard University and former head of Obama's team of economic advisors, who was once a candidate to succeed Bernanke.

Eventually rejected among outsiders, Varoufakis wants to make it clear that he tried everything to salvage some sort of favorable exit from the situation in which Greece had been put since the "institutions" – a phrase constantly used in preference to the word "troika" – took control of its economic policy. He defends a series of measures, including the abandonment of austerity policies, the restructuring of Greek debt with the establishment of a bad bank facility for doubtful loans, a recovery plan supported by the European Investment Bank, and deficit reduction based on economic growth.

From Jeffrey Sachs to Lazards investment bank and even Emmanuel Macron, there were many more or less sincere or hypocritical supporters, either transitory or lasting, during this period of involvement with the European institutions. Varoufakis surrounded himself with renowned economists, financiers, and "insiders" of the arcane world of central banks and globalized finance. He set up a task force around his American friend James K. Galbraith to prepare a sort of "plan B" (the establishment of a parallel payments system) in case the institutions, first of all the ECB, pushed Greece to exit the euro.

Although success was unlikely for Varoufakis, he nevertheless revealed his ability to "believe" in it and to continue moving forward despite the small or large humiliations that characterized his work within the Eurogroup, and perhaps even more so within the Syriza government. This was especially the case from the moment (around the end of March 2015) when, according to him, Alexis Tsipras no longer really supported him.

Varoufakis has long stated that Greece would never be able to repay its vast public debt, inherited from the 2008 crisis and, even more so, from the illusions of growth and prosperity that preceded it. All the policies implemented since 2010 were against it, although Varoufakis remains a staunch defender of Greece's membership of the euro area. This was particularly true after a first partial restructuring, which he considered totally inadequate, and the imposition of a particularly restrictive Memorandum of Understanding (MoU). Demanding excessive budget surpluses (3.5 percent of GDP for a number of years), the policy imposed by the Troika is a form of perpetual austerity, linked to structural reforms that in effect rule out any form of voluntary economic recovery.

Varoufakis tells us that he tried to relax this framework, by seeking above all to save time, to obtain from the Eurogroup softened and ambiguous formulations, and from the European Central Bank the postponement of brutal measures that would have led to the imposed introduction of the parallel payments system. The book thus describes the extremely laborious process of political elaboration, of compromise under constraints, and the strategies of alliance that its author was led to build in an attempt to change the frameworks of official discourse and decisions: in these palace battles, Varoufakis shows great semantic skill and a great capacity to renew his proposals by winning support.

He looked for support from François Hollande's France, which was never likely to be solid, despite unofficial declarations; from certain members of the

Commission, such as Pierre Moscovici, who was essentially vehement and unreliable; from the IMF, which was impossible to obtain despite a certain mutual understanding; and from Mario Draghi's ECB and, finally, from Angela Merkel, who were essentially opportunistic and wished above all to preserve the existing situation at lower political cost. The aim was clearly to circumscribe the positions of one who did not want even a minimal form of compromise, Wolfgang Schäuble, supported by the finance ministers of the Central and Eastern European countries, who were even more radical in their opposition to any innovation, and those of the other countries threatened by the "debt crisis," subject to the logic of austerity policies and the constraints of their political careers. It was finally from Italy, then Spain, and the French Minister of the Economy, Emmanuel Macron, that a last hope came – too late – for this project, which was finally defeated by the unexpected alliance between Angela Merkel and Alexis Tsipras. This allowed Varoufakis not only to be marginalized, but also to prevent the realization of Schäuble's plan, which saw no other way out than a temporary Grexit.

The resounding failure, Varoufakis believes, was not that of his team and his professional and political networks, but above all that of the Syriza government, which preferred total submission to the "troika," allowing it to remain in the euro zone, to heroic resistance that could lead it onto unknown paths. Failure came, he says, from within, and often from those who opposed Varoufakis' realism – like his successor, the Marxist Euclid Tsakalotos – presented in voluntarist rhetoric that hid their lack of meaning from the powers-that-be.

Varoufakis stresses that this was the worst solution for him. Inspired by the game theory he has long taught, he actually distinguished three possible outcomes: the continuation of the memorandum and the domination of institutions; exit from the euro, which would have been bad but better than the previous one; and finally, an exit "from the top", that is, a democratic change within the institutions of the euro zone, to which he wishes to contribute within the framework of his movement DIEM25.

Concluding thoughts

Apart from the "anecdotal" aspects of any history, finally, one may wonder what narratives bring to the socio-historical knowledge of economics. We will conclude with some of the possible contributions of these narratives that seem likely to contribute to the progress of reflexivity in the social-historical science of economics.

(1) Dispositions, positions, and position-taking

The narratives indirectly, and often unintentionally, shed light on acquired dispositions and their role in actors' attitudes towards different economic issues "in context." By providing a glimpse of a trajectory (more than mere biographical "facts," often limited and more or less reconstructed), the author gives more of a report on this trajectory than systematic objective elements, which it is always necessary to complete or reconstitute. He or she also provides many elements through the classification categories used to describe interlocutors, partners, and allies or, on the contrary, opponents, by selecting "facts" considered important. A lot of basic historical information is also provided.

(2) Interactions

The interactions reported, either in "direct" or "indirect" form, are the most obvious evidence of the strategic and potentially conflicting nature of economic action on a day-to-day basis. Alliance strategies are aimed primarily at anchoring decisions, the acts themselves, whether they are (rarely) individual or (most often) institutional. Conflicting interactions provide insight into the issues and strengths involved. Reported interactions, however potentially biased they may be, reveal the nature of direct day-to-day power relations, which are part of a broader environment of relations between institutions, countries, and groups.

(3) Structures

Biographical narratives can thus also be considered "concrete indicators" of the "social structures of the economy," understood in a precise sense, namely as structures of the social spaces in which the actors evolve, structures of objective relations that persist beyond individual or institutional actions. In these social spaces not only abstract entities are encountered, such as the government or the central bank, but institutional positions (those of the president, the governor, members of the council, advisers), whose relative positions can be determined, while integrating a "multi-level" dimension.

(4) Dynamics

The structures as they emerge from the narratives are always historical, therefore dynamic: the movement is incessant within them as well as for individuals, who are not entities outside social processes; the narratives are also attempts to symbolically reorganize the complex processes of both historical and individual evolutions.

References

Bernanke, Ben S. 2015. *The Courage to Act: A Memoir of a Crisis and its Aftermath*. New York: WW Norton and Company.

Bourdieu, Pierre. 1991. Language and Symbolic Power. Cambridge MA: Harvard University Press.

Bourdieu, Pierre. 2005. The Social Structures of the Economy. London: Polity.

Callon, Michel. 1998. "Introduction: the Embeddedness of Economic Markets in Economics", In *The Laws of the Markets. Sociological Review Monograph*, by Michel Callon, 1–57. London: Blackwell Publishers.

Edelman, Murray. 1977. *Political Language: Words that Succeed and Policies that Fail.* New York: Academic Press.

Holmes, Douglas R. 2013. *Economy of Words: Communicative Imperatives in Central Banks.* Chicago: University of Chicago Press.

MacKenzie, Donald, Fabian Muniesa, and Lucia Siu. 2007. *Do Economists Make Markets? On the Performativity of Economics.* Princeton: Princeton University Press.

Moreau, Emile. 1954. *Souvenirs d'un gouverneur de la Banque de France.* Paris: Génin (Librairie de Medicis).

Shiller, Robert J. 2017. "Narrative Economics." *The American Economic Review 107 (4)*: 967–1004.

Varoufakis, Yanis. 2017. *Adults in the Room. My Battle with Europe's Deep Establishment*. London: The Bodley Head.

Book reviews

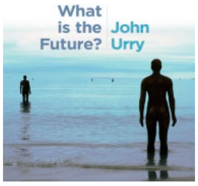
John Urry · 2016

What is the Future?

Cambridge: Polity Press

Reviewer **Harro van Lente**
Professor of Science and Technology Studies, Maastricht University, the Netherlands

The eminent sociologist John Urry died unexpectedly in March 2016. During his long and productive career at Lancaster University, United Kingdom, he studied a wide range of issues, including localism and regionalism, leisure and tourism, mobility and energy usage. He was Professor of Sociology and co-director of the recently established Institute for Social Future at Lancaster University. His last book *What Is the Future?* prepares the ground for the Institute and presents a research agenda for the social sciences in general.



The ambition of the book is to bring the future back to the attention of social science and to make it a mainstream topic. Urry criticizes the reluctance within the social sciences to study the future and contrasts that with the intense future orientation of corporations, military intelligence, and consultancies. Arguably, the reluctance follows from the failed prediction of one of the founding fathers of social science, Karl Marx, that capitalism would end in a worldwide revolution led by the industrial working class. Since then, the understanding has been that social science should not make predictions or other blueprints for the future. On the contrary, the articulation of desired futures has become an object of suspicion in social science, as something that might endanger an "open society" (Karl Popper). The basic difficulty is to enrich a society's decision-making capabilities regarding the future, while acknowledging potent structures and trajectories of the present. "This book shows how it is necessary to avoid the Scylla of technological determinism of the future, but also the Charybdis of completely open futures. The future is neither fully determined, nor empty and open"(p. 12).

The book consists of three parts. The first part of the book reviews the ways in which futures have been produced by organizations, futurists, technologists, and writers. It discusses a number of social futures that have circulated widely, such as utopias, which continue to inform societal debates and imaginaries. The second part of the book delves into the paradox of the future being both determined and open. The key ingredient here is the notion of complexity, which includes insights about path dependency, lock-in, and phase transitions. Complexity theory stresses the omnipresence of physical and social systems that structure actions and interactions, while stressing that such systems can be fragile and may exhibit unexpected behavior. This part explores the condition that societal changes occur unplanned and often even unnoticed – they can be detected only with hindsight. Urry also discusses what this condition implies for methods for grasping social futures and he reviews prominent versions, such as extrapolation and scenario building.

The third part presents three cases of future exploration: the possibilities of 3D printing to rearrange global manufacturing and transportation; the forms of post-carbon mobility within cities that face the challenge of sustainability; and the futures engendered by global climate change. In this part the focus is again on the lessons of complex systems and the importance of fostering multiple futures. The chapter on 3D printing, for instance, details four scenarios. The first scenario is of *Desktop Factories in the Home*, the idea that each household could become its own production unit, based on open source availability of designs. This could fit with ideas of a circular economy, but could also lead to a more wasteful society. The second scenario is the vision of *Localized Manufacturing* in which high-end 3D printers at local suppliers offer personalized products and challenge the system of mass production. The third scenario of *Community Crafts* highlights collaborative production in not-for-profit settings such as libraries, museums, and community centers. What stands out here is the value of craftsmanship in the products we use. In the fourth scenario, *Only Prototyping*, 3D printing never really challenges the established production system. Urry concludes that one cannot predict which of these is more likely and that "3D will constitute an important niche, and the issue then is the extent to which that niche will turn into a whole system change" (124).

The strength of the book is its emphatic attempt to mainstream the study of the future. By presenting previous attempts, approaches, and lessons it prepares the ground for further academic inquiry. This strength, however, also harbors its weakness. The discussion seems to be inspired by encyclopedic ambitions only: it presents bits and pieces from various literatures without using them as building blocks of an overall argument. An example is the presentation of Heidegger's *Being and Time* in a few sentences, immediately followed by the note that feminist criticism sees this as a masculinist approach to time (p. 67). It remains unclear what Heidegger has to add to the study of the future, nor is it clear what the implication is of the feminist critique. Another consequence of such an encyclopedic approach is the temptation to lump intellectual strands together. The importance of "networks," for instance, is underpinned by referring to the physicist Fritjov Capra ("web of life"), as well as to the sociologist Manuel Castells ("network society"). However, Capra points to the interconnection of organisms; Castells points to post-industrial capitalism. Mobilizing both does not strengthen but dilutes the claim that networks are important.

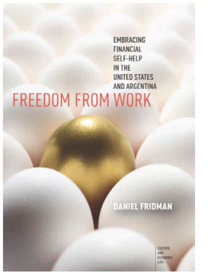
The main argument of the book that we should reclaim the terrain of future studies for social science, however, remains important. The impossibility of predicting the future should not paralyze academia but inspire the social sciences to actively engage with multiple futures. As John Urry rightly argues, the future "is too important to be left to states, corporations or technologists" (p. 7).

Fridman, Daniel · 2017

Freedom from Work. Embracing Financial Self-Help in the United States and Argentina.

Stanford University Press

Reviewer Felipe González
Facultad de Gobierno, Universidad Central de Chile, felipe.gonzalez@ucentral.cl



This book is about ordinary people seeking to become masters of their own economic life, and transforming themselves in an attempt to become free from work. It is about the hopes, dreams, and anxieties of people in Argentina and the United States following the advice of financial self-help books in order to become rich, an "instance of the production of *capitalist economic subjects*" that has global scope (p. 5). In this regard, Fridman's book can be categorised among cultural accounts of capitalism. It offers an empirically-informed story of neoliberalism "from below," connecting structural transformations – the usual suspects – with the lively cultural world of neoliberalism, as it is encountered by ordinary citizens who strive to change themselves in order to become entrepreneurial subjects. Unlike common accounts, however, this is not a story of resistance against neoliberalism but one of people embracing it. The book provides important insights into how cultural products shape the beliefs, habits, and cognitive frames of people striving to build lives they consider worth living.

In theoretical terms, the author positions himself at the fertile intersection of two convergent traditions in the *social study of finance,* where the adoption of calculative tools meets the production of the self: Foucault's concept of governmentality and Callon's approach to economic performativity. The theoretical proposal is appealing and aims at exploring the production of neoliberal *selves*. Foucault (2008) conceives neoliberalism as a form of governing conduct that relies on the free choices of autonomous individuals, which occurs through the intermediation of technologies, discourses, devices, and knowledge that Callon's approach captures quite well (Çalışkan and Callon 2009). After all, achieving financial freedom with the aid of best-selling books and participating in self-organized groups involves interacting with technologies of the self and becoming a new person. But what is more important here is that the governmentality approach has what the ANT approach lacks, a focus on the self, on "the significance of humans as actors who reflect about who they are and who they want to be" (12). Adopting calculative tools is not only a matter of shaping one's conduct, but also one of changing the way we see the world, others, and ourselves. This is one of the main messages of the book.

The goal of the book is to show that "financial self-help has substantial effects on users, on how they see the world, themselves, and their social positions, and how they reconfigure some of their economic and non-economic practices" (17). The book shows how this happens by means of an ethnographic approach to communities of people following a worldwide best-selling author on financial self-help, Robert Toru Kiyosaki, in Argentina and the United States, attending mostly to very practical processes: people interacting in financial self-help communities, playing board games, and learning techniques aimed at enhancing their financial skills. It thus examines different socialization processes.

The first chapter does two things. It establishes a definition of what financial self-help is and how it differs from two common approaches: general self-help and "get rich quick" schemes. Financial self-help is defined as a complex set of discourses and practices that involve at least three components: technical expertise related to accounting, a motivational component aimed at mastering attitudes, dispositions, and emotions, and a "social theory" about how the world works. Unlike "get rich quick" schemes, financial self-help does not come easily, as it implies a reflexive process of becoming independent from both external constraints and internal demons.

Financial self-help provides a cognitive frame – what the author calls social theories that people live by – through which individuals understand the world surrounding them, and learn how to navigate social reality in order to become free. Readers of Kiyosaki's books and practitioners of financial self-help are thus invited first to locate themselves in the social structure in order to visualize what transformations they need to undergo in order to change their social position and become financially free. In this sense, it resembles a "fictional expectation" (Beckert 2016), in the sense that it is based in a causal narrative that explains how an alternative and plausible future may be brought about through the actions of individuals. This frame serves the purpose of delegitimizing conventional means of achieving social mobility, such as pursuing formal education, reproducing a world in which the only thing one needs to do to move up the social ladder is to change oneself.

The second chapter outlines the "individual" as presented in financial self-help books, the type of imaginary person one needs to become. To begin with, financial self-help means becoming independent from both external constraints and internal demons. In this way, it is inspired by libertarianism as much as by the so-called "recovery movement." While the former denounces the "slavery" that results from dependence on collective forces, the latter adheres to the idea that individual problems are addictions that can be overcome and denounces the "slavery" that results from one's demons. In this way, if financial freedom is an external and measurable condition in which money works for you, it is also a frame of mind in which the will to be free and self-control are the defining features of the successful person (59). In this process, which takes place through continuous interaction with Kiyosaki's books, face-to-face relations in financial self-help meetings, and playing cash-flow games, three traditional institutions are systematically called into question: the family, because it confers greater value on security than on autonomy; the education system, because it makes people conform with labour markets rather than encouraging them to take risks; and the conventional idea that frugality leads to wealth. It is in this sense that the internal transformation promoted by financial self-help is also a cultural transformation. In these three realms, according to the narrative, people do not give away money but their freedom, which needs to be recovered through a re-tooling of the self.

Finally, the chapter also connects the moral transformations implied in Kiyosaki's work with an historical account of the whole tradition of success manuals in the United States. If post-war manuals were directed towards workers, success manuals in the neoliberal era have tended to reinforce the role of the individual in investing in their own success in a context marked by the privatization of risk. Unlike success manuals, however, becoming free from work entails a double transformation: being independent from the economic world, as well as liberating the self from its own limitations.

Chapter 3 shows the organizational and practical process through which followers of financial self-help produce the internal change through continual socialization and interaction with others and with the "Cashflow" game. Cashflow is a board game that prepares people for real-life finance on the assumption that the more people play, the richer they get. Acquiring financial abilities by playing Cashflow requires a substantial organizational effort, as meetings need to be arranged and a game can last several hours. The board game – Fridman shows – becomes a socializing tool in several ways. By developing practical skills, people acquire an understanding that may be hard to obtain just by reading Kiyosaki's books. By following the rules of the game, players learn the distinction between being rich and being financially free, or what success actually means. Learning how to play is a slow process, not only because of the rules one needs to learn but because learning how to play the Cashflow game means acquiring a mind-set that enables one to visualize opportunities. The game also has a material dimension through which people learn how to use and "think with" calculative tools. Players learn how to make financial statements, calculate their monthly cash flow, and handle different sorts of assets. These distinctions, which are reinforced through the material separation of items in the game, are then brought back into the everyday lives of Cashflow players, thus changing the way they see themselves. Thus, one could say, people learn a type of thriftiness that, unlike the worldly asceticism described by Weber, is not underpinned by any moral belief but by cognitive frameworks that are internalized through the continual interaction with board games, players, and more experienced organizers of Cashflow clubs and meetings.

Chapter 4 shows the social aspect of what is supposed to be an individual experience: becoming free from work. The author argues that financial self-help is not only about fostering self-interest, but a strange conflation of altruism with egoistic behaviour. As such, the paradoxical morality of financial self-help lies in the idea that, contrary to what the mainstream economic paradigm teaches us, there is a world of abundance – rather than scarcity – in which we can all become rich. This idea differentiates the poor from the rich, as the former are governed by fears of scarcity. Following Zelizer and Bourdieu, the author argues that such a vision "makes people blur the contradictions between interest and disinterest" (117). According to Fridman, financial self-help followers "understand the act of helping others and making money out of it as not contradictory but complementary goals," thus blurring the distinction between economic and non-economic interests. As the chapter shows, understanding this is part of acquiring the mindset of the rich, which reconciles the fact that Kiyosaki himself makes money (self-interest) out of "supposedly" helping others become rich. This logic of self-interested and altruistic action reinforces itself through other forms of labour in which financial self-help and Cashflow players usually engage, such as network marketing. As the author shows with the case of life experiences, "network marketing puts people in a position in which they have to help each other if they each want to succeed" (147), which means replicating the "world of abundance" mind-set of the rich.

The fifth and last chapter tackles the way in which Argentines deal with the fact that financial self-help comes from the United States. Both cases share their transition from an industrial period of labour stability to liberalizations and privatizations, which makes Kiyosaki's arguments resonate among Argentines, but Argentina has a much more unstable financial system. In this sense, financial self-help in Argentina is a case of "active adoption," characterized by a collective effort to "translate" and re-adapt the tools provided by Kiyosaki's books. The interesting point is that this process of translation reinforces the individualistic making of the financially free subject, as the adaptation implies rejecting the role of structural forces. In other words, as an individualistic project of transformation, financial self-help is detached from context and becomes a global cultural phenomenon, not least through dissemination of the idea that economic crises are opportunities to become rich for the financially well-prepared.

The conclusions provide the reader with the revelation that they have been waiting for throughout the book: what do we learn about society from studying the embracing of financial self-help? The author moves beyond the ethnographical account presented in the book and reflects on the public implications of the extension of "financial literacy" and "inclusion" policies. In this respect, what comes to light is that it is difficult to separate the ethical and ideological orientations of these products and programs from their technical and educational content. What the book shows, after all, is how adopting calculative frames and economic mind-sets is tied to the process of building one's identity and shaping schemata of perception. In this sense, the book stresses the way in which the cultural dispositives of neoliberalism – one could say, ways of being, feeling, and thinking – are embedded in calculative tools such as financial self-help.

The book is a lively and well-written account of ongoing cultural transformations. Fridman is particularly clever in connecting empirical facts with theoretical claims, and the book presents several avenues for further reflection. For example, the idea that I found particularly interesting is that financial self-help is about reproducing the ideology that underlies neoliberalism, in the sense that it makes individuals solely responsible for their economic situation, decoupling structural changes from the individual trajectories of ordinary citizens. At a time when the social sciences are stepping up their efforts to uncover the mechanisms through which wealth reproduces itself, Fridman's book shows the quest of ordinary people to become rentiers and make their money "work for them."

What I missed somehow was a more intense connection with social theory by the end of the book, especially a discussion of the implications of embracing financial self-help, both sociologically and politically: sociologically, because the book delves deep into the socialization processes of financial self-help followers, but does not discuss these findings in light of the economic sociology of culture, habits, and/or cognitive frames; and politically, because I missed a normative stance. The author plays the role of an objective observer well throughout the book, not letting the reader detect a normative position with regard to financial self-help. This is well received as a reader. But although it may not be the intention of the author to approach the subject from a normative standpoint, I would have expected the conclusions to present a stronger political argument about financial self-help, the role of social policy, and the re-moralization of the world surrounding the followers of Kiyosaki's books and board games.

Finally, to mention a methodological issue, I found it particularly puzzling throughout the book that no case selection strategy is presented; the comparison between Argentina and the United States plays no role at all. In general, there is no reference to how each case helps in illuminating particular aspects of the process of embracing financial self-help, nor about the role of the book's comparative dimension. Chapter 5 deals with the Argentine way of translating a foreign cultural product, but the transnational dimension does not come to light directly. One wonders whether the book could have been written based on only one of the cases. In the end, it is not clear what we gain from the comparison because the author suggests that the differences are ones of form, not nature.

References

Foucault, Michel. 2008. *The Birth of Biopolitics. Lectures at the Collège de France 1978–1978.* Palgrave Macmillan.

Çalışkan, Koray, and Michel Callon. 2009. "Economization, Part 1: Shifting Attention from the Economy towards Processes of Economization." *Economy and Society* 38 (3): 369–98.

economic sociology _the european electronic newsletter

econsoc.mpifg.de · ISSN 1871-3351

Aim of the newsletter *economic sociology_the european electronic newsletter* provides information for scholars interested in economic sociology, with an emphasis on events and developments in Europe. The newsletter is driven by the idea of free access to information and open communication.
Contributions Please send contributions, suggestions and input to the editor.
Publishing information *economic sociology_the european electronic newsletter* is part of *economic sociology_the european website*, which is maintained by researchers and staff of the Max Planck Institute for the Study of Societies in Cologne. The newsletter is published three times a year as a PDF document. The PDF can be downloaded free of charge. Back issues are available on the website.
Subscription You can receive *economic sociology_the european electronic newsletter* via email. Please subscribe at econsoc.mpifg.de -> Newsletter -> Subscription
Editorial office Max Planck Institute for the Study of Societies · Paulstr. 3 · 50676 Cologne · Germany