

## Note from the editor

# The “liberal compromise” and after: Realities and fictions of global climate governance

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### Leon Wansleben

**T**his issue of *Economic Sociology* explores the promises and realities of governing society’s nexus with the planetary system and the role that capitalism plays in doing so. Coincidentally, attempts to govern society-earth system couplings started in earnest during capitalism’s most triumphant moment. In 1992, in the immediate aftermath of the Soviet Union’s collapse, parties at the United Nations Conference in Rio adopted the first Framework Convention on Climate Change (FCCC).

This historical coincidence has been important for the subsequent institutional development of climate governance. When governments entered into negotiations on how to reduce greenhouse gases, the negotiations were not only framed by distributional struggles over responsibilities, free-rider problems, and the United States’ claim to exceptionalism (Bernauer 2013); governments also took as

axioms the principles of market allocation, free trade, and private control over investment (Meckling and Allan 2020). For instance, in spelling out the principles of “Common But Differentiated Responsibilities” (CBDR), the Kyoto Protocol of 1997 emphasized “the need to support an open, international economic system (Art. 3)” (Gupta 2010, 640).

One idea to align differentiated government responsibilities for containing global warming with these economic principles was to set up carbon allowance markets. Governments should make “polluters pay” in national or regional compliance markets (such as the EU’s), aligning territorial pledges of reducing production emissions with allocative efficiency. Dominant climate policy experts supported this approach: Economists such as William D. Nordhaus gave ideological justifications for why market-based carbon pricing was optimal and climate scientists run-

ning integrated assessment models helped quantify the production-based carbon budgets to be incorporated into the respective trading schemes. The idea of market-based allocative efficiency ran deep, even guiding approaches to green development aid, such as the “Clean Development Mechanism” (CDM). Fiscal constraints (especially in the overindebted south) were taken as givens and governments were regarded as incapable investors. Hence, private finance was supposed to take the lead, channeling funds into the needed investments accompanied by derisking schemes designed at international organizations like the World Bank (Chiapello 2020; Gabor 2021). Steven Bernstein (2000) has aptly described this constellation as a “liberal compromise,” in which the distributional struggles between country coalitions (e.g., “Annex I” versus “Annex II”) occupy the front stage (Bernauer 2013), while the extant capitalist order provides its scaffold. In this issue, Stéphanie Barral discusses the broader societal implications of this constellation and introduces her concept of “Homo ecologicus.”

It is hard to overlook that this compromise sets up a paradox: Governments, and thus state actors, are supposed to assume responsibility for “their” territorial production-based carbon budgets (over which there is much conflict), implementing reductions via markets. But they are to do so under the increased structural and instrumental power of capital. Clearly, not just the big oil and gas players but almost all economic actors tied up with the growing material stock and flow in capitalism were and are opposed to comprehensive carbon pricing or taxation. Only where political commitments for climate policy were so strong that full opposition seemed futile, or where “green” fractions of capital were exceptionally strong, did enough corporate actors support carbon markets as the least intrusive and costly (manipulable) option (Meckling 2011).

But except for these few cases, the power of capital has meant that attention at some point moved away from national governments towards other actors as protagonists in climate change mitigation. Scholars adopted new concepts to emphasize the multilevel, multi-stakeholder, and often voluntary nature of governance processes (e.g., Bulkeley 2010). Particular efforts in this governance went into convincing corporations that climate protection is in their own interest by preserving the long-term ecological conditions for capital accumulation. The development of standardized protocols for reporting emissions, voluntary offset markets, various initiatives for voluntary corporate

pledges, and more recently of a special investment segment of environmental, social, and governance (ESG) titles reflects this trend. In this issue, Matthias Täger takes up the discussion to introduce the peculiar role of central banks in this broader strategy of persuasion. He looks critically at the strategic translation by central bankers of climate change into a risk management problem but also highlights possibilities for unexpected meaningful change in this process.

**Leon Wansleben** is an economic and political sociologist. He leads the research group “Contested Ecologies” at the Max Planck Institute for the Study of Societies (Cologne). In 2023, he published the monograph *The Rise of Central Banks: State Power in Financial Capitalism* (Harvard University Press). His current research focuses on shifting state-market relationships and the contested rediscovery of planning in advanced energy transitions across Europe. [lw@mpifg.de](mailto:lw@mpifg.de)

While this topic is not covered in the current issue, the pivotal role of nongovernmental and particularly corporate actors in multi-stakeholder climate governance has directed attention towards various rituals of compliance with voluntary standards and pledges. Related research reveals various shades of greenwashing. However, rarely is such greenwashing outright fraud. More often, corporate actors strategically engage with the complexity and mediated nature of environmental and climate protection rules. For instance, Tim Bartley has shown how local audits function as rituals “of checking that rely on readily available and quantifiable indicators to produce simplified, decontextualized versions of truth” (2018, 51). In yet unpublished work, Ritwick Ghosh discusses “performances of sustainability” as careful balancing acts: Actors engage in just as significant investments into frontstage impressions across multiple domains (NGOs, the press, government reports) to uphold the desired green image while avoiding costly, long-term, and largely invisible structural change.

We no longer live in the period of the triumphant “liberal empire” (Streeck 2024) after the Soviet Union’s collapse. To find confirmation for this, one needs to look no further than to global climate governance itself: Even the champions of the international climate policy circuit show “COP fatigue”; globally prestigious firms, usually keen to maintain their good image, have decided to leave voluntary decarbonization initiatives; and, most decisively, in a situation of geopolitical tensions if not neo-imperial conflicts, the prospects for any significant agreements or any new credible self-constraints among competing powers to limit production or consumption of carbon seem dim.

We now have a more acute breakdown, but the previous slow failure of global climate governance had already redirected attention and hope to the domestic context. After all, contrary to the pure logic of collective action failure, we have seen significant advances in decarbonization in some countries as opposed to others (Aklin and Mildenberger 2020). Two lines of reasoning therefore put the internationally embedded, domestic political economy at the center of attention in recent research: First, the balances of power between opponents and proponents of decarbonization vary between countries and may dynamically change, due to possible positive feedback effects. While most sectors are still in a fossil lock-in, for some sectors, renewable energy and the downstream transformations connected to it (e.g., electrification of industrial production, cars, heating) may open up opportunities. Critical for this brown versus green balance of forces arguably are the opportunities and risks for “decarbonizable” sectors (Kupzok and Nahm 2024), i.e., those that could decarbonize their activities with new investments. A second line of thought is that, if at all, only states would have the means – fiscal, regulatory-coercive, as well as coordinative – to forge robust alliances between the possible winners from decarbonization and support their transition (Meckling and Nahm 2021) while dealing with losers (Ergen and Schmidt 2023). Braun and Gabor (2025), for instance, see the need for a “big green state,” and Ban and Hasselbalch (2025) argue for a rediscovery of planning. The promise of green growth, unleashed by strong interventionism, has been under discussion for some time. Only recently though did actual growth in some green sectors raise the hope for “win-win,” while China’s activist industrial policy showed how to capture these gains.

Much current research focuses on the conditions for a continuation or blockage of national or regional transition paths. This has revived interest in developmentalism and the state capacities needed to overcome cost barriers, coordination challenges, and problems of legitimacy. Concentrating on Mexico’s power sector transformations, Jose Maria Valenzuela Robles Linares discusses these issues in more depth in the following pages. But as already noted in my previous editorial, shifting from weak global climate governance to green growth brings its own paradoxes. On the one hand, there are the general and much debated questions of whether decarbonization can actually bring growth and whether green growth can actually reduce emissions sufficiently. Kohei Saito, a key proponent of “post-growth communism,” offers reflections on alternative paths in this issue. More narrowly, I see a distinct version of the prisoners’ dilemma becoming apparent: In a developmentalist framework, producers of green goods – electric cars or photovoltaic panels – may not be willing to constrain their own use of fossil energies to produce these goods competitively for the global market (as in the case of China). At the same time, these developmentalist states want to export and thus need other countries to foster consumption for their green goods. Why should importing countries be regulating or pricing fossil options out of the market for the benefit of green ones if the supply-side benefits (corporate profits, jobs, etc.) occur in countries that do not adopt such restrictive policies themselves? Unless countries figure out new ways to solve global coordination problems, now more focused on green economic and trade policies, the conundrums of climate mitigation will undergo a *gestalt switch* but will not disappear.

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# *Homo ecologicus*, a leading figure of environmental change?

Stéphanie Barral

Environmental sociology now clearly attests the unequal contribution made by corporations and individuals to climate change (Rieger 2024, previous issue) and more generally to the ecological crisis (Freudenburg 2006; Collins et al. 2020), and advocates for focused and constraining regulations directed toward “big polluters.” And yet, a glimpse at the current direction of environmental policies shows a very different reality. In France, for instance, conservative voices denounce the tyranny of “*écologie punitive*” (punitive ecology) as soon as measures are taken to bind behaviors and economic sectors, which more broadly illustrates the strength of race-to-the-bottom dynamics when it comes to governing environmental problems (Vig and Kraft 2012).

If ecological urgency does not warrant some level of constraint, what then is an alternative? During the past ten years spent on the study of environmental policies, I have realized how strong our reliance is on individual responsibility, self-regulation, voluntary commitments, informational devices, and other behavioral conceptions of environmental change. These manifold initiatives have become a cornerstone of environmental policies (Jordan et al. 2003), producing many studies, typologies, and theories. Yet my purpose here is not to focus on their many specificities but rather to give meaning to this overall liberal trend and critically assess its scope and limits.

I suggest the trend depicts a specific problematization of environmental change that puts the emphasis on *Homo ecologicus*, a theoretical representation of a rational agent whose behavior is determined by an acute awareness of its ecological footprint, and whose economic choices and daily actions are oriented toward minimizing its environmental impacts. This standardized figure does not target the most polluting social groups, but individuals more generally. It spans corporations, consumers, and ordinary citizens and wields responsible behavior as a flag.

But can the future of planet Earth fall upon the shoulders of enlightened individuals and responsible corporations? To explore such a question, the concept of *Homo ecologicus* helps to bridge separate debates in sociology about corporate responsibility, market-based policies, green consumption, and sustainability governance. In what follows, I trace by analytical and empirical means the different aspects of *Homo ecologicus* and its various translations into governing consumer behavior, ordinary ecological practices, and corporate action. The related areas of scholarship take a first perspective on the “invisibilization” of social and economic structures, setting aside the systemic dimension of environmental problems. A second perspective accrues from the reliance on environmental markets as a means of internalizing negative externalities. The tools of economic sociology are useful here to shed light on the various influencing strategies of

**Stéphanie Barral** is a researcher at the French National Institute for Agriculture, Food & Environment Research (INRAE) and is the co-founding member and coordinator of Network S “Environment and Climate Change” of the Society for the Advancement of Socio-Economics (SASE). Her research focuses on economic instruments for environmental policies, with fieldwork in France, the USA, and Southeast Asia. Her work has been published in journals such as *Regulation & Governance*, *Journal of Cultural Economy*, and *Nature Sustainability*. [stephanie.barral@inrae.fr](mailto:stephanie.barral@inrae.fr)

stakeholders: Far from the theoretical idea of minimizing ecological footprint, market transactions and the related sociotechnical infrastructure that make them possible are sites for the dominance of economic interests over ecological ones. By providing renewed stances on liberal environmental policies, the tools of sociology in general, and of economic sociology in particular, can help us make significant contributions to policy analysis.

In the following, I outline a brief political history of *Homo ecologicus* to examine the rationale underlying its emergence and appropriation in several social areas. I then build on green consumption and waste management to highlight how social inequalities and low investments hide behind the emphasis on individual actions and reveal the limited scope of these pro-

grams. In a third section, I use voluntary carbon markets as an illustration of the economic distortions that span market-based policies, throughout their conceptions and implementations. This then paves the way for a reflection on the links between economic sociology, policy analysis, and the promotion of more ambitious action for environmental change.

## The historical roots of *Homo ecologicus*

To better capture the society that is taking shape by following the tracks of *Homo ecologicus*, economic sociology can first help us to understand its historical origins. Where does *Homo ecologicus* come from? What explains such strong colonization of environmental policy frameworks?

There are fruitful answers to these questions in Popp Berman's stimulating study of the influence of microeconomists within the US state apparatus (Popp Berman 2022), in which environmental programs appear as a textbook case. From the 1960s, a new way of assessing public policy emerges as microeconomists come to occupy a prominent place in the US government apparatus as well as in expert and advisory organizations. This leads to the spread of what Popp Berman calls a "microeconomic style of reasoning": A general framework that dominates the way in which public problems are thought through, placing a central value on the notions of efficiency, incentives, choice, and competition. The microeconomic style of reasoning also leads to a new approach to the political regulation of markets. According to its precepts, well-designed and competitive markets are the means for the efficient allocation of resources, goods, and actions. Meanwhile, environmental command-and-control regulations designed in the early 1970s are heavily contested by business coalitions in the USA (Bonneuil 2015), ultimately leading to their dismantling and replacement with more flexible market-based policies. Technical norms, pollution thresholds, and tax – the Clean Air Act's main tools to encourage clean investments and reduce industrial pollution – are scrutinized by economists who, after a set of empirical studies evidencing the inefficiency of those tools, spread a universal economic narrative that undermines regulatory policies as a whole (Lane 2012).

The time is then ripe for the rise of market forms of policy compliance. Coase's famous proposition about the problems of social cost (Coase 1960) is reinterpreted and adapted to pollution matters (Dales 1968). Such is the case for the SO<sub>2</sub> air pollution problem for which a cap-and-trade program is created in

the USA in 1990 to facilitate (understand "to lower the costs of") corporate compliance. Firms whose activities fall under pollution regulations can either comply or offset their pollution by buying credits on a regulated market. Progressively, market forms of environmental policies proliferate in various institutional settings (Knoll 2019), ranging from regulated to voluntary involvement in the production and circulation of what Chiapello and Engels (2021) label as "environmental intangibles," a specific type of commodity based on the measurement and commodification of environmental impacts. Widespread expressions include biodiversity offsets, carbon markets, water quality trading, and index insurance. In the past decades, environmental problems have been progressively narrowed to the management of corporate impacts, while economic transactions and price signals have become the means by which firms are tied to the figure of *Homo ecologicus*.

A parallel trend in the shape of green consumption also emerges in the 1970s, relying more directly on consumer behavior to regulate corporate actions. At that time, the first environmental labels are created in Europe by public regulators as a way to convert environmental values into economic value with a price signal to encourage more environmentally sustainable behavior. Rapidly, private endeavors follow, reflecting a shift toward business-to-business regulations, third-party certification, and private governance more generally (Hatanaka et al. 2005). Particularly popular in agri-food systems, integration of social and environmental criteria through sustainability standards are meant to stimulate corporate change by reorienting consumer behaviors. The aim is to make consumers aware of the environmental impact of their purchasing decisions, encouraging them to switch to alternative practices deemed more virtuous. Labels provide material signaling with logos to direct consumption choices, while scores, more recently populating supermarket shelves, provide quantified information about a specific criterion (such as nutritional quality) and allow ranking of products. By harnessing the figure of *Homo ecologicus* and applying it to both consumers and firms, sustainability standards are meant to foster behavioral change.

Later on, in the 1990s, economic instruments and market regulations are also experimented with in the field of waste management and circular economy, demonstrating the mobilization of *Homo ecologicus* rationale to incentivize citizen behavior. Several countries, including Germany and France, adopt what is known as "extended producer responsibility" (EPR), a policy that assigns responsibility for end-of-life products to producers, including at the post-consumer stage, therefore shifting the responsibility for waste

management away from municipalities and consumers and to firms. EPR generates and gathers corporate funding that helps to cover the collection, sorting, and recycling of waste, in compulsory or voluntary fashions. Here again, the responsibility of firms is deeply intertwined with individual behaviors: The efficiency of recycling, a widely acknowledged strategy to manage humanity's overproduction of waste, relies on the voluntary involvement of citizens to sort their own garbage. Ultimately, it exempts governments from reflecting on frugal consumption and reducing waste production.

Throughout the years, corporate responsibility has changed its meaning. The polluter-pay principle, historically taking the form of an ecotax system in Pigou's *Economics of Welfare* ([1920] 2013), has given way to more flexible market devices, while standards have emerged with the promotion of sustainable development. First deemed the cause of environmental problems, firms have been progressively hailed as solutions in the face of growing ecological damage; state-firm relations have diversified, opening up to less binding forms of regulation (Knoll 2019). Behavior, awareness, or performance – the criteria through which firms are made to act on environmental problems – stem from a conception of rational, individual, and free economic agents grounded in economics, behavioral sciences, and social psychology (Asdal and Marres 2014). For its promoters, *Homo ecologicus* appears as the leading figure in sustainability struggles, and market reform, nudge policies, corporate accountability, and consumer education are the tools of environmental salvation.

## A smokescreen obscuring social and economic structures

Why should we be wary of *Homo ecologicus*? Several areas of scholarship in the social sciences are helpful in nourishing criticism of individual incentives in the resolution of environmental problems. They highlight that considering consumers and citizens as all-powerful individuals has a smokescreen effect that obscures social and economic structures of the environmental crisis, thus thwarting any ambitious transformation of economic and social regulations. In this section, I build on critical Bourdieusian sociology of consumption and on political sociology to discuss the social and economic consequences of individual responsibility in environmental policies, as well as their limits.

A first and basic limit stems from numbers: In France, for instance, the average consumer's carbon footprint ranges between 9 and 10 tons of greenhouse

gas emissions (GHG) per year per person, almost five times the 2 ton target set out in the Paris Agreement (2015). Studies on the individual levers that are available to reach such a target show that it is impossible to achieve without structural reform of production systems and local infrastructures (Bricas 2021). Second, this average indicator hides our highly unequal contribution to environmental harm as well as disproportionate ability to engage in sustainable lifestyles. In recent years, a growing number of studies have focused on the stratification of environmental footprints (Chancel 2014) as well as eco-friendly practices (Kennedy and Givens 2019), emphasizing the "ecocitizen paradox," which signals that individuals who declare thoroughly sustainable behavior also have a high ecological footprint. Third, consumer behavior is never completely in line with the attitudes and values consumers profess to hold. Even individuals who actively pursue a green consumption regime are likely to deviate from their moral commitments. The notion of "value-action gap" refers to the gap between consumers' ambitions and their willingness to pay a premium for greener or ethical goods, which even the most committed consumers also experience. In addition, the regulation of individual consumption behaviors comes up against an economic system that is organized around the rapid satisfaction of material desires, hammering home the idea that ambitious environmental policies cannot avoid rigorous reflection on the transformation of economic systems.

These accounts of lifestyles and consumption pattern stratification question the relevance of action based on *Homo ecologicus* as a standardized figure and equally applying to us all. Not only are individuals unequally responsible for environmental damage and solutions, but they also have various conceptions of the relevant causes and remedies (Bouillet and Grandclément 2024). While *Homo ecologicus* represents legitimate behavior through information campaigns and educational initiatives, the ecological practices individuals value are socially and geographically situated (Ginsburger 2020). This explains the differentiated appropriation of *Homo ecologicus* within societies and reveals the discrepancies between prescribed norms and concrete actions as strong limitations to green consumption and citizen-based policies.

These manifold limits are analyzed as depoliticization processes of the management of environmental problems. Two accounts of this argument appear in political sociology. Depoliticization can be understood as the "invisibilization" of deep-seated structural, political, economic, and social causes of ecological issues in media and institutional arenas (Comby 2015; Lartigue et al. 2021). Promoting such a simplified representation of the issues can be interpreted as a strate-



gy of dominant economic and political actors to avoid political confrontation and the imposition of binding rules. Although stimulating, this idea somewhat comes up against a number of studies insisting instead that the difficulties of imposing binding policies are due to the active involvement of economic players in antienvironmental lobbying (Tindall et al. 2022).

A more nuanced conception of depoliticization stems from the study of institutional documentation produced to encourage consumers and citizens to reform their daily practices. Although centered on individual responsibility to address environmental problems, the framework promoted by public agencies, ministries, and other institutional players does not seem so unaware of the underlying economic structures. Indeed, by promoting purchasing actions rooted in environmental values, the focus is certainly on the demand side, but the related reasoning follows a transitive logic, according to which aggregate consumer demand can influence the conditions under which goods are produced (Rumpala 2011). Similarly, in France the quality and quantities of sorted domestic waste have risen with the impulsion of regular information campaigns, which has led to increasing amounts of inputs awaiting structural investment in recycling infrastructures before they can be treated. By conceptualizing change first and foremost as an individual matter, the material, economic, and organizational interdependencies of production chains are excluded from the representations conveyed by institutional discourse, and even from political action. To put it bluntly, *Homo ecologicus* looks like a political fiction that masks the complexity of economic organizations.

## *Homo ecologicus* and the carbon economy

*Homo ecologicus* is not just a lone individual. Should we also be wary of *Homo ecologicus* as a corporate actor? By focusing on the rise of market transactions as a widespread means of ecological action, economic sociology can accommodate many ways of understanding the limits of corporate responsibility in polluter-pay principle programs. I draw here on my own work on voluntary carbon markets to highlight the multiple influence strategies that undermine policy goals, as well as the significant public expenditures that hide behind the idea of stand-alone transactions to set *Homo ecologicus* in motion.

The analytical repertoire of Max Weber ([1921] 1978) is useful for better understanding the prominent rise of individual responsibility in environmental

policies, especially the duality of formal rationalization and material rationalization, as well as the tensions between both, in the construction of a carbon economy. Following the former means paying attention to the conceptual refinement of the carbon markets and the figure of *Homo ecologicus* by its proponents, experts and scientists, leading to a greater internal coherence and abstraction. Conversely, Weber carves out the conception of material rationalization to shed light on the integration of external values and interests of stakeholders in the implementation of carbon markets.

Voluntary carbon markets are part of the climate policy toolbox. Carbon credits are created though the development of climate projects such as afforestation, clean-technology adoption, or carbon farming, to name the main ones. The policy assumption is that setting a price on a quantity of GHG emissions enables corporations to offset their carbon footprint by purchasing credits. Being voluntary, such programs are not meant to help firms comply with regulations but rather to meet their own mitigation targets and, in the end, advertise their positive behavior. On the production side, landowners, industries, and farmers benefit from an additional income that incentivizes environmental change. For both supply and demand, GHG quantities are assessed by means of carbon footprint calculators, a perfect tool for *Homo ecologicus* as it provides an overview of an individual's contribution to the global and systemic issue of climate disruption.

Formal rationalization of voluntary carbon markets is assumed by economists and regulators involved in the theoretical conception of rationale, rules, and accountability norms enabling the conversion of GHG into credits and their circulation among creditors and debtors. Since their first inception under the Clean Development Mechanism of the UN Framework Convention on Climate Change in the mid-2000s, voluntary carbon markets have been subject to increasing moral and technical controversies. This led to the development of multiple MRV certification frameworks, standing for monitoring, reporting, and verification. Economists as well as climate and soil scientists have been deeply involved in this process that formalized auditing activities to reinforce the quality of carbon credits. In some cases, such as the French "Label Bas Carbone" certification framework, public authorities are involved in the regulation of MRV to reinforce its legitimacy.

Paying attention to the material rationalization of voluntary carbon markets sheds light on a broader range of state and non-state actors involved in the operationalization of those markets, including production, valuation, and purchase of carbon credits. The



technical complexity of the programs has paved the way for numerous professional intermediaries, and carbon consultants, software designers, credit brokers, and technical advisors are now part of a diversified ecosystem of private entities providing multiple services to make supply and demand happen. In countries like France, where the carbon economy is striving to take off, there is empirical evidence that some of these actors can influence market rules in the direction that best serves their particular or group interests. Complementarily, national commitments to carbon neutrality by 2050 under the Paris Agreement drive regulators and policymakers to launch public programs facilitating the take-off of emission reductions. Direct subsidies, zero-interest loans, and bureaucratic resources are made available to carbon economy actors so as to subsidize operational costs and sustain their participation. Despite this intense infusion of public money, the current low economic returns also foster risk minimization strategies: Practically, this translates into a concentration of investments and actions on low-intensity climate projects (such as intensification of dairy farms) rather than projects with high production costs and high climatic gains.

The tension between formal and material rationalization highlights constant maneuvering around the rules and metrics of market structure. Turning firms and individuals into *Homo ecologicus* through carbon market mechanisms takes numerous resources, and the multiplication of actors and rules goes along with a multiplication of influence over the rules. Even where the market is not working, the focus is on fixing the rules and continuing to think in terms of market mechanisms, while some types of normative commitments might also be worth thinking about.

## A contribution to policy analysis

As the cousin of *Homo economicus*, *Homo ecologicus* is a theoretical economic representation that can foster new research horizons for economic sociology. The

analytical tools of economic sociology can be leveraged not so much to critically examine the gaps between a perfect conception of rational action and its empirical expressions (as it has largely been the case with *Homo economicus*), but rather, I argue, to delve into the practical concretizations of related public policies and assess their ecological depth. A deeper analysis of the way individuals and corporations diversely interfere with public policies and enact environmental change is a condition of evaluating their relevance. In doing so, economic sociology can make significant contributions to the study of environmental policy processes, and to policy analysis more generally.

My point in this essay is not to conclude that any individual responsibility should be banished from all environmental programs. It is not to say either that individuals do not need to alter their current consumption practices or pay attention to their garbage. Rather, in pointing out these limits, my aim is to nourish a broader debate on the environmental policy landscape, addressing the disbalance in favor of liberal economic incentives as policy tools, and advocating for a science-based debate on the way multiple policy orientations can converge toward ambitious environmental change. The ecological backlash that spans all Western democracies these days has taken the form of a passionate condemnation of all norms and regulations, while *Homo ecologicus* seems to be trapped in a weak incremental conception of environmental change.

With contemporary societies facing major uncertainties, and significant economic tensions accruing from the ecological transition perspective, *Homo ecologicus* appears as no more than a stopgap, an easy solution that gives the illusion of taking action, whereas environmental issues are “wicked problems” (Rittel and Webber 1973) that require far-reaching changes in consumption and production patterns. While this liberal approach to the environmental crisis still has to prove its success, a more ambitious reform of the economy, based on an environmental state acting through taxation and redistribution, deserves equal attention.

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# Risking the planet?

## The pathologies and potentials of central banks' risk-based approach to the climate crisis

Matthias Täger

### Introduction

**B**oth the global financial crisis and its aftermath and the Covid-19 pandemic shone a bright spotlight on the extensive powers of central banks. The magnitude of interventions in financial markets in both instances dwarfed efforts by fiscal authorities, not just illustrating the relative significance of central banks' role in economic governance vis-à-vis other state institutions but also highlighting the vital role they have come to play in the governance of financial capital that no longer simply governs itself. Deeply entangled with financial markets, central banks have become the guardians of financial capital and powerful agents of financialization (Irwin 2013; Tooze 2021; Walter and Wansleben 2020; Wansleben 2022). Operating in a markedly transnational fashion (see e.g., Marcussen 2006) and often enjoying far-reaching independence from governments, central banks are not only a vastly powerful but also a categorically different state actor in the financialized global political economy.

Thus, to understand the role of finance in a crisis that poses a more existential threat to societies than those referenced above, namely the escalating climate and ecological crisis, central banks are a pivotal piece of the puzzle – a piece that other disciplines have already started to investigate. As central bankers increasingly engage with the planet's climate, political economists and economic geographers have started to

ask whether central banks might be “too green to be true” (Deyris 2023) or “climate governors of last resort” (Langley and Morris 2020), while others even see in them “an unexpected climate activist” (Siderius 2022). These attempts to make sense of the role of central banks in times of an escalating climate crisis contrast somewhat with the relative silence among economic sociologists regarding a new and accelerating dynamic.

In fact, over the past decade, central banks and financial supervisors have launched a flurry of climate-related speeches, coalitions, and policies. This development is driven and facilitated by the successful framing of climatic changes as climate risk, originally championed by coalitions of think tanks and financial institutions and later formalized through the efforts of national central banks such as the Bank of England, Banque de France, and De Nederlandsche Bank as well as intergovernmental and transnational forums such as the Financial Stability Board (FSB) and the newly founded Network for Greening the Financial System (NGFS) (DiLeo 2023; Helleiner, DiLeo, and van 't Klooster 2024; Quorning 2023; Siderius 2022; Täger 2022). As climate risk, the planet's climate and its changes have become legible to central bankers, who can now attach them to their financial stability mandates.

While phenomena such as “green finance” or “environmental, social, and governance” (ESG) tend to dominate the public discourse on entanglements between finance and the planet's climate, central banks' climate risk frame is of a categorically different nature. Climate risk is not another expanding frontier of financial markets where what was previously outside of finance is being colonized and turned into a fi-

**Matthias Täger** is a postdoctoral researcher at LSE's Grantham Research Institute on Climate Change and the Environment and an honorary research fellow at Warwick Business School. His work is rooted in economic sociology, political sociology, and STS. He is currently exploring the phenomena of sustainable finance and green central banking through the lenses of knowledge production, devices, and temporalities. [m.c.tager@lse.ac.uk](mailto:m.c.tager@lse.ac.uk)

nancial asset in the form of ESG funds or green bonds, nor is it a retreating frontier whenever there are push-backs by Republican-run states in the US as part of an “ESG backlash.” Instead, the frame of climate risk entangles the planet's climate not with a frontier but with the heartland of finance – that is, its foundational logic of balancing risk and return. Rather than the unidirectional expansion of finance as ESG, redefining risk in relation to the planet's climate seems to suggest a degree of mutual colonization of finance and climate.

As effective as this risk framing might be to attach climate concerns to central banks, understanding the climate crisis as climate risk has been problematized as deeply political (Engen and Asdal 2024). As Leon Wansleben mentioned in the previous issue of this publication, a risk frame might not sufficiently account for the nonlinearities of climate system dynamics, for instance. More fundamentally even, due to the uncertainties of socio-environmental development paths, future impacts and dynamics are inherently incalculable and hence evade a narrow frame of risk (Beck 2002; Chenet, Ryan-Collins, and van Lerven 2021; Christophers 2017).

Economic sociology, however, has moved from the question of *whether* a climate-related threat or hazard can be captured as calculated risk to asking *how* this calculation is achieved and with what effects (Collier, Elliott, and Lehtonen 2021). Instead of categorically rejecting the framing of the climate crisis as climate risk, an economic sociology approach can foreground the conditions of its construction, the hierarchies and values imprinted on it, and the inequalities it produces. This, I argue, is one of the distinct values that economic sociologists can bring to a debate over the role of central banks in the climate crisis which is currently dominated by environmental, ecological, and political economists.

Given that central bankers have become agents of financialization over the past decades (see e.g., Walter and Wansleben 2020), it might seem intuitive to dismiss their risk-based approach to climate change as doomed to reproduce rather than reform or even transform the existing finance-climate relations of exploitation and harm. After all, the rediscovery of systemic risk and macroprudential supervision after the global financial crisis, for instance, only had limited effects on financial excess (Thiemann 2024). However, the climate risk frame is still in its infancy and not yet fully formed, which presents an opportunity not only for in vivo research to develop a precise diagnosis of central bankers' risk-based approach but also for interventions into an active policy debate.

Thus, this essay sets out to illustrate both the pathologies and the transformative potentials of central banks' emerging risk-based approach to the climate crisis. Pathologies materialize as specific detachments and attachments (Latour 2005) – or (dis-) entanglements, as Ute Tellmann has it in the previous issue – of the planet's climate and climate risk, which are achieved by categorization and quantification as well as the specific temporalities thus created. Transformational potentials take the form of an open and transforming substance of what climate risk in fact is, shifting actor constellations involved in this definitional struggle, and a widening in the epistemic foundation

underpinning attempts to definitively frame the planet's climate as climate risk. The essay argues that while central banks threaten to normalize engagement with the escalating climate crisis under a risk-based regime that draws on existing valuation repertoires of technoscientific capitalism, efforts to frame climatic changes as risk have given rise to dynamics by which financial assets are requalified through novel socio-material relations and which provide opportunities for a reformation of finance-climate relations. Economic sociology, my argument attempts to demonstrate, is uniquely positioned to develop such a nuanced critique of central banks' climate risk regime.

To substantiate this argument, the essay draws on the author's PhD research on the construction of climate risk, which was conducted between 2017 and 2021 (Täger 2022). This research traced said construction from the creation of the first global climate risk disclosure regime now underpinning binding law in jurisdictions from Brazil to the EU, the UK, and Japan – the Task Force on Climate-related Financial Disclosures (TCFD 2023) – to the development of climate scenarios by the NGFS to quantify climate risk exposures across financial systems.

## The pathologies of central banks' risk-based approach to the climate crisis

To make the planet's climate legible to central bankers in the form of risk, it initially had to be fitted into existing and familiar categories, frameworks, and calculative devices – i.e., the “qualculative” infrastructure of central banking (see Callon and Law 2005). Creating such attachments always implies a simultaneous move of disentanglement, as Ute Tellmann pointed out more generally in the previous issue (see also e.g., Callon and Muniesa 2005). In other words, attaching the planet's climate to central banks is a selective process rendering only certain finance-climate entanglements visible or represented.

In a first step, central banks collectively decided through the FSB to convene an industry-led task force – the abovementioned TCFD – to develop a disclosure framework for climate risk, i.e., fitting climate risk into the existing market-based financial governance approach (Christophers 2017). The TCFD framework has by now become the foundation for disclosure regulations across the world, providing the epistemic categories and shaping the informational raw material for finance to see and value the planet's climate (Folkers 2024). Two moves by the TCFD illustrate the selectivity of this qualculative construction of climate risk:

First, the TCFD integrated one of three climate risk categories flagged by the Bank of England in a previous report (Prudential Regulation Authority 2015) into another; that is, it rejected its status as a primary category of climate risk. Litigation risk (i.e., risk that companies might face from being exposed to lawsuits targeting their negative climate impacts) was subsumed under transition risk (i.e., risk stemming from the political, social, and technological transition to a low-carbon society by means such as climate policies, changes in consumer behavior, or technological advancements). Demoting litigation risk in such a way practically absolved companies from the obligation to make public what ongoing or potential lawsuits they are facing due to climate-harming activity. This not only reduces the visibility of ongoing lawsuits but also prevents a potentially performative effect of climate-related knowledge, as corporate disclosure of litigation risk might very well contribute to the realization of said risk; in other words, it might instigate lawsuits. By negating the need for companies to explicitly disclose their exposure to climate-related litigation and thus decreasing the visibility of litigation risk, the TCFD effectively decreased the threat of litigation, as plaintiffs would not be able to rely on corporate disclosures for building, strengthening, and identifying cases to be brought to court.

Second, established principles and practices of accounting were brought into the TCFD framework to translate climate-related knowledge into so-called decision-useful (i.e., financially legible) knowledge. For instance, the TCFD disregarded risks that corporate actions pose to the planet's climate and instead focused exclusively on climate-related risk posed to companies – the so-called single materiality perspective at the heart of the existing financial accounting and risk supervision regime. This focus on corporations as relevant entities for the formatting and filtering of climate-related knowledge also extends to the attribution of climate-related impacts, i.e., emissions. The TCFD followed the logic of the Greenhouse Gas (GHG) Protocol regulating carbon accounting, which effectively facilitates the disentangling of certain emissions from the corporations responsible for them by basing their attribution on the legal boundaries or the financial control of businesses rather than their role in the facilitation of global GHG emissions, as Walenta (2021) has shown.

After the metrics and categories of risk had been defined through the TCFD framework in this first step, central banks advanced the construction of climate risk by seeking to quantify it. Moving from the market-based approach of disclosure to a technoscientific approach to climate risk, a group of central banks formed the abovementioned NGFS, a coalition

to share expertise and conduct joint research (Helleiner, DiLeo, and van 't Klooster 2024). A key tool they developed to quantify climate risk was a set of climate scenarios used by national central banks and the ECB to test the effects of different climate mitigation and climate impact scenarios on the portfolios of their supervised entities (FSB and NGFS 2022). To remain legitimate on this new terrain of climate risk governance, the NGFS relied on already well-established and widely accepted models and scenario assumptions such as those supplying scenarios for Intergovernmental Panel on Climate Change (IPCC) assessment reports. In other words, central bankers fitted their climate risk framing to a pre-existing calculative modeling infrastructure to mediate the (dis-)entanglement of the planet's climate and central banks.

This “fitting” created a particular set of attachments of the climate risk construct to climate-society relations. For instance, decarbonization efforts exclusively take the shape of techno-optimistic developments, such as large-scale carbon capture and storage deployment or price-based policy interventions within the imaginaries of the NGFS scenarios. Market frictions are largely neglected and so are distributional matters and justice concerns. What is more, both assumptions and model structures carry the imprint of a Northern gaze, that is, they have specific geographies (Mahony and Hulme 2018), while suggesting a neutral or global stance. Global epistemic hierarchies and inequalities imprint themselves on the calculative representations of soils, for example, where better data availability and greater academic research capacity mean that models are calibrated and designed based on European or North American rather than African soils. Proxy measures for the location of assets of economic value are based on the structure of industrial or post-industrial rather than agricultural economies. Thus, socio-environmental relations represented in these models and hence the NGFS scenarios are structurally disentangled from those in the majority world and have Western-centric, advanced-capitalist values inscribed in them instead. Thus, similar to the New York City flood maps examined by Elliott (2021), the calculative construction of climate risk is left detached from a host of alternative values and concerns. These disentanglements that were partially mediated by climatic and environmental sciences also highlight the need for a critical engagement with these disciplines, as discussed by Scoville in the previous issue – a critical engagement for which economic sociology, by virtue of its affinity to STS, is well suited.

The quantification of climate risk is only fully achieved once it is fixed to or expressed or expressible in the unit of money, making it commensurable with existing financial metrics and concerns. At this stage,

climate risk construction often becomes an act of negation: Investment managers consider climate risk as negligible compared to other, more urgent or better understood risks, Christophers (2019) reports, and central banks find only minor and manageable risks to the financial system and their supervised entities in their climate scenario exercises (see e.g., ACPR 2021; Bank of England 2022). Thus, the final step of attaching selective representations of the planet's climate to finance's existing calculative valuation infrastructure currently renders climate risk, and hence the climate crisis, at best manageable and at worst irrelevant; either way, this approach in its current form does not suggest a need for the structural transformations of socioeconomic and socioecological relations that by now seem to be urgently needed in order to stabilize the planet's climate within this century.

This does not mean, however, that economic sociologists should prematurely condemn and disengage from the construction of climate risk as a representation of the climate crisis. As emphasized above, climate risk is still in the making. For instance, concerns about their legitimacy compels central bankers to respond to criticism put forward against their climate scenarios. Thus, the latest update to these scenarios contains a new approach to calculating the costs of physical climate impacts that results in an up to three-fold increase in modeled risk exposures (NGFS 2024). An effect of this latest change highlights a perhaps even more important reason why economic sociologists should remain engaged with climate risk construction: Certain countries, namely hot and arid ones, are found in the newest iteration of the NGFS scenarios to be particularly exposed to physical climate risks. Thus, while on an aggregate level central banks and portfolio managers in the Global North might be able to dismiss climate risks as negligible, there are the first signs that the majority world is already experiencing rising capital costs due to climate risk construction (Buhr et al. 2018; Kling et al. 2021). Identifying and exposing the (re-)production of such inequalities should be a key concern for economic sociology.

Apart from tracing these and other socio-material attachments and detachments of climate risk construction and the inequalities they produce, economic sociologists are particularly well equipped to interrogate another, perhaps less tangible dimension of central banks' approach to the climate crisis. Climate risk construction is embedded not only in the pre-existing calculative infrastructure of technoscientific capitalism but also in distinct capitalist temporalities. The growing attention in economic sociology to the temporal conditions of economic activity and capitalist reproduction (see e.g., Adkins, Bryant, and Konings

2023; Beckert 2016; Suckert 2022; Tellmann 2020), if guided to the research object of climate risk construction, can further advance our understanding of its pathologies and potentials.

For instance, the fast-paced and fluid temporalities of finance escape the temporally coarse, long-term representations of climatic change that climate sciences provide us with and that often form the basis for climate-related concerns in politics and civil society. Hence, central banks are starting to shift their attention from the long to the short term, best illustrated by their work on scenario analysis. The NGFS has ceased to develop new long-term scenarios (with time horizons until the end of the century) and will only update existing ones every other year while developing a new suite of short-term scenarios (with time horizons of just a few years better matching the concept of the "business cycle") to be released later this year. In other words, central bankers' calculative devices might start to reproduce rather than challenge the short-termism that Bear (2016) identifies as a key characteristic of capitalist techniques of time and that leaves many earth system dynamics out of sight. In the context of central banks' (dis-)entanglements with the planet's climate, focusing on the financial temporalities of climate as produced with devices is thus a fruitful entry point for an ecologized approach to temporalities in economic sociology, as Ute Tellmann developed in the previous issue.

Bringing further work by Bear (2020) into conversation with the concept of fictional expectations developed by Beckert (2016) points to another line of inquiry: The speculative nature of capitalism and the resulting need for an open future, or a multiplicity of futures, might be at odds with the need to narrow visions of the future in order to effectively coordinate expectations and behavior in markets towards a defined outcome. In the context of climate risk, the initial narrative that prompted the involvement of central bankers in the first place relied on the depiction of a singular future – a sudden devaluation of fossil fuel companies or the bursting of a so-called carbon bubble once policies to strictly limit carbon emissions were implemented (Carbon Tracker Initiative 2011). By now, this singular future of climate risk, which primarily left fossil fuel companies at risk, has been multiplied into a wide spectrum of possible futures both with and without effective climate change mitigation (e.g., through the NGFS scenarios), hence giving rise to very different risk class configurations, such as putting the global majority world rather than fossil majors at risk (see Beck 2016), as hinted at above. Beyond distributional implications, effects of this multiplication of climate futures on agency – for example, the ability to justify or the creation of fictional expecta-

tions regarding effective climate change mitigation efforts – constitute another crucial analytical dimension that must be illuminated in order to fully understand the pathologies and potentials of central banks' approach to the climate crisis. It seems plausible to assume, however, that the opening up of financial climate futures to scenarios beyond effective climate change mitigation pathways creates, at the very least, uncertainties within finance that could hamper collective behavior in anticipation of the rapid phasing-out of carbon-intensive economic activity.

## Transformative potentials of climate risk

However, the dynamics set in motion by the (dis-)entanglements and the fitting to existing calculative infrastructures described above are not captured fully by this interpretation of a reproduction of financial capitalism and its hierarchies. In fact, there are signs of transformative or at least reformatory potential on three levels of the unfolding climate risk construction process.

First, the actual content of what climate risk is, the boundaries of its frame, are still contested and – in some instances – moving to become more inclusive of less financialized modes of valuation. For instance, the EU's disclosure regulation prominently went beyond the single materiality framing proposed by the TCFD but instead included risks posed by corporate activity to the planet's climate. Similarly, continuous critique of the NGFS scenarios' representation of physical risks (e.g., regarding their neglect of earth system tipping points) has guided central bankers' attention (Trust et al. 2023). The change in physical risk calculation during the last update of the scenarios as mentioned above suggests that significant changes to the calculative representation of climatic dynamics are not an impossibility.

Second, the actors involved in the construction of climate risk are not those that have been dominating financial market governance over the past decades. Not only have central banks created a new entity – the NGFS – but they set it up to compete with the existing regime of G20 forums, the BCBS, the FSB, etc., as an act of circumventing the hegemony of the United States and its opposition to any form of climate-related action (Helleiner, DiLeo, and van 't Klooster 2024). The broad membership of the NGFS and the opportunity for central banks from the majority world, such as Mexico or Chile, to actively shape the collective effort of developing an approach to the escalating climate and ecological crisis poses the question of whether dif-

ferent actor constellations might not, over time, lead to different outcomes, i.e., different (dis-)entanglements of central banks with the planet's climate. After all, as Hébert (2016) has shown in the context of environmental risk assessments of mining projects in Canada, even where technoscientific hegemony prevails, opening up the process of risk construction to a wider set of actors can allow different politics to emerge. Central banks outside the Global North have for decades pursued a far more interventionist and directive approach to financial markets, such as actively pursuing industrial policy, thus continuing what used to be the norm in continental Europe, for example, until the middle of the 20th century (see e.g., Epstein 2013). Equally, the exposure of their jurisdictions to extreme weather events as well as to the effects of chronic climate-related stress creates very different conditions for the (dis-)entanglement of central bankers and the planet's climate. In other words, the heterogeneity of central banks and their embeddedness should not be underestimated as a source of contention with regards to climate risk.

Last, the epistemic foundations of central banks' technoscientific capitalist *modus operandi* are changing in the context of climate risk. The ECB's climate change center created in 2021 has been hiring engineers, not only economists, and the NGFS long-term scenarios have been developed by a research consortium including hydrologists, energy system modelers, catastrophe modelers, and climate scientists. As outlined above, these new bodies of knowledge can come with their own problematic disentanglements and inscribed inequalities. However, they also have the potential to transform the sensemaking of central bankers and the salience they ascribe to climate mitigation efforts, for example. Both Deyris (2023, 723) and Helleiner, DiLeo, and van 't Klooster (2024, 13), for instance, observe that central bankers become "converted" in their attitude towards the planet's climate once they engage with the primary forum in which this new epistemic foundation is being forged – the NGFS. Some central bankers now consider financial and climate stability as "interdependent public goods" (Bolton et al. 2020, 66), for instance. Stretching central bankers' time horizon through the NGFS long-term scenarios – even if this achievement is currently being challenged as mentioned above – is another indication of the potential of these new bodies of knowledge to transform not only attitudes but also the calculative devices pivotal to how central banks exert their power.

Taken together, these dynamics point to the possibility of a meaningful diversification of voices and values shaping central banks' risk-based approach to the climate crisis. Thus, economic sociology needs to shed further light on these processes, perhaps with



particular attention to the “periphery” of global finance where novel perspectives and dissenting voices could be found. This can include academics on the fringes of central banks theorizing finance-climate relations differently; central banks in the global majority world, for example, emancipating themselves from the singular European focus on climate and carbon and exploring finance-nature relations more broadly; or actors at Europe’s own periphery, such as the Hungarian central bank, which – in contrast to its government – has implemented a plethora of under-researched “green” central banking policies, ranging from preferential haircuts in its collateral framework to “greening” its capital requirements and a Green Home Programme to incentivize the purchase of energy-efficient homes.

## “Green” central banking as unsettled and unsettling

These observations, I argue, leave us with an ambiguous assessment of the role of central banks in the climate crisis as both unsettled and unsettling. Large parts of what constitutes climate-related or “green” central banking is still emergent and contested, actor configurations are shifting, and the introduction of climate-related knowledge into central banker circles has developed a dynamic of its own. It has led, for instance, to spillovers that transcend the initial risk-based approach, as initiatives to green monetary policy or to support the EU’s climate transition policies in the context of the ECB’s secondary mandate show (Deyris 2023). This unsettled state of green central

banking currently resembles a technoscientific rather than a market-based capitalist approach to framing and valuing the planet’s climate. The heightened relevance of epistemic authority and inequalities that this implies for shaping what green central banking is also constitutes an opportunity for economic sociology. Not only are economic sociologists conceptually and methodologically well equipped to trace in vivo the socio-material relations spanning science, bureaucracy, and markets that produce climate risk; they can also take advantage of this unsettled state of epistemic orthodoxy in central banking and join ecological economists and environmental scientists, for example, in challenging and shaping the knowledge politics underpinning green central banking.

Still, the risk-based approach to the climate crisis pursued by central banks remains unsettling from the perspective of an ecologized economic sociology, as it suggests some degree of fitness of existing organizational structures and mandates, established calculative frameworks and devices, and dominant epistemic frames for the context of the climate and ecological emergency. Assuming such a fitness of the status quo – of what is – in part threatens to consequently (re-)produce inequalities and (dis-)entanglements such as rendering the majority world as being at heightened risk. Furthermore, such normalization of engagement with the climate crisis within the narrow realm of the current modus operandi might render alternative approaches less legitimate, relevant, or needed. In other words, the *what is* might eclipse the *what if* as it postures as equipped to contain the climate crisis as climate risk – just one risk among many that central banks have supposedly learned to manage.

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# Beyond de-risking

## Industrial orders and political revolutions in Mexico's power sector

Jose Maria Valenzuela and Nacxitl Calva

### Introduction

The revolution of deregulation that swept national markets with particular force in the Americas was followed by the rise of complex and diverse regulatory institutions. Mexico was the poster child of governance by regulators as, in the 2000s and 2010s, its governing being used, in the energy sector the true innovation of liberal elites was the repurposing of state-owned companies to maintain economic order and de-risk private investments – a role which was meant to be transitory. The political revolution that started with the presidential victory of Andrés Manuel López Obrador reached a peak in 2025 with legislation to reform the power sector. The proposed new order turns on its head the purpose of the markets, stabilizing the role of state-owned enterprises, dispensing with autonomous regulators (but not regulation), and proposing a new hierarchy of governance where public planning occupies an equivalent position to regulation as a form of organizing private investment.

The two large electoral swings in 2012 and 2018, with two highly contrasting political programs on energy governance, allow scholars to consider Mexico as a window into the malleability of modern capitalist

orders. Two models – one when state ownership of key business operations is subsidiary to private capital, the other when state ownership dominates over private capital. In both, private capital enjoys the benefits of short-term risk mitigation, but they differ on the promise of long-term order – one based on markets and regulation, the other based on markets and planning. The case, therefore, offers scholars an opportunity to consider post-regulatory market orders where planning takes precedence as a tool for stabilizing market institutions. The subject is particularly relevant given the rise of climate scenarios in the financial industry and central banking, and the larger trend of relying on decarbonization pathways to orient economic policy and corporate strategy.

To discuss the case, this brief article sequentially explains the nature of de-risking in electricity in liberal electricity markets, describes the scope of planning within liberal models of governance in the sector, and presents the key concepts and expectations from the new power sector governance model.

### Eroding the liberal creed one long-term contract at a time

In 2012, the return of the Partido Revolucionario Institucional (PRI), which had lost presidential power for 12 years, after more than 70 years of continuous government was politically marked by one large economic governance commitment: A major energy reform to liberalize the sector that was a remnant of the previous developmental state model. This commitment was meant to accelerate growth by attracting private investment in infrastructure and increasing economic productivity, as reproduced by public and private international institutions.

The reformers' main objective was, therefore, to provide as many benefits to investors as needed. In the oil sector, as Juan Carlos Boue (2025) has claimed, the contractual regime for oil exploitation resulted in a number of inefficient and unnecessary concessions. In the power sector, as the following paragraphs describe, the state creatively developed new methods of de-risking private investment, even at the cost of the purity of market liberalization models. In previous work, Valenzuela (2023) has discussed how the 2013–2014 reforms under the PRI utilized the structure of state-owned companies to reduce market, political, and regulatory risks in the industry, in what amounts to a very efficient model under the premises of what Daniela Gabor (2021) calls the Wall Street Consensus.

A few years later, two flagship achievements were used to demonstrate the success of the reforms: The ex-

pansion of the gas pipeline system and the rapid growth of solar and wind energy capacity. These instances were canaries in the mine of the transition from the Washington to the Wall Street models. In the midst of the most ambitious reforms to liberalize the energy sector, the government decided to rely on the state-owned enterprise (SOE), the electricity utility Comisión Federal de Electricidad (CFE), to serve as the offtaker of both gas transport capacity contracts and long-term renewable energy supply contracts. To understand the size of these operations, CFE became, in just a few years, one of the top ten gas traders in North America – the largest natural gas market globally.

In 2025, given Donald Trump's political stance, the question of gas dependence on the US resolved a long-standing puzzle about energy security in Mexico. The liberal government claimed that Mexico's energy reliability would benefit from integrating with the US. The relevant, even if remote, chance that US policy would increase the price of gas through a border tax or regulated limits to supply proved the point made by left-wing coalitions that energy dependence could be detrimental to the country's long-term interest. The question of long-term renewable energy auctions has not yet been resolved. As described below, the new government has made a proposition regarding long-term contracts, but the international regulatory and policy literature on the subject has been slow to recognize auctions as forms of state intervention that work best when the state expands rather than encroaches (Mathieu and Valenzuela 2024).

What we do know is that, as an OIES expert has claimed, auctions are market-like, but they are not markets, and the more a country commits to using auctions, the more the electricity systems turn into a managed complex of overlapping contractual systems, some of which are private, more, increasingly, public.

But investors and asset managers have proactively shown commitment to this form of business model, where the state can take an active role in managing market and physical risks through the use of state-owned enterprises. The work on de-risking and the framing of the Wall Street Consensus by Daniel Gabor has exactly the right take on this phenomenon, but the framing has not been adopted in the sectoral policy literature nor are there sufficient case studies to make these mechanisms visible as a form of capital organization.

## If you are not doing the planning, you are being planned

One of the most invisible aspects of capital organization under the de-risking framework is planning, which is indispensable for managing risks. Public-private partnerships in the form of concessions left risk invisible. In the 1990s, Mexico saw a series of public bailouts of private endeavors in the areas of construction and highways due to what could be called myopic, clumsy, or simply lazy de-risking.

Planning is a practice to assess, identify, and manage risk. As Beckert (2016) argues, anticipatory practices serve to make uncertainty about the future

**Jose Maria Valenzuela** has a doctorate in public policy. He is an academic in the field of international and comparative political economy. Since November 2024 he has served as Director General for Research at Mexico's Department of Energy. He is research affiliate to the Institute for Science, Innovation and Society, University of Oxford. [jvalenzuela@energia.gob.mx](mailto:jvalenzuela@energia.gob.mx)

**Nacxitl Calva** is Director of Strategic Projects for the Electricity Sector in the Legal Affairs Unit of Mexico's Department of Energy. His work bridges regulatory development with prior experience in market operations, energy tech, and asset strategy. He previously led commercial operations at a wholesale supplier and co-founded a data-focused energy firm.

communicable and manageable within existing institutional frameworks. Innovations in planning are particularly relevant as they represent capitalist and state forms of making sense of the future and organizing today's commitments for tomorrow. Thus, the question is not whether planning is happening but who is doing the planning.

We can rely on Busemeyer and Thelen's (2020) description of institutional business power as resulting from the delegation of power through deregulation or accretion; and as they argue: "once public responsibilities have been ceded to business actors, who then become integral parts of the governance and delivery structures of key collective goods and services, the government becomes de facto dependent on the business actors' continued commitment to providing those services" (456). Planning, when not done by government, is still done by the actors controlling either the existing system or dominating system expansion. Under the regulatory state, where privatization occurred swiftly and the government dismantled the ministries dedicated to conducting energy policy (like the UK or Chile), system planning did not stop, it was just done somewhere else. And this form of power has proven to be effective in the electricity sector (Fink et al. 2024).

Given the presence of a strong SOE in Mexico, it was not until the reforms of 2013-14 that the government attempted to transform how planning was made; in particular, it shifted the responsibility from the SOE to the political office, the Department of Energy (SENER), and in doing so also transformed the planning practices, displacing not only the SOE but also local research institutions and planning tools (which had their origin in tools first developed by the once venerable Tennessee Valley Authority and shared through the International Atomic Energy Agency). Liberal reformers preferred to use commercially available software and to hire international consultants to run the back office for this work.

The 2025 reforms made the role of political authorities explicit and diminished the autonomy of regulators but also increased the significance of planning in regulation. This pairing, between regulation and planning, is where economic governance has become more innovative across countries. The UK and the US, for instance, are only now experimenting with ways in which state planning can structure investment without renouncing the primacy of private investors in their open markets (Bolton 2023).

## Governance beyond de-risking

Having put forward our understanding of the previous state of affairs in Mexico, in light of current developments globally we turn to discussing the most recent blueprint for governance experimentation. The legislation published into law on March 18, 2025, introduces three cornerstones of state dominance as a form of de-risking: The existence of binding planning, the prevalence of state-owned assets, and the preference of public-private joint holding over other forms of public-private investments.

We compare these three instruments with the two cornerstones of de-risking under the Mexican regulatory state – the existence of state long-term contracts and the use of asymmetric regulation to ensure a passive role of SOEs. Table 1 presents a summary of the comparison and the expected consequences of the use of the new governance principles:

### Binding planning

The shift toward binding planning represents a major departure from Mexico's indicative planning model. Previously, power system development was primarily market-driven, characterized by government intervention in favor of private interests and the SOE facilitating the transition of assets from the public to the private sectors.

The absence of a coordinated strategic framework resulted in inefficiencies for the system. Regulatory fragmentation allowed for the approval of generation permits through a process that operated independently of grid and system operators. These permits were issued without systematically considering infrastructure availability and development timelines. The transmission SOE was legally mandated to provide open access and the policy mandate for the system operator was to approve projects swiftly, with the expectation that tariffs would pay for future investment. In practice, generation interconnection and grid expansion planning were largely disconnected. In other jurisdictions, a policy known as “connect and manage” would give grid operators the obligation to approve interconnections swiftly but also the right to impose constraints on the operation of generators.<sup>1</sup> The second part of the formula did not occur in Mexico.

This dynamic led to a reactive rather than proactive approach to grid expansion. The increasing interconnection demands from privately approved generation projects placed continuous pressure on transmission and distribution infrastructure, which resulted in a decrease in the reliability of the power system and an increase in technical, political, and economic risk. This, in turn, constrained the allocation of public resources and limited the SOE's ability to distinguish between funding for operational maintenance and new infrastructure development. Consequently, the SOE faced structural challenges in managing interconnection requests while maintaining system reliability.

The binding planning model introduces a coordinated approach across the energy sector. Under the new bind-

Table 1. Comparison of governance cornerstones

De-risking with SOEs as subsidiaries	De-risking with SOEs as dominant	Main objective
Asymmetric regulation	Binding planning	Reduce regulatory risk
		Reduce physical risk
State long-term contracts	SOE prevalence	Reduce market cannibalization
		Reduce physical risk
	Public-private holding	Clear market segmentation
		SOE reinvestment in physical resilience
		Reduce political risk
		Reduce financial risk
		State control of assets

ing planning framework, the Ministry of Energy oversees system development, directs SOE activities, and establishes mechanisms for allocating public resources to strategic infrastructure projects, grid expansion, and project monitoring. The process will be managed through a new Energy Planning Council under the new Planning and Energy Transition Law.

A second key innovation is that new regulatory measures require granting of generation permits to align with binding planning criteria, ensuring synchronization between infrastructure availability and project timelines. While this seems minor, it is the cornerstone of success or failure of the reforms, as sectoral analysts have described (Goldwin, Hernández, and César 2025). But these criteria establish the conditions necessary to maintain sufficient transmission capacity and provide more accurate cost estimates and commercial operation schedules. This planning model is straightforward about the fact that the ultimate responsibility for system reliability lies with the state and that the state has the capability to coordinate investment scheduling in the electricity sector without slowing down the economic growth rate, something other governments are also trying to figure out.

### Guaranteeing a reliable power system through SOE prevalence

The October 2024 constitutional reforms mandated that the private sector cannot have prevalence over the state in electricity generation and commercialization. Article 27 (Estados Unidos Mexicanos 2025a) states:

The planning and control of the national electricity system are the exclusive responsibility of the Nation, in accordance with Article 28 of this Constitution, as well as the public service of electricity transmission and distribution; no concessions shall be granted for these activities. Laws shall determine the manner in which private entities may participate in other activities within the electricity industry, which shall never take prevalence over the State-owned enterprise, whose fundamental role is to fulfill its social responsibility and ensure the continuity and accessibility of the public electricity service. (35) [Author's translation]

In this context, prevalence is integrated into decision-making as the guarantee to maintain a reliable energy system. The legal framework defines the scope of action required to allocate resources and develop new projects, assigning the SOE as the operational entity responsible for maintaining the reliability of the system as well as cost control and executing strategic infrastructure projects.

Prevalence is defined in Article 3 of the Electricity Sector Law (Ley del Sector Eléctrico) (Estados Uni-

dos Mexicanos 2025b), which is the legal instrument derived from the abovementioned constitutional reform, in Section XXXVII as:

The preference of the state over private entities in generation and commercialization activities, as it is responsible for ensuring the reliability, security, continuity, and accessibility of the public electricity service. Binding planning must guarantee the State's preference in these activities to provide electricity at the lowest possible cost. (5) [Author's translation]

The law now delineates the boundaries between prevalence as a planning tool and market operation principles. Article 12 specifies that while planning must adhere to state preference objectives, economic efficiency remains the basis for unit allocation in power dispatch (Estados Unidos Mexicanos 2025b). The law states:

VI. Ensure that private entities do not prevail over the State, in accordance with Article 27 of the Political Constitution of the United Mexican States. The State must maintain at least 54% of the average annual energy injected into the grid, as specified in the regulations and other applicable provisions. Prevalence must be implemented within the Wholesale Electricity Market framework, following Economic Load Dispatch principles, subject to reliability and security constraints. (15) [Author's translation]

The prevalence metric is broadly defined as a minimum threshold of 54% state-related electricity generation measured annually. The legal framework does not impose a fixed state-directed generation target in proportion to demand growth, maintaining flexibility in planning.

The reform also mandates that the SOE operates without profit, limiting its ability to exercise market power for rent-seeking purposes. Profit is defined in Article 3, section XXIX as "the economic surplus after covering operating costs and ensuring resources for investment, modernization, expansion, and Energy Justice" (Estados Unidos Mexicanos 2025b, 5)

This regulatory structure reduces political risk and reinforces reliability as the core justification for state prevalence. Greater certainty and transparency in power system development enhance the alignment of productive investments with national planning objectives.

### Generation expansion certainty through public-private holding

The new legal framework establishes planning objectives and mechanisms for power generation expansion while defining guidelines for private investment participation in generation assets. This framework seeks to



balance access to private capital with public oversight through the regulation of the types of investment.

A distinction is made between generation assets for self-supply and those intended to meet national demand growth. Self-supply projects fall outside the scope of public service interest, with associated risks borne entirely by developers and consumers. As energy from these projects is (mostly) not injected into the grid, it remains outside the state's prevalence assessment. However, regulatory measures are in place to prevent monopolistic practices that could affect off-grid consumers.

For projects contributing to national demand growth, the framework introduces strategic public-private holding and contracting models, referred to as mixed development schemes, including long-term energy producer and mixed investment arrangements. These models enable collaboration between the SOE and private entities for the development and operation of generation assets. The legal framework grants the SOE priority in purchasing electricity from these assets, while also mandating compliance with contractual obligations to ensure project continuity.

This policy evolution is, again, a more straightforward proposition to make use of experiences with the independent power producer model and other long-term contracts schemes that enhance investment certainty. The state's goal is to explicitly align public interest with investment efficiency; the challenge is to maintain competitive procurement processes and transparency.

The approach represents a bet on state capacity but also a recognition of the limited financial space that states occupy. This alignment of public and private interests is intended to decrease systemic risks and to project specific risks.

## Conclusion

While demand in most European electricity markets is declining, Mexico's electricity sector is expected to triple in size in the next twenty-five years, to reach 1,000 TWh, which is close to twice the size of the current German electricity market. This situation is an opportunity for the Mexican state to transform the rules of the game, in ways that enable the government to tightly control the development of the sector to achieve two simultaneous goals: Offering favorable conditions for private investment, without putting too much of the state balance sheet on the table to de-risk private investment.

This paper provided both a theoretical framework to understand and debate the changing governance of electricity industries. It uses the Mexican case as an interesting instance of explicit political debates over the

state's role in the electricity industry and the making and re-making of tools to establish the conditions for private investment. The case is particularly interesting because of the legal innovation, both in 2013-2014 and 2024-25. In the 2023 paper, Valenzuela described the 2013-14 governance model as fitting Daniela Gabor's Wall Street Consensus based on the use of SOEs to de-risk investment. The political dominance of the left-wing party Morena and the victory of Claudia Sheinbaum allowed for a new wave of economic governance innovations.

The new governance framework emphasizes two key aspects in the de-risking agenda: Mitigating investment risk for private entities and ensuring long-term power supply security and reliability through state participation. Risk reduction aligns with the broader objective of minimizing systemic exposure to disruptions that could affect economic stability. Strategic public-private partnerships facilitate power supply continuity while distributing financial risks with the objective of maintaining a globally competitive risk profile. The broader objectives of state prevalence and non-profit orientation establish a framework that guides the actions of the SOE Comisión Federal de Electricidad and private generators, ensuring alignment with national energy policy and long-term system stability. Binding planning further enhances investment predictability by synchronizing transmission, generation, and demand timelines. Coordinated regulatory mechanisms and integrated data flows provide certainty that infrastructure will be operationally prepared to support new projects.

The use of new legal concepts like *binding planning*, *prevalence*, and *profit* should be followed by political economy scholars as they are deployed in the policy space and litigated through the courts. In fact, it might be in courts that evidence of the opinion of businesses will be most evident, if they find the new system arising from these conceptual innovations has an impact on their business operations. The making of a global pool of experiences on economic governance will already expand with the Mexican example, but its potential international impacts beyond the Mexican market will depend on scholarly treatment of this and other cases where legal economic innovations are happening beyond Europe and the US.

## Endnotes

The article reflects the authors' personal view and does not represent a government position.

- 1 See examples from the UK and the US: <https://www.neso.energy/document/85911/download> & <https://www.utilitydive.com/news/connect-and-manage-grid-interconnection-ferc-ercot-transmission-planning/698949/>.



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# Writing a book on communism in the 21st century

Kohei Saito

Today, rising economic inequality, ecological degradation, and the erosion of democracy have plunged Western values into a deep crisis. The normative force of modern ideals – universal human rights, progress, justice – proves ineffective against xenophobia, genocide, and the climate crisis. The Global South's critique of these ideals as hypocritical and double-standard seems entirely justified. In fact, Western elites passionately defend these “universal” values against Russia, China, and Hamas, while they remain indifferent to the suffering and death in the Global South. This hypocrisy undermines their credibility, exposing the modern concepts of progress, emancipation, and autonomy as tools for masking ongoing colonial violence, environmental destruction, and unequal exchange. We may well be witnessing the new era of the “end of progress.”

This situation has serious consequences for both proponents of capitalism and progressives alike. The emancipatory power of critical theory appears exhausted. Despite the deepening polycrisis (Albert 2024), critical theory is not able to engage effectively with the brutal reality. This reflects a deeper crisis within *normative* critical theory itself, namely, its normative critique of capitalism as such. Abstract meta-critique of capitalism has little relevance to those who suffer exploitation and oppression in their everyday life. Critical theory especially after Jürgen Habermas avoids direct political engagement in the face of concrete issues by devoting their theoretical investigation to

*meta-critique* by asking what are general conditions and criteria under which capitalism can be adequately called wrong or bad rather than directly addressing its flaws and proposing solutions (e.g., Jaggie 2013).

The retreat to the meta question already began with the first generation of the Frankfurt School, who witnessed the waning revolutionary power of the working class in post-WWII Western societies. The welfare state's redistributive policies and rising wages obscured capitalism's inherent flaws, necessitating a deeper investigation into the post-war regime of stable capital accumulation. As the law of immiseration appeared less relevant due to improved material conditions for the working class, the Frankfurt School increasingly focused on cultural and psychological issues like alienation, atomization, and conformity under late capitalism, rather than on exploitation, immiseration, and economic crisis (Benanav and Clegg 2018).

To justify the importance of critical theory in the face of capitalism's apparent success in delivering prosperity and affluence to many, Adorno and Horkheimer felt compelled to establish normative criteria for critiquing capitalism. This was crucial after the working class retreat from revolutionary struggle. This necessity, however, contributed to the shift in

**Kohei Saito** is Associate Professor of Philosophy at the University of Tokyo. He received his PhD from Humboldt University in Berlin. In 2024/25 Saito is fellow at The New Institute in Hamburg as chair of the program “Beyond Capitalism: War Economy and Democratic Planning.” He works on ecology and political economy from a Marxist perspective. His book *Slow Down. How Degrowth Communism Can Save The Earth* (Astra House Publication, 2020) sold more than half a million copies in Japan and has been credited for inspiring a resurgence of interest in Marxist thought in Japan as well as in the USA and Europe. [koheisaito@gmail.com](mailto:koheisaito@gmail.com)

Western Marxism from political economy to philosophy (Anderson 1976).

This attitude of Western Marxism is no longer valid today. The devastating power of capitalism is coming back, together with the law of immiseration as well as planetary environmental destruction. In this situation, it hardly makes sense to keep asking what is wrong about capitalism and to attempt to establish some normative criteria to criticize it. That capitalism is bad (especially for the environment) is almost a commonplace. What is at stake today is whether critical theory turns into something “positive” – in contrast to its fetish for “negativity” – offering a concrete vision of the future.

Of course, the absence of a positive vision of the future is not simply a problem of critical theory. The whole tradition of Marxism has been characterized by the so-called *Bilderverbot*, which recommends not to

provide a blueprint of future society. This originates from Marx himself. Famously, he wrote that he “confin[e]d himself to the mere critical analysis of actual facts, instead of writing recipes ... for the cook-shops of the future” (Marx 1976, 99).

This attitude is no longer justified today, when people are looking for an alternative vision of the future due to their daily sufferings and hardships. The collapse of “actually existing socialism” made Marxism and socialism obsolete in the 1990s even for the left, but precarious jobs, stagnating wages, and rising economic inequality as well as planetary ecological crisis have generated renewed interest in his critique of capitalism in the last two decades, especially among younger generations (Milburn 2019). In the absence of a left-wing alternative, right-wing populism profits from the situation, mobilizing discontent among the masses much more effectively.

Certainly, the new emancipatory project is not mere nostalgia for an old critique of capitalism. Today’s critical conjuncture inevitably demands a radical reconceptualization of the modern idea of freedom and emancipation. What is at stake is whether a self-critical reexamination of the Western intellectual tradition can offer an alternative vision to neoliberal capitalism that is able to regenerate the critical power of reason. For this theoretical endeavor, I believe that Karl Marx remains an essential reference point. Clearly, it is pointless to repeat the old socialist dogmas, which not only failed in the USSR but were also criticized by various progressive movements. The new vision of the future must be radically different from the old ones.

This is how I started my project for *Slow Down* (Saito 2024). I also belong to this post-Soviet generation, and I started my activism for rebuilding anti-capitalist, anti-imperialist, and ecological movements in Japan in the aftermath of the Iraq War, the economic crisis of 2008, and the nuclear disaster in Fukushima in 2011. In order to reformulate a Marxian critique of capitalism in the 21st century, it was essential to respond to various criticisms from environmental, feminist, and post-colonial movements. In attempting to provide an alternative vision to mainstream ideas of green growth, sustainable development goals (SDGs), and environmental, social and governance (ESG), *Slow Down* largely drew upon Marx’s critique of capitalism. This is because recent publication of new materials in the *Marx-Engels-Gesamtausgabe* (MEGA) provides a foundation for a radically different interpretation of Marx’s communism (Saito 2017). The MEGA turns out to be especially useful for revealing unknown aspects of his intellectual development during the last 15 years of his life. Interestingly, the late Marx confronted a series of problems like productivism, Euro-

centrism, and anthropocentrism, as we still do today. This is why his last vision of post-capitalism, which should be characterized as “degrowth communism,” matters more than ever in the Anthropocene.

Surprisingly, the idea of degrowth communism has resonated strongly in Japan, and *Slow Down* sold more than half a million copies despite its radical proposals. The key background is that the Japanese economy has stagnated for over three decades. Attempts to revive it through structural reforms and quantitative easing have failed. With a rapidly aging population and a reluctance among the homogenous society to accept immigrants, sustained economic growth seems increasingly unlikely. Consequently, calls for degrowth have gained traction. However, this has often created intergenerational tension, as degrowth advocates – frequently retired professors who benefited from Japan’s economic golden age, such as Chizuko Ueno, Kazuo Mizuno, and Tatsuru Uchida – are perceived by those who entered the workforce after the 1991 economic bubble (the generation of “the Unemployment Ice Age”) as advocating for degrowth at the expense of a generation facing precarious employment and low wages. These younger individuals feel that the older generation, having enjoyed economic prosperity in their youth and now receiving substantial pensions, is advocating for degrowth policies that unfairly burden those who have faced hardship.

In this context, *Slow Down* offered a different perspective, which contributed to the popularity of its argument. As a millennial who came of age after Japan’s economic bubble and during a period of prolonged stagnation, I experienced the 2008 financial crisis firsthand during my senior year of college. My generation harbors no illusions about perpetual growth or economic recovery in Japan; instead, stagnant wages, precarious employment, and widening economic inequality are perceived as the realities of capitalism. Furthermore, the impetus for degrowth stems not merely from an aging population but also from the climate crisis, a concern largely neglected by previous generations. *Slow Down*’s advocacy for degrowth communism resonated powerfully with those seeking alternatives to neoliberal policies.

This does not deny the popularity of the book among older generations. Here communism played an important role. Japan is a unique capitalist country, where Marxism became the strongest intellectual trend after WWII. Unlike my generation, older generations were thus more exposed to Marxist ideas when they studied at university in the 70s and 80s. This tradition declined quite rapidly after 1991, for obvious reasons. Today, Marxian economics is almost completely eradicated from the curriculum of the department of economics, and I am now the only professor

of Marxism at the University of Tokyo. In this situation, it is very rare to see open criticism of capitalism. The paradoxical situation is that due to the weakening of the left, the contradictions of capitalism become more obvious, but the very weakness of the left and the conservative character of Japanese society make it hard to advocate radical left-wing ideas. It was in the middle of this intellectual desert that my book, which combines the rich tradition of Japanese Marxism and the new findings of the *Marx-Engels-Gesamtausgabe* from German, created a revival of Marxism.

Of course, a single book does not radically transform the conservative character of Japanese society and the weakness of today's progressive movements. Climate justice movements are much smaller in Japan compared to, say, in Germany. Nevertheless, the influence of the unexpected success was discernible in 2021 when the prime minister, Fumio Kishida, started to criticize his own party's neoliberal policies in the last 20 years during his first speech in parliament and put forward "New Capitalism" as his main policy to fight social problems that became apparent during the Covid-19 pandemic.

Kishida's attempt to reform neoliberal capitalism ultimately proved insufficient, leading to his resignation in September 2024. Meaningful reforms to the financial markets, tax system, and energy sector were impossible without the strong pressure of social movements. However, *Slow Down* suggests that transformative ideas can still shift the political discourse, even within a conservative society like Japan.

The significance of degrowth extends beyond Japan, as evidenced by *Slow Down*'s translation into eighteen languages. Germany, another aging nation, is entering a period of non-economic growth, a challenging time exacerbated by inflation, the war in Ukraine, and the rise of right-wing populism. The experiences of Japan and Germany – both post-WWII economic powerhouses – demonstrate that sustained growth is not always attainable. However, acknowledging the planet's finite resources reveals that perpetual growth is neither necessary nor desirable. It is time to critically assess the true costs of a growth-oriented society and explore radical alternatives to capitalism by engaging with the ideas of Karl Marx rather than dismissing him outright.

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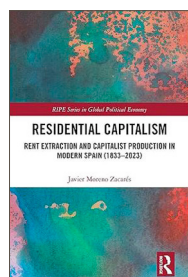
# Book reviews

Javier Moreno  
Zacarés · 2024

## Residential Capitalism: Rent Extraction and Capitalist Production in Modern Spain (1833–2023)

New York, NY: Routledge

**Reviewer Alejandro Fernández Pérez**  
Management in the Built Environment,  
TU Delft  
a.fernandezperez@tudelft.nl



The relationship between new development and property prices has long been a central topic in urban economics and real estate research. Scholars

have extensively studied the capacity of new developments to dampen house prices. Foundational works, such as Dipasquale and Wheaton's (1992) four quadrant model linking assets and space markets, has become a staple of

most real estate courses. Recent advances in the field include empirical analyses leveraging large datasets to assess the impact of new developments on local house prices (Mast 2023; Bratu, Harjunen, and Saarimaa 2023). Simultaneously, new theoretical models have also been formulated to explicitly incorporate the impact of land and building technology on house prices (Grossmann, Larin, and Steger 2024).

Moreno's *Residential Capitalism: Rent Extraction and Capitalist Production* explores this same relationship between new development and house appreciation from a Marxist perspective. His central thesis is that "rent extraction and capitalist production are locked in a perpetual tension that cannot be resolved under capitalism, only managed" (p. 19). Moreno posits that capitalist production, which is oriented toward value creation, has an inherently deflationary tendency, while rent extraction, centered on value capture, is inflationary. This tension, he argues, underpins structural contradictions in capitalist housing markets. To illustrate these dynamics, Moreno examines Spain's contemporary history (1833–2023), focusing on the interplay between housing production, elite power, and public policy. The work is structured in four parts, each composed of two chapters. The first chapter of each part provides an introductory or historical overview, while the second offers a deeper theoretical or analytical exploration of housing provision.

Part one introduces the concept of residential capitalism and establishes the book's theoretical foundation. The first chapter connects historical Marxist critiques of rentierism with contemporary debates on land assets. This chapter provides a sweeping historical overview of housing's role in various Western economies, from an-

tiquity to modernity, illustrating how housing has reflected socioeconomic tensions between rentiers and capitalists. The second chapter advances a theoretical framework centered on the contradictions between rent extraction and housing development, focusing on how house price growth often outpaces productivity gains (p. 35). Furthermore, drawing on the concept of social-property relations, Moreno expands the class analysis of housing beyond capital and labor to include rentierism. The chapter concludes by appending sections on the production, exchange, and financing of housing, finally touching upon its relevance for social reproduction and living standards.

The second part of the book applies this framework to Spain's liberal era (1833–1939). Chapter three provides an extensive description of Spanish political history and the transition to capitalism, drawing mostly from secondary sources. Chapter four explores the codification of private property as a pivotal moment that enabled speculative land and real estate markets. Moreno details how urban expansion projects like the *Ensanches*, driven by liberal elites, prioritized profits over equitable planning. This speculative development resulted in housing deficits and poor living conditions for the urban working class. The chapter also highlights early housing policies, including rent controls and subsidized housing, as responses to mounting unrest among disenfranchised urban dwellers.

Part three examines the Francoist dictatorship (1939–1975). Chapter five outlines the regime's evolution, from fascist autarky to technocratic rule and the opening up to international investment in the 1950s and 1960s, which spurred economic growth. Chapter six examines the institutionalization of homeownership as

a cornerstone of Francoist political strategy. By promoting a property-owning middle class, the regime sought to consolidate social support and mitigate potential unrest. This was achieved through a combination of stringent rent controls, which curtailed the power of landlords, and substantial subsidies for housing construction, which strengthened developers. The rapid urbanization that followed often sacrificed thoughtful planning in favor of expedient, large-scale construction projects. While Moreno acknowledges that the Francoist regime succeeded in fostering widespread homeownership, he critiques the state intervention to guarantee developer profits and resulting low-quality dwellings.

The final part examines Spain's history from the transition to democracy to the present day (1975–2023). Chapter seven explores the decentralization process, the privatization of public enterprises, and the liberalization of credit, all of which positioned real estate as a central driver of economic growth. Chapter eight delves into the liberalization of mortgage markets and the lax macroprudential policies that fueled speculative housing bubbles, culminating in the 2008 financial crisis. In the aftermath of the crash, Moreno highlights the consolidation of rentier capitalism, with global investment funds such as Blackstone appearing in Spain's rental market. In contrast to this trend, he draws attention to the rise of grassroots movements, particularly the Plataforma de Afectados por la Hipoteca (PAH).

In the conclusion, Moreno contends that the inherent contradictions between rent extraction and productive development are foundational to capitalist housing systems. Ultimately, he asserts that speculative logics, reinforced by successive institutional arrangements, perpetuate cycles of crisis

and inequality, consistently prioritizing commodification over equitable housing provision.

While the central argument of *Residential Capitalism* – that rentier interests often conflict with those of developers – may already be commonplace to many, Moreno's work stands out as a timely and valuable contribution to the field. Its emphasis on housing development, a topic that has received relatively limited attention in recent critical literature, adds to its significance. Since many of its theoretical propositions have previously been explored in *Housing, Theory and Society* (Volume 41, Issue 1), the remaining of this review will focus on the empirical application of its framework to the Spanish context.

In chapter two, Moreno identifies the disparity between housing price growth and productivity gains as an indicator of the rentierization of housing markets (p. 35). While this is an empirically testable proposition, it is not fully pursued in the first two empirical sections. Incorporating data on house prices, wage growth, and construction costs could strengthen these chapters by either supporting or challenging the theoretical argument. Notably, recent studies – such as Eichholtz, Korevaar, and Lindenthal (2022) – suggest a different historical perspective, showing that 19th-century house prices did not outpace real wage growth. Similarly, Carmona, Lampe, and Rosés (2014) find that Spanish house prices in the early 20th century showed no steady rise, with prices in 1933 being lower than in 1904. As a result, even while living conditions in 19th-century cities were undeniably poor, the reconstruction of price indexes challenges the assumption that land speculation and landlords' market power were particularly acute during this period.

Moreno's depiction of the capitalist-rentier contradiction as insurmountable is again nuanced by the empirical record presented in part three. As he documents, Francoist policies, including rent controls and building subsidies, were designed to curb rentier power and stimulate housing production. These measures were not unique to Spain but reflected broader European trends that significantly improved housing conditions, aligning with what Eichholtz, Korevaar, and Lindenthal (2022) describe as the "housing affordability revolution." Part four is where Moreno's framework proves most effective in analyzing developments in the housing market, benefitting from a greater incorporation of graphics and empirical references. However, the existence of extensive historical periods during which house prices were aligned with wage and economic growth raises questions about Moreno's assertion of an inherent and irresolvable tension between rentierism and development. This observation suggests that the conflict Moreno describes may not be an immutable feature of capitalist housing markets but rather the result of recent imbalances in the supply-and-demand dynamics motivated by particular planning and fiscal policy choices.

In summary, *Residential Capitalism* makes a valuable theoretical contribution by highlighting the often-overlooked topic of housing development. However, its empirical implementation could benefit from a deeper engagement with primary sources. The incorporation of data on house prices, wages, and productivity would greatly enrich the historical analysis, particularly for the 19th and early 20th centuries. The volume does provide extensive descriptive accounts for each historical period. These explore a wide range of topics – from peripheral national-



ism to social movements – which, while contextually significant, sometimes feel loosely connected to the framework outlined in chapter two. Ultimately, Moreno's work is a significant resource for fostering new discussions in critical housing studies, especially in its efforts to reframe housing development within the dynamics of rentierism and capitalism.

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Agustina Paglayan · 2024

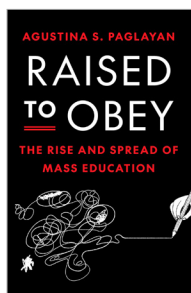
## Raised to Obey: The Rise and Spread of Mass Education

Princeton: Princeton University Press

Reviewer **Martín Cortina Escudero**

LMU Munich

[martin.cortina@lmu.de](mailto:martin.cortina@lmu.de)



*Raised to Obey* provides a refreshing and counter-intuitive account of the history of education. Contrary to common wisdom, Agustina Paglayan argues that governments around the world established primary education not to improve society's well-being but to control how people think and behave. In this new light, she suggests that the current "learning crisis," in which children struggle to acquire basic skills, can be explained by recognizing how "indoctrination" has played a central role in the expansion of mass education.

The central argument of this book is that the origins of mass education can be explained by episodes of mass violence. According to this account, such episodes (e.g., mass protests, food riots, peasant revolts, civil wars, or revolutions) convinced national elites that repression and redistributive concessions were insufficient to ensure the stability of the national order. Consequently, ideas circulating in the 18th and 19th centuries persuaded those elites to invest in mass education as a means to indoctrinate the population and prevent future violent episodes. Contrary to common wisdom, education was not a creation of democracy but rather of authoritar-

ian governments seeking to shape the moral values and political behavior of their citizens.

From this insight, another question arises: Do democracies also use mass education to indoctrinate populations? The book concludes that, although democracies promote critical thinking more than authoritarian regimes do, they still place significant emphasis on shaping the moral behavior of children. As a result, children are less likely to develop basic skills in reading, science, and mathematics, as primary education focuses on shaping morality and behavior. This, in turn, may explain the current "learning crisis" that countries in various regions of the world are experiencing.

The methodological approach of Paglayan's book is mainly qualitative, combining historical case studies with descriptive statistics. The author demonstrates that internal conflict provides a better explanation for the expansion of primary education systems than other possible drivers, such as democratization, industrialization, or military rivalry. To support this argument, she uses descriptive statistics to show that alternative hypotheses are not consistent with the evidence. One particularly curious finding is that in Europe and Latin America, primary education was introduced, on average, 68 years before democratization and 60 years before the Second Industrial Revolution. Furthermore, the author shows with descriptive statistics that the average primary school enrollment rate increased sharply following the onset of civil wars in these regions. After demonstrating that her argument holds for Europe and Latin America, she elucidates the proposed causal mechanism through four case studies: Prussia, France, Chile, and Argentina. Additionally, she examines two deviant cases, England and Mexico, to explore the preconditions required for mass violence



to drive the expansion of mass education. For England, she finds that the diffusion of educational ideas among the elite was a necessary condition for mass violence to trigger the expansion of primary education. For Mexico, she finds that state capacity was essential for mass violence to result in the expansion of primary education

Although the author succeeds in demonstrating that her argument is supported by historical evidence, the book has some limitations. For instance, the main argument claims that national elites united to control the behavior of the masses through primary education. However, the cases of Argentina and Mexico suggest that ruling elites used mass education to gain hegemony over the population and, consequently, weaken opposing elites. In the case of Mexico, the liberal government led by Benito Juárez legislated secular primary education in 1867 to consolidate its military triumph over the conservative elite. In the case of Argentina, the national government led by Julio A. Roca legislated secular primary education in 1884 to consolidate national order after defeating regional elites, including the one based in Buenos Aires. These cases suggest that education was not a tool used by a united elite to control the population, but rather a tool used by the victorious elite to enhance its hegemony over competing elites.

Another limitation of this book is the use of the term “indoctrination” to describe different educational systems. For example, Paglayan convincingly applies the term to describe how authoritarian regimes implement primary education. However, she uses the same term to describe the education systems of some democracies, as certain democratic countries also use primary schools to inculcate liberal values and peaceful behavior in the population. Although the values inculcated by authoritarian

and democratic governments are different in nature, the argument continues, these education systems leave “critical thinking” out of the equation. But is this homogenization of educational approaches under the same label appropriate? I would argue that every government needs to ideologically and morally legitimize its own regime. In this sense, democracies also need to legitimize their own core values, and this may involve denying citizens the opportunity to question fundamental values of a democracy. As Karl Popper (1945) argued in *The Open Society and Its Enemies*, tolerant governments should not tolerate intolerance. Paglayan defines “critical thinking” as “the willingness and ability to entertain the possibility that, under some circumstances, those beliefs could be false” (p. 249). Is tolerating the questioning of fundamental liberal values fruitful for democracies? Or should democracies reserve the right to avoid this type of “critical thinking”? Take the case of Germany, where denialists argue that the current official narrative about Nazism is wrong. No one supporting democratic values would accept that voices so disruptive to democracy could be allowed in the schooling system. In this sense, we can conclude that while authoritarian governments indoctrinate subjects, democratic governments socialize citizens.

Despite these limitations, this book brings important contributions and fresh insights to the field of social policy and educational studies. First, it challenges the common assumption that mass education was established to improve the lives of citizens, instead convincingly showing that mass education was originally imposed by non-democratic governments to control their subjects. Second, the book provides an interesting perspective on the current “learning crisis,” in which children are

not acquiring basic skills in literacy, mathematics, and science despite attending school. Finally, it sheds light on the relationship between social policy and democracy. If public education can be considered a progressive social policy, this book suggests that authoritarian governments can use such policies to legitimize their regimes. Overall, it will be of great interest to scholars in the fields of educational studies, social policy development, and political economy.

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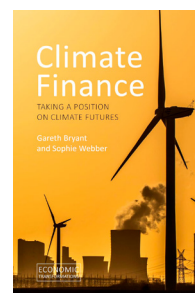
Gareth Bryant and  
Sophie Webber · 2024

## Climate Finance: Taking a Position on Climate Futures

Newcastle upon Tyne: Agenda Publishing

Reviewer **Giorgio Cuconato**

Max Planck Institute for the Study of  
Societies, Cologne  
cuconato@mpifg.de



*Climate Finance* provides an accurate map to detect where the estimated USD 3.5 trillion needed to fight climate change per year will come from. By showing how the financial sector is adapting to climate issues, the book speaks mainly to

unfamiliar readers, including financiers who have never encountered climate issues or climate change experts who have no financial background.

The book opens with the key concept of *gap talk*, defined as the discrepancy between the financing required to transition from a carbon-based economy (USD 3.5 trillion, p. 3). The authors then propose a map of the six most common responses that finance assumes will address the gap. Because of their wider socio-economic implications, these responses are called “positions,” an umbrella term that points to how a given (or created) financial orientation is also a way of directing precise social geography, imagined futures, state function, and policies to address the climate crisis. Ultimately, the authors present a sharp perspective on each climate finance position’s actors, structures, and – above all – their limitations.

The first position is *climate capital*, best understood as green financial capitalism (i). Growth and profit are met through sustainable investments in decarbonization through *green funds* (bonds or ETFs) and *investments in renewable energy* or *physical green assets* such as resilient infrastructure. The second position is *climate risk*, understood as the financial management of climate change risks (ii). Its main tools are data *disclosure*, the *ESG* market, and *fossil fuel divestment campaigns*. The third position is called *precision markets*, a gradual phase-down market for which the cost of climate policy should not exceed the cost of climate change (p. 63) (iii). Accurate computer climate models provide the calculations that enable the main protagonists of this position, namely the *carbon market* and the *catastrophe insurance market*. The former is based on an accurate calculation of the cost of a ton of CO<sub>2</sub> and provides a measure of the

so-called discount rate. Emissions taxes, cap-and-trade markets, and offset mechanisms are introduced according to these statistics. On the other hand, model-based climate predictions shape the returns of catastrophe bonds and index insurance.

The fourth position is called *speculative markets* (iv). This risk-based finance is tied to start-ups or technological innovation. It refers to solutions offered by *green billionaires*, such as electric vehicles (Elon Musk), green hydrogen (Andrew Foggers), or batteries (Zeng Yuqum). But it also refers to *climate engineering*, including carbon storage or removal and solar radiation management. The fifth position is the *big green state* and concerns the financial role of the state in achieving the green transition (v). It focuses first on the *monetary policies* of the world’s major central banks, showing that banks are slowly moving away from grey business, for example, by introducing lower haircuts on collateral loans for green business. Second, it focuses on the variety of possible *fiscal policies* that governments can adopt. These can take the form of a de-risking state, a neo-Keynesian interventionist Green Deal, a capitalist state-owned energy market as in China, or a liberal state that corrects for the failure of a free market by introducing fossil fuel subsidies and carbon taxes to keep the economy competitive. The sixth and final position is *climate justice finance* (vi). It deals with financial instruments embedded in the ethical spirit of transferring public resources from more prosperous to less prosperous countries. It includes political decisions, actions by NGOs, and international organizations’ policies (such as the Green Financial Funds) or debates on debt cancellation, debt swap, and degrowth.

Each of the six positions is ultimately subject to criticism: (i) Green capitalism is subject to high

investment risk, reliance on fossil fuel investments, greenwashing, and inequalities in fund costs (or risks) between the Global North and the Global South. (ii) Although financial companies disclose information about their industry, companies do not disclose the investments or assets they operate with; furthermore, they must deal with the lack of a truly universal certification for green bonds and the emergence of strong anti-ESG financial institutions in the US. (iii) The lack of a global cap market and the weak requirement to define or control offsetting mechanisms reveal the ontological insufficiency of the carbon market. (iv) Index insurance exacerbates further inequalities in rural areas because only richer families can afford it; even catastrophe bonds are inefficient as they refuse to compensate for the huge GDP losses associated with climate change disasters (p. 81). (iv) Together with the many carbon credits sold by green companies to help clean business as usual, the uncertain future of utopian technologies does not contribute to making financial investments more sustainable. (v) Central banks are more interested in targeting inflation than in real mitigation policies. (vi) The international transfer of financial resources threatens to yoke overindebted countries in the Global South that are not even historically responsible for causing climate change. In short, any climate position finance takes is a profound failure.

All in all, the book sacrifices an in-depth analysis of each position in favor of a broader general overview. However, this is done without becoming a mere simplification. The not-so-extensive analysis of documents and speeches on financial actors provides a solid map of the relationship between climate and finance and its critical status. In this process, the attention to Global South perspectives and the careful explanation of each the-

oretical building block introduced throughout the chapter is a final credit that makes the book less Eurocentric and more accessible to a wider interdisciplinary public.

At the same time, the book's extended mapping approach may not be broad enough. First, the book does not explore the role of peripheral nonbank financial intermediaries such as impact investing (Golka 2024) shadow banking (Block et al. 2024; Isayev and Gokmenoglu 2024) or private equity (Pan and Fan 2024) in the climate crisis. While it provides good answers to why and how some aspects of finance take a position on climate, it leaves open why others do *not* (Beckert 2024; Buller 2022). Moreover, few, if any, truly successful case studies of climate finance are reported. Second, there is no discussion of how the six positions of climate finance relate to each other. In this sense, the reader may wish to look not at a static "game map" but a dynamic one (as in the board game *Risiko*) that offers a glimpse of the possible mutual or conflictual interactions on the table.

All in all, *Climate Finance* remains a very accurate map for navigating a hyperfinancialized world in an overheating environment. By taking the initial – thus most difficult – step in untangling the broad and intricate topic of climate finance, the authors leave the reader with the pleasant task of further exploring the position(s) brilliantly outlined so far.

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Charlotte Cavaillé · 2023

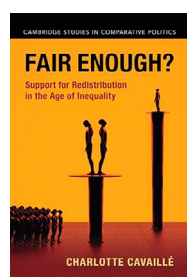
## Fair Enough? Support for Redistribution in an Age of Inequality

Cambridge University Press

Reviewer **Jonathan Hopkin**

London School of Economics

[j.r.hopkin@lse.ac.uk](mailto:j.r.hopkin@lse.ac.uk)



The long-running debate on the role of electoral preferences in shaping patterns of redistribution in the advanced democracies has taken a dramatic turn in recent years with the rise of populist or anti-system politics. The

global financial crisis of the late 2000s, with its dramatic effects on the living standards of middle- and lower-income groups especially, might have been expected to have provided an opening for egalitarian politics, but instead the main electoral beneficiaries of economic hard times have turned out to be far-right politicians who have won growing levels of support from lower-income voters, despite offering very little in the way of commitments to redistribution from the wealthiest. The political economy research tradition around the so-called Robin Hood paradox appears to have run into a dead end, with the most influential recent contributions tending to focus on elite failures or successful manipulation of voter preferences to make sense of the continued decline of classic social democratic policies.

Charlotte Cavaillé's new book, *Fair Enough?*, is a breath of fresh air in this tired debate. Cavaillé cuts through the stagnant discussion on the disconnect between the Meltzer-Richard median voter theorem and real-world outcomes by making important conceptual innovations backed with compelling quantitative empirical analysis. Her approach identifies two dimensions of redistribution which obey quite different logics: a material self-interest logic and a more normative one based on principles of fairness. Combining these two dimensions yields a distinctive answer to the paradox of voter hesitation in the face of the redistributive policies: Voters take very seriously the extent to which redistribution is consistent with widely shared fairness norms. This normative component offers a way out of the confusion generated by mass publics in some of the most unequal high-income societies, such as Britain and the United States, failing to comply with the behaviors predicted by standard materialistic accounts. This departs

from standard economic analyses of net costs and benefits to individuals and households in favor of a more nuanced understanding of justifications of redistribution to the economically vulnerable.

Cavaillé breaks down the concept of fairness along two distinct dimensions of redistribution, labeled the proportionality principle and the reciprocity principle. Each of these dimensions relates to distinct elements of redistribution, allowing for a nuanced interpretation of how citizens view not only how social spending gets allocated but also, crucially, how the revenue is raised to pay for it. She argues that the proportionality principle – that rewards should correspond to contribution – applies to how citizens view taxation, while the reciprocity principle – that all should contribute rather than free riding – is more important in how people assess the recipients of social spending. This distinction helps make sense of the sometimes inconsistent ways in which people view redistribution; it offers a compelling answer to the paradox of citizens in the pivotal middle of the income scale showing aversion to the policies that stand to benefit them: They simply object to the evidence of free riding they see, which violates strongly held beliefs about reciprocity.

This insight offers answers to the paradoxical politics of redistribution, and in particular it explains why rising pre-tax inequality could very easily lead to a reduction in support for egalitarian social policies when our workhorse models would predict the opposite. Cavaillé assembles an impressive array of empirical analyses to demonstrate the plausibility of her fairness account, drawing especially from the critical cases of the US and the UK, both countries where dramatic increases in pre-tax inequality seem to have driven voters to the right on economic

issues, rather than boosting support for redistribution. The book also draws on data from France and Germany, two countries with a tradition of much more substantive redistributive arrangements, to show how different political environments can affect the extent to which material self-interest and the different conceptualizations of fairness shape the politics of redistribution.

The reconceptualization and breaking down of redistribution into its distinctive component parts is not only a major contribution to an old debate on why the median voter may not vote in what appears to be their interest; it is also a valuable addition to another scholarly dispute, on the so-called “second dimension” debate on party competition in political science. Increasingly, it is standard practice in electoral studies to conceptualize the political space as consisting of distinctive economic and cultural dimensions of competition, which are implicitly orthogonal. Cavaillé manages to reconcile the two dimensions and suggests that the second dimension can be brought back into an economic framing by showing how hierarchical and authoritarian attitudes may undermine support for “redistribution to” by triggering mistrust of welfare recipients. This means that we can investigate different dimensions of economic interests rather than resorting to an awkward framework of orthogonal dimensions which sit uneasily with each other and leave unanswered questions of why one might predominate over the other.

All of this is backed by an extensive range of statistical analyses drawing on the available survey data for advanced democratic countries. Cavaillé makes clever use of the data, sometimes focusing on individual countries, sometimes doing cross-national analysis, and sometimes using experimental de-

signs. This is impressively executed and provides compelling findings about the distinct behavior of electorates in different democracies. We learn about broad patterns that confirm the usefulness of the reconceptualization of redistribution, but we also gain an understanding of nationally distinctive developments, such as the shift to the right on “redistribution to” in Great Britain after Blair. The almost exclusive reliance on survey data in the analysis may make the book a tough read for scholars of a more institutional or historical inclination, and at times the lack of a more institutional focus does beg some questions as to where the different framings of redistribution are coming from.

The explanatory traction offered by this account is perhaps not the most cheering for critics of contemporary market capitalism, with its tendency to widen the gap between rich and poor, and in particular to concentrate vast amounts of resources in the hands of increasingly powerful super-wealthy elites. Cavaillé shows that mass preferences on redistribution may be driven more by a sense of how closely income distributions approach particular fairness norms than by how much citizens individually stand to gain from redistributive policies. If these fairness norms can tolerate the dramatic rises in inequality observed in most high-income countries since the end of the Cold War, then there would appear to be little hope that a normal democratic politics of redistribution can redress the increasingly strained balance between social groups.

Pessimism aside, this book is a remarkable achievement and represents a crucial contribution to debates around inequality and redistribution. *Fair Enough?* is an important piece of work that provides a compelling and original answer to the paradox of inequali-

ty's inverse relationship to redistribution, showing the importance of social norms in shaping voter demands on social policies. It attacks a big question central to our time

using cutting edge methodologies and in my view is the most important work in the area of redistributive politics for a number of years. It is an essential read for anyone

interested in not only the politics of tax and social policies but also the patterns of polarization seen in the high-income countries since the global financial crisis.

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**Editor** Leon Wansleben · Max Planck Institute for the Study of Societies, Cologne · lw@mpifg.de

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