economic sociology.
perspectives and conversations

Volume 25 · Number 3 · July 2024
econsoc.mpifg.de

25.3

Note from the editor

Crisis of capitalism? Economic crisis? Crisis of economic sociology?

Mariana Heredia

What new can be said about crisis? What can be added that does not resonate, at least in most of the West, to a litany that has been documenting and warning, for almost five decades, about the worsening social inequalities and the monetary and financial collapses that are multiplying and spreading?

It is not that there has been a lack of analysis of the crises so far. Alongside a literature attentive to environmental degradation and the difficulties of advancing prudential agreements and legislation, the events of 2008-2009 attracted particular attention from the social sciences and most particularly from economic sociology. Almost at the same time as these events, a forum was organized at the 21st SASE conference in Paris (in 2009), with the participation of Bruno Amable, Robert Boyer, David Levy-Faur, and Steven Vogel, to discuss the question of how much the economic and financial crisis would lead to the emergence of a new regulatory paradigm. The same concerns were portrayed soon after in *Does Capitalism Have a Future?*, a 2013 work co-authored by Immanuel Wallerstein, Randall Collins, Michael Mann, Georgi Derluguian, and Craig Calhoun. Wolfgang Streeck would later take up the gauntlet in several articles compiled in his 2016 book *How Will Capitalism End?* And one could add the Max-Neef article of 2010 and books by Fischer (2009) or Harvey (2014). In this brief selection there is a predominance of critical appraisals of the state of advanced capitalist societies and, in parallel, a realization of the growing difficulty of even imagining alternatives. Not surprisingly, the cultural manifestations turn out to

Content

1 Note from the editor
Crisis of capitalism? Economic crisis? Crisis of economic sociology?
by Mariana Heredia

6 Economy, politics, and critical events: From transformation to permanent crisis
by Simone Polillo

14 Crisis, patrimonialism, and the spirit of finance capitalism: White men's dominance in the US hedge fund industry
by Megan Tobias Neely

22 Fiscal crises in the developing world: Zooming out and zooming in on Brazil's public finance history *by Rodrigo Cantu*

30 Coping with the crises in the periphery: The social and political costs of dollarization in Georgia *by Ia Eradze*

37 Facing inflation in times of digital finance: Monetary plurality and financial repertoires in the Argentinian crisis
by María Soledad Sánchez

44 Tribute: Richard Swedberg steps down from the editorial board

46 Book reviews

Editor
Mariana Heredia, University of San Martín and National Council for Scientific and Technical Research

Book reviews editor
Sebastian Kohl, Freie Universität Berlin

Editorial board
Patrik Aspers, University of St. Gallen; Jens Beckert, Max Planck Institute for the Study of Societies, Cologne; Alevtina Guseva, Boston University; Johan Heilbron, Centre de sociologie européenne, Paris

be equally bleak and increasingly apocalyptic. *Years and Years* (a 2019 British TV show), *L'effondrement* (a French one from the same year), or *Don't Look Up* (the 2021 US film) share a look toward the future that presents itself as an irrepressible advance towards the abyss. The illusions about the crisis of 2008–2009 and later the Covid-19 pandemic as being potentially redemptive events turn out to be, in light of what has happened in recent years, particularly bitter.

Almost 25 years after publication of its first number, it seems interesting to revisit in these pages the way in which economic sociology has approached crises. And as the tribute to Richard Swedberg included in the current issue points out, for him as well as for Patrik Aspers, Jens Beckert, Johan Heilbron, and Ton Korver, this space was an opportunity for conversation around common themes but from different traditions. Indeed, as the welcome note and the national reviews inaugurating the first issue make clear, Anglo-Saxon and continental European economic sociology started from different definitions of its object, which are often revealed in the face of crises. Taking the inaugural articles of this publication, Swedberg (1999) shows how, from a Parsonian tradition, North American scholars concentrate on the study of "the economy," a social subsystem linked to the production, distribution, consumption, and realization of profits (Swedberg 2005). In the European tradition, by contrast, sociologists were not only more reluctant to define themselves as "economic" (Heilbron 1999) but also took capitalism to be a type of social organization and addressed issues (Beckert 2000) such as labor, industrial organization, and corporate agreements, which could hardly be defined as economic alone. It is likely that, at least until then, the difference lay in the relationship between sociology and economics in each context: in France, for example, the economics of regulation and conventions was far from sharing many of the assumptions of mainstream economic science.

In any case, if the notion of crisis implies the suspension or questioning of normality and the adjective "economic" is attached to it, the question is to define what exactly is in crisis in economic crises, how the temporality of these vicissitudes is defined, and to what extent the ways of interpreting events delimit, or not, specific forms of approach and intervention from economics and sociology.

For one thing, conceptual history has documented how much the word crisis acquired its secular meaning through the French and American revolutions (Koselleck and Richter 2006). Since then, as Dumond (1971; 1977) argues, while a certain acceptance dominates in societies oriented to the past and trusting in divine design, the will predominates in a modernity that deposits in human beings the capacity to intervene in their societies and to prosper. Insofar as, from its Greek origins, the word crisis combines the evocation of a turning point and a decision, it is understandable that a potentially positive content was attributed to crisis. Of course, as Hirschman (1982) and Rosanvallon (1979) have pointed out, political and economic liberalism differ in the way they conceive crises and the forms of human intervention, the former relying on the primacy of sovereign will (negotiations and contracts) and the latter, largely in reaction to the former, postulating the existence of an underlying order that guides the actions of individuals and tends to balance itself automatically. The modern thematization of crises has been and continues to be inspired by these contrasting traditions. Faced with the same event, some argue that the sovereign will must intervene to reestablish or reformulate the lost order, while others postulate that it is these interferences that conspire against a necessary purification, after which equilibrium will be reestablished. In very schematic terms, it can be said that the first approach calls for the mobilization of criticism and discontent to force change, while the second favors technical interventions to correct the disturbance.

Looking at the succession of traumatic events that have marked the last decades, it is precisely this relationship between crisis, criticism, and future that seems to be disrupted. It is not that there is a lack of accumulated malaise, expressed in the elections, opinion polls, and street protests. It seems rather, as Boltanski (2009) anticipated, that the threat to the estab-

Mariana Heredia is a sociologist who graduated from the University of Buenos Aires and holds a PhD from the École des Hautes Études in Paris. She is a researcher at Argentina's National Scientific and Technical Research Council and the director of the Master's in Economic Sociology program and a professor at the Escuela Interdisciplinaria de Altos Estudios Sociales at San Martin University. Her PhD dissertation was on the role of economists in the battle against inflation, inspired by French pragmatist sociology. Based on this research, she published several articles and two books: *A quoi sert un économiste* (2014) and *Cuando los economistas alcanzaron el poder* (2015). More recently, Mariana Heredia has been studying wealth and inequalities, revising different scales and meanings to define upper classes. She has just published *¿El 99 contra el 1%?* (2022) and is currently working on a broader comparison in Latin America. *mariana.heredia@conicet.gov.ar*

lished order is no longer associated with the criticism and sedition of the majorities but with the effect of a regime of domination that tends to emerge strengthened from moments of panic and disorganization.

Economic history and sociology in its various forms have made major contributions to the understanding of recent economic crises. First, these studies have documented the relative fluidity of critical moments and the way in which the decisions taken by the authorities instituted novel ways of organizing the relationship between state intervention, markets, and society. The work of Greta Krippner (like that of Monica Prasad 2006 or Mark Blyth 2002) shows the tensions that accompanied the reforms of the 1970s, the institutional transformations that enabled the expansion of finance, and, with them, how the foundations were laid for the crises that would be unleashed later. More recently, from science and technology studies, the contribution was to delve into this increasingly sophisticated world of institutional and financial instruments and dynamics to understand its expansive and destabilizing logic (Halliday and Carruthers 2009; Knorr Cetina and Preda 2004; Muniesa 2022). A third set of approaches documented the monetary or financial collapses produced since then where it is evident that they not only deeply and lastingly affected the lives of millions of people but also undermined through indebtedness and adjustment the sovereignty of nation states (Buendía 2020; Centeno 2002; Kentikelenis 2018; Sigal and Kessler 1997).

In any case, if the term economic crisis turns out to be an efficient label, shared by characterizations in the press and by political leaders, in it lies both the interest and the difficulty of the approaches offered by economic sociology. The question, as Janet Roitman (2020, 3) put it, is: "If crisis designates something more than a historical conjuncture, what is the status of that term? And how did crisis, once a signifier for a critical, decisive moment, come to be construed as a protracted historical and experimental condition? Can one even speak of a state of enduring crisis? This is an oxymoron."

The difficulty for economic sociology of strengthening its own voice to counterbalance that of economists is obvious. The metaphors that predominate in the thematization of crisis allude, over and over again, to "financial storms," "earthquakes," "contagions," and "collapses" (Besomi 2018) and usually emphasize the responsibility of debtors or the role of external shocks or government failures (Kessareas 2017; Rizzoli, Romaioli, and Contarello 2017). Despite the recurrence and multiplication of similar crises, there are still calls for prudence and additional sacrifices to reach equilibrium, the experts summoned are always economists of similar orientations and offering similar recipes. The recent crises therefore reinforce two observations. One is that when criticizing the mainstream economy or capitalism, critical discourses continue to invoke a vague notion of general interest that fails to anchor itself in clear and shared alternatives. The second is that, as Vogel (2010: 554) lamented in 2009, "the socio-economic approach remains safely outside the mainstream even today."

In order to explore these concerns, the articles in the current issue revisit the analysis of recent (economic) crises and offer a set of substantive contributions to understanding them. Based on events observed in Italy since the 1970s, Simone Polillo reflects on the way in which economic crises have become recurrent and contrasts two ways of approaching the subjective experience of crisis: as a potentially transformative opportunity or as a disruption of governance. His analysis details how the non-existence or weakening of a sovereign center on which criticism is concentrated and from which intervention is demanded leads to the dispersion of alert but powerless citizens in the face of the events they are confronted with.

Megan Tobias Neely asks who has profited from financial crises and delves into the world of hedge funds. After demonstrating that these agents benefit from stock market crashes and sociopolitical crises, the author questions the postulate that they are professionals and competitive organizations. Her fieldwork leads her to conclude that financial elites form a new form of patrimonialism, in which rich white men, treated like kings, are organized around a mentor and nucleated in fraternities with strong personal ties. Affective relationships make it possible, in the world of finance as in other uncertain activities, to offer each other trust and loyalty and to close the circle where privilege is concentrated. Paradoxically, in the 21st century, which is associated with growing gender equality in the West, the financial elites show how much the main seats of capitalism are still reserved for men with a strongly macho business ethos.

Focusing on one of the eyes of the economic storm in emerging countries – the monetary and financial soundness of states – Rodrigo Cantu addresses the history of Brazil in the last century. In contrast to the dominant narratives that focus on the relationship between austerity and stability, the author reminds us that the public treasury is strained by political projects that are expressed in investment and legitimization decisions and in the dispute between rival socioeconomic coalitions. Through this case study, the article sets out to reveal the strong industrialist vocation of Brazilian elites and the way in which, before and after the 1970s, they placed this national objective above tax cuts and the reduction of public intervention. Although the fiscal and debt crises did not cease, their causes were transformed from external shocks caused

by fluctuations in the international market to the effects of modernization efforts. Much more than a technical problem to be solved by experts, decisions on the sources and destinations of public financing appear in Cantu's text as a major sociopolitical issue.

Ia Eradze's contribution complements Cantu's view on the monetary and financial challenges faced by the countries of the South in the contemporary world. Through the study of the 2015 and 2020 crises, the author analyzes the implications of the coexistence of two currencies, the lari and the dollar, in Georgia. Admitted since 1991, the dollar's circulation and its relevance in credits and deposits did not generate major suspicions until the 2015 devaluation. It was only then that both the vulnerabilities of the economy to exchange rate fluctuations and the meager room for maneuver of the Georgian state to propose policies in times of crisis were revealed. The events of 2015 and 2020 demonstrated Georgia's weakness vis-à-vis international financial flows and vis-à-vis the intervention of international lending organizations, as well as the double standard weighing on core and peripheral countries. While many advanced economies assumed that the Covid-19 pandemic called for the adoption of a lax monetary and fiscal policy, international organizations demanded that Georgia raise the interest rate and maintain a cautious budgetary policy.

Economic crises not only reveal the geopolitical conditions to which different countries are subject, their wealth, and differential political power but also the way in which new technologies expand in contexts of uncertainty. The work of María Soledad Sánchez deals with the spread of new monetary and financial instruments in the long inflation crisis in Argentina. The author shows how the adoption of financial platforms and digital currencies that have become popular around the world are particularly welcome among Argentines from different social backgrounds as they try to protect themselves from currency depreciation and exchange restrictions. At the same time, the author predicts that the same legal and technological devices that were extended to protect citizens from disorder may end up prolonging anarchy and conspiring against any sovereign attempt to rebuild social order.

References

Amable, Bruno. 2010. "Crisis in the Regulation Regime – A New Paradigm?" ("Discussion Forum I"). *Socio-Economic Review* 8 (3): 537–57.

Beckert, Jens. 2000. "Economic Sociology in Germany." *Economic Sociology: The European Electronic Newsletter* 1 (2): 2–6.

Besom, Daniele. 2018. "The Metaphors of Crises." *Journal of Cultural Economy*. DOI: 10.1080/17530350.2018.1519843.

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

Botanski, Luc. 2009. *De la Critique.* Paris: Gallimard.

Buendía, Luis. 2020. "A Perfect Storm in a Sunny Economy: A Political Economy Approach to the Crisis in Spain." *Socio-Economic Review* 18 (2): 419–38.

Centeno, Miguel Angel. 2002. *Blood and Debt: War and the Nation -State in Latin America*. University Park, PA: Penn State University Press.

Dumond, Louis. 1971. *Homo hierarchicus. Essai sur le système des castes*. Paris: Gallimard.

Dumond, Louis. 1977-1979. *Homo Æqualis I: genèse et épanouissement de l'idéologie économique*. Paris: Gallimard.

Fisher, Mark. 2009. *Capitalist Realism. Is There No Alternative?* Winchester: Zero Books.

Halliday, Terence, and Bruce Carruthers. 2009. *Bankrupt. Global Lawmaking and Systemic Financial Crisis*. Stanford: Stanford University Press.

Harvey, David. 2014. *Seventeen Contradictions and the End of Capitalism*. London: Profile Books.

Heilbron, Johan. 1999. "Economic Sociology in France." *Economic Sociology: The European Electronic Newsletter* 1 (1): 4–9.

Hirschman, Albert. 1982. "Rival Interpretations of Market Society: Civilizing, Destructive, or Feeble?" *Journal of Economic Literature* 20 (4): 1463–84.

Kentikelenis, Alexander. 2018. "The Social Aftermath of Economic Disaster: Karl Polanyi, Countermovements in Action, and the Greek Crisis." *Socio-Economic Review* 16 (1): 39–59.

Kessareas, Efstathios. 2018. "The Greek Debt Crisis as Theodicy: Religious Fundamentalism and Socio-political Conservatism." *The Sociological Review*, 66 (1): 122–37.

Knorr Cetina, Karin, and Alex Preda. 2004. *The Sociology of Financial Markets*. Oxford: Oxford University Press.

Koselleck, Reinhart, and Michaela W. Richter. 2006. "Crisis." *Journal of the History of Ideas* 67 (2): 357–400.

Krippner, Greta. 2011. *Capitalizing on Crisis: The Political Origins of the Rise of Finance.* Cambridge, MA: Harvard University Press.

Max-Neef, Manfred. 2010. "The World on a Collision Course and the Need for a New Economy." *AMBIO: A Journal of the Human Environment.* 39 (3): 200–10.

Muniesa, Fabian. 2022. "Paranoid Finance." *Social Research: An International Quarterly* 89 (3): 731–56.

Prasad, Monica. 2006. *The Politics of Free Markets: The Rise of Neoliberal Economic Policies in Britain, France, Germany, and the United States*. Chicago: Chicago University Press.

Rizzoli, Valentina, Diego Romaioli, and Alberta Contarello. 2017. "The Crisis Tsunami: Social Representations of the Economic Crisis in the Italian Press." *International Review of Social Psychology* 30 (1): 80–91.

Roitman, Janet, Sara Angeli Aguiton, Lise Cornilleau, and Lydie Cabane. 2020. "*Anti-Crisis*: Thinking With and Against Crisis Excerpt

from Interview with Janet Roitman." *Journal of Cultural Economy* 13 (6): 772–78.

Rosanvallon, Pierre. 1979 (1999). *Le capitalisme utopique. Histoire de l'idée de marché*. Paris: Seuil.

Sigal, Silvia, and Gabriel Kessler. 1997. "Comportements et représentations face a la dislocation des régulations sociales: l'hyperinflation en Argentine." *Cultures et Conflits,* no. 24/25: 37–77.

Streeck, Wolfgang. 2016. *How Will Capitalism End? Essays on a Failing System*. London: Verso.

Swedberg, Richard. 1999. "Welcome to the Reader." *Economic Sociology: The European Electronic Newsletter* 1 (1): 2–3.

Swedberg, Richard. 2005. "Towards an Economic Sociology of Capitalism." *L'Année Sociologique* 2 (55): 419–49.

Vogel, Steven. 2010. "A Socio-economic Perspective on the Financial Crisis" (Contribution in: "Discussion Forum I: Crisis in the Regulation Regime – A New Paradigm?"). *Socio-Economic Review* 8 (3): 537–57.

Wallerstein, Immanuel, Randall Collins, Michael Mann, Georgi Derluguian, and Craig Calhoun. 2013. *Does Capitalism Have a Future?* Oxford: Oxford University Press.

Economy, politics, and critical events: From transformation to permanent crisis

Simone Polillo

Events, ruptures, critical junctures: these have become critical concepts in sociology. Yet, they have not enabled current models to grasp the complexity of capitalist crises, in their dual nature as unique occurrences and intrinsic characteristics of capitalist economies. Studies of political crises, where these concepts have been developed most fully, make political conflict, semiotics, and cultural change central to understanding the contingencies and emergent properties of crises and their fragile connection to the underlying reality they represent. By contrast, analyses of economic crises often view them as concrete realities with quantifiable effects on people's lives. While the ontology of economic crises should not be ignored, especially in the context of orthodox economic approaches that explain crisis away to preserve their focus on efficiency and equilibrium, this perspective has not fully illuminated how these crises are culturally negotiated, administered, or performed. Think, for instance, how in the United States the Covid-19 pandemic precipitated a deep economic crisis but also sparked a sincere belief among policymakers and progressive think tanks that the lockdown would instigate fundamental structural transformations such as universal parental leave, expanded Child Tax Credit, loan forgiveness: economic, political, and cultural change seemed to go hand in hand. As the pandemic wound down, these hopes were dashed, and a regressive, inflation-centered discourse has now taken hold, calling for austerity, a restriction on assistance programs, and curtailed public spending. This is not a peculiarity of the pandemic response. As Sewell (2012) suggests, there is something enigmatic about economic crises more generally; they feel like and are experienced as events, with their "eventfulness" consisting of their capacity to transform structures. Yet, they are not transformative, neither structurally nor in a semiotic sense. Instead, their transformative power, not always activated, lies in reshaping the underlying political structures that support and perpetuate capitalist systems through shifting power dynamics. As a result, they also tend to leave the economic structure intact, the logic of capitalism seemingly unaltered, and faith in the restorative power of markets seemingly unchallenged.

In this article, I argue that the ontological approach to economic crisis can, and should, be complemented by an approach that departs from the contingent characterization of the "economic." The nature of economic crisis, from its beginning to its resolution, is inherently uncertain, and this contingency stems from the very way we construct and manage the economy. The economy itself is an object constantly being shaped through analysis, technical interventions, and expert knowledge (Çalışkan and Callon 2009). To match this performative approach to the economic, the essay discusses a "distributed" model of crisis analysis (Polillo and Vereta-Nahoum 2022). This framework challenges the exclusively ontological focus on crises, revealing how their very nature is shaped by shifting narratives and diverse expertise, ultimately influencing political and economic outcomes. A distributed model can afford a deeper understanding of Sewell's observation about the puzzling nature of economic crisis – often appearing "uneventful" due to its recurring nature within capitalism, even when it triggers significant political restructuring. Attending to the representations that give meaning to crisis allows

Simone Polillo is professor of sociology at the University of Virginia. He is the author of two books, *The Ascent of Market Efficiency: Finance That Cannot Be Proven* (Cornell University Press, 2020) and *Conservatives Versus Wildcats: A Sociology of Financial Conflict* (Stanford University Press, 2023). His research focuses on how monetary relationships form, how they are governed, and how they fail, concentrating primarily on institutional dynamics (e.g., the power of central banks) and relational ones (e.g., how creditworthiness is established). In his current work, he investigates the role that exceptions play in economic governance. In 2022, he coedited an issue of *American Behavioral Scientist* with André Vereta-Nahoum (Department of Sociology, University of São Paulo), in which they first proposed a distributed model of crisis. *sp4ft@virginia.edu*

us to situate their eventfulness in the very continuities that are reproduced through crisis, and in the silencing of those who bear the costs of how a crisis is constructed, managed, and acted upon.

I begin with an overview of new models of crisis in political sociology and international political economy, fleshing out and making more explicit the insights they offer into the distributed model. I then draw on Callon's economization approach to better integrate these insights, and illustrate this model with a historical analysis of Italy's "permanent crisis" of the 1970s and its "overflows" on subsequent political and cultural crises, focusing in particular on the critical analysis of a contemporary Italian economist, Federico Caffè.

Crisis in political sociology

There are two main theoretical perspectives on crisis in political sociology: we can broadly describe them as *transformative*, with crisis intended as the catalyst of political transformation (Sewell 2005; Wagner-Pacifici 2017), versus *stabilizing*, with crisis framed as a problem of governance (Adey, Anderson, and Graham 2015; Collier and Lakoff 2021). The first, *transformative* approach connects crisis to political change by emphasizing the disruptive power of events (their "eventfulness"), and the political work needed to stabilize them and render them meaningful. It is a tradition that goes from Sewell's eventful critique of the sociology of revolution and of comparative historical sociology to Wagner-Pacifici's theorizing of events and eventfulness. This approach is interested in the dynamics of power as they are shaped by contestation. It wants to understand change, and it foregrounds the relationship between sovereign and subject in doing so: in Wagner-Pacifici's (2017, 31) words, "there are social and political forces – structures, agents, institutions – that vie with themselves and among themselves to acknowledge or ignore the imprecations and interventions of the event's performatives, demonstratives, and representations." This approach also tends to put the state at the center of its focus, foregrounding the political dimensions of crisis via its relationship with social order.

The second, *stabilizing* approach to crisis takes the problem of crisis from the point of view of governing. It is no less political than the first approach, but rather than change, it emphasizes administrative rationality and continuity, and how knowledge and expertise are implicated in harnessing crisis to conservative agendas (where "conservative" is not a strictly political label and rather refers to attempts to preserve ongoing arrangements of power). In this framework, the claim that crisis extends administrative rationality is based on a model of power as distributed rather than sovereign: crisis engages policymakers, experts, and broader publics in a moral discourse that searches for responsibility, errors, and threats, rather than fostering a clear understanding of the logic through which events unfold. The proliferation of crisis narratives, then, stops rather than nourishes critical and transformative agendas.

The core argument of the stabilizing approach is in turn developed in two main directions: by Roitman as a critical approach to crisis narratives; and by Anderson, Collier, and Lakoff as an "emergency" approach. Roitman (2013) turns the problem of crisis on its head and theorizes crisis as a second-order observation, not an object of analysis. She highlights how crisis is performed through the positing of culturally meaningful categories and schemas that are moral in nature, that justify a search for errors and responsibilities rather than an analysis of how concrete social processes operate. Crisis, in other words, is more of a morality play than a program for change.

For Collier and Lakoff (2021), crisis is an essential element of emergencies, or policy programs motivated by diffuse rationalities that put the anticipation of future threats and the management of risk at the center of government policy and institutional transformation. At the core of their approach lies a genealogy of the "process through which a governmental apparatus initially assembled to manage economic depression and industrial mobilization for war mutated into an apparatus of emergency preparedness for domestic catastrophe" (2021, 4). Technocratic expertise is mobilized not simply to prepare for crisis but to prevent it, turning crisis management into an ongoing process of risk analysis and threat assessment. Ben Anderson (2020), in addition, focuses on the mobilization of fear, urgency, and uncertainty about the future as catalysts for political action. An example of how crisis turns into institutionalized emergency with politically regressive effects is the shift in the United States from older cash welfare programs to temporary cash welfare in the '90s, premised on the idea that the older welfare regime had incentivized out-of-wedlock childbearing and dependence and morally destroyed poor people, and that a new regime which would impose time limits on welfare was needed to make people more independent and stable in the future. Once the crisis of welfare turned into an emergency policy program, states then exploited this opening to spend the money on other projects while continuing to cut benefits (Seefeldt 2017).

These models of crisis – both as political transformation and as a stabilizing model of governance – are not about economic crisis per se, but they provide

useful perspectives on it and can be considered complementary. In the political transformation perspective, political failure in managing crisis instigates social change, creating a space for creativity, cultural transformation, and resignification. In the stabilizing perspective, the rationality of government is tied to its success in preempting crisis, which ensures the reproduction of its power. In both models, further, the unpredictability and creativity of responses to crisis always generate new social forms and cultural meanings, but it is authoritative interventions that eventually put an end to the crisis – either because new political formations appear, or through a process of institutional growth and structural stabilization.

From political to economic crisis: IPE and new crisis theory

The idea that crisis emerges at the intersection of governance and transformation is central to a strand of theory in international political economy (IPE) that can be dubbed "new crisis theory," a lineage that builds on Marx and Engels' theorizing of crisis as dual (Koselleck and Richter 2006) to weave historical analysis into a structurally oriented but agentic understanding of capitalist evolution. In a wonderful, critical overview of this literature, Samman (2015) shows the influence that French regulation theory, with its critical incorporation of the post-structuralist Marxism of Althusser and Keynes's theoretical focus on uncertainty, has had in this strand of theorizing. One key takeaway is that capitalist crisis is overdetermined, in the sense that there is no universal contradiction that pushes the capitalist system to the brink but rather crisis emerges from multiple, historically specific contradictions present in every regime of accumulation. Further, crisis is an amplification of uncertainty, previously dampened by the ongoing balance of power; and it is through narration (ideas, discourse, interpretation) that social and political actors overcome it. As Samman argues, it is important to extend this argument by drawing analytical focus to the meta-historical dimensions of crisis, specifically to the narrative practices of historical representation, and the functions they are able to perform. This means attending to the role that crisis itself, in its signification, mobilizes as reanalysis, narrativization, and the drawing of lessons from the past, leading to "history-making" as a reinterpretation of past crises. In subsequent work, Samman (2022) shows that, under financialization and the subsequent emergence of the asset economy it instigated, economic crisis has transformative effects on social and cultural forms, and the construction of temporality they support, in particular cyclical notions of time that posit it as endlessly repeating itself. Taking a cue from Jameson's focus on the nexus between capitalism and culture, he notes how one of the cultural expressions of this temporal shift is the spread of binge-watching TV series on streaming channels.

New crisis theory in IPE, in short, looks at the interplay between different social forces in the subjective and cultural construction of crisis. As with the discussion above, it is useful to distinguish between political transformation and the reproduction of ongoing arrangements as contingent outcomes of economic crisis. The "symptomatology" of crisis, as proposed by Jessop (Jessop and Knio 2018), is a matter of focusing attention and zeroing in on the construction of crisis as it unfolds: not simply understanding its antecedents and causes, or its effects, as objective factors, but rather questioning assumptions regarding the duration and interconnectedness of current crises with those in the past. Framing an event, disruption, or problem within the scope of crisis management turns it into a manageable emergency. This process involves a suite of tools, including risk calculation, predictive and anticipatory measures, and affective responses. However, there is a paradox where crisis management itself can become crisis-ridden. A distributed model of crisis analyzes how economic crises are constructed, negotiated, and enacted as self-perpetuating entities – especially when they disrupt the administrative logic of emergency. Within this model, the performative nature of a crisis is evident in its capacity to perpetuate a state of deadlock, inhibiting decisive action rather than catalyzing it. In short, if we follow Samman and move away from crisis as an ontology to crisis as productive of subjective experiences that echo (and perhaps perform?) social scientific knowledge, the distributed model of crisis gains more analytical purchase.

Towards a distributed model of economic crisis

The upshot of my argument, so far, is that an approach to economic crisis as a problem of sovereign power – whether as a catalyst of political transformation or as a problem of crisis management – illuminates its transformative potential for structures, institutions, and cultural forms. Although the connection between political crises and subsequent economic changes needs further exploration, it aligns well with economic sociology research that emphasizes the state's role in guiding economic shifts. What I want to focus on, however, is the paradoxically stabilizing effects of eco-

nomic crisis – for it is this argument that makes it tempting to frame economic crisis as ontologically real. Understanding the continuities that economic crisis makes possible, the opportunities it affords for the preservation of the economic order, in short, the paradox of the resilience of economic structure in the face of seemingly devastating challenges, requires precisely a move beyond the sovereign model of crisis.

A complementary framework can be proposed, one that departs from the sovereign crisis model and emphasizes its dispersed nature and surrounding claims. This framework pulls together insights about the distributed nature of the power to deliberate and make critical claims already present in the crisis literature. Like non-sovereign or distributed models of political action and practice, this reorientation informs a non-sovereign crisis model. The focus is on the implicit and explicit connections between crisis claims and their audiences. This approach is rooted in the modern discourse that views a crisis as a historical break driven by critical moral assertions. Modernity enabled the possibility of distributed critique through the formation of diverse publics composed of concerned individuals. The authorship of moral judgments shifted from the sovereign to reflexive and critical citizens, as public interest was no longer solely the concern of the sovereign. Yet Habermas's optimism about the public sphere and Giddens's "reflexive modernization" project now seem overshadowed by Beck's more pessimistic approach to "risk society."

This distributed model of crisis can be refined to identify the conditions under which the proliferation of crisis claims and the rationalities they embody, rather than inciting calls to action instead sustain the status quo through the preservation of discursive regimes, the fragmentation of responsibility, and an increased public mistrust in the capacity of governing authorities to manage crisis. The point of departure is Roitman's (2013) critique of the transformative potential of crisis claims, paired with an understanding of distributed agency in the economic world. The problem with crisis accounts, according to Roitman, is their foundation in the "sociology of error." They are accompanied by, and depend on, persistent and often implicit judgments that latencies, errors, and failings must be eradicated and overcome. Within a distributed-crisis framework, this dynamic appears particularly relevant in crisis management situations. A surge in crisis claims, as the perception of an ongoing crisis intensifies, influences their intended effects, instigating calls for a return to a "normal" state, and, most importantly, the reassertion of the "normality" of some at the expense of excluding and subjugating others: the emergence of the category of the "essential worker" at the height of the Covid-19 pandemic is exemplary of this process. Some crisis claims may be challenged by denials of their validity; others may be countered by alternative crisis claims. Following Roitman's critique of crisis claims – that they may not be erroneous representations of the world based on a concern with errors and mistakes but ways of shaping reality precisely by virtue of their recourse to a sociology of error – we can apply the same logic to crisis claims themselves. Crisis claims may be effective precisely because of their recourse to error. This effectiveness may come from distributing responsibility, normalizing crisis, or segmenting audiences and publics, rather than facilitating the construction of new political projects.

To further elaborate on this point, we can find a deeper justification for understanding crisis in general, and economic crisis in particular, as a distributed set of claims by drawing on Michel Callon's work on hybrid forums. Callon (Callon, Lascoumes, and Barthe 2009) proposes this term to foreground contexts that facilitate an exchange and amplification of expertise. These are situations in which experts make decisions in uncertain conditions and face challenges and opposition, but potentially also support, from lay audiences. Callon challenges the strict boundary between expert and lay knowledge and highlights the variation in research practices. On one end of the spectrum lies "secluded research," which takes place in restricted circles and involves alliances between powerful actors. Political decisions are made without broad public debate. On the other end is "research in the wild," where experts and laypersons collaborate to build mutual trust, focus collective attention on the problems at hand, and acknowledge the world's richness and complexity to produce better knowledge. Callon advocates for institutional arrangements that promote cooperation between these two extremes, so that they can lead to the formation of "new groups and new identities" (2009, 10). These arrangements take the shape of "organized hybrid forums" where collective learning produces new knowledge and social configurations, resulting in a network of micro-decisions that are subject to discussion and interconnected.

Callon's concern with hybrid forums, of course, emerges from the economization approach he spearheaded, his insistence that economic processes too depend on expert interventions via the role of economic theory in performing the economy. In this framework, economic experts, such as economists, play a crucial role in constructing economic objects, such as consumer markets, through theories and models. Expertise is not only discourse; in fact, its power lies in how it gets inscribed into technical devices like economic models, financial formulas, and forecasting tools, which perform the economy as they get picked up by various, heterogeneous actors using them in an eco-

nomic capacity (Muniesa, Millo, and Callon 2007). The economy can thus be understood as an ordinary technical accomplishment, framed by and shot through economic devices that separate the exchanges and effects they measure from the exchanges and effects they do not. The latter are overflowings, mostly ignored by market actors, or dismissed as non-economic, until they are captured by calculative techniques that reveal and perform their economic nature (Callon 1998).

The analysis of economic crisis relies on the economization of crisis claims: this is evident in the fact that economic crisis is a calculative construction, in line with Callon's perspective and his suggestion that calculation, and more broadly economization, is the process through which the economic is assembled. However, it is more difficult to envision how hybrid forums would work in an economic context, where heterogeneous crisis claims, supported by heterogeneous technical devices, can lead to fragmentation rather than coordinated action; and where, as the governance perspective emphasizes, calls for action are surrounded by uncertainty, anxiety, and a sense of urgency. These insights have implications for an understanding of how crisis claims contribute to and shape constructions of economic crisis. Connecting the distributed model of crisis claims with Callon's distributed model of expertise reveals that it is not sufficient to merely inquire whether economic agencies possess the "symbolic power" to declare an economic state of affairs a state of crisis (Bourdieu 2014). The performativity model implies that technical devices empower actors to frame situations as crises, but also that calculation allows for potentially conflicting interpretations to emerge. The two ends of the expertise continuum, in fact, align with the two approaches to crisis we have been discussing: in conditions of "secluded research," expertise is likely to be a tool of contestation among elites, vying for more political power, and in turn influencing the "sovereign" construction of crisis. But in conditions of "research in the wild," the diffusion of technical devices increases the heterogeneity of crisis claims themselves. Heterogeneous constructions of crisis in turn mean fragmentation, uncertainty, and weak grounds for coordinated political action.

1970s Italy: "Permanent" crisis?

To move from theory to empirical analysis, let us examine how a distributed model of economic crisis manifests in the real world. This framework helps explain why crises often feel "uneventful" despite widespread anxieties, and how they might lead to institutional changes that reinforce the conditions that led to crisis – a puzzle that has preoccupied thinkers like Sewell and persistently resurfaces in political commentary. Rather than a lack of awareness, this analysis suggests that the uneventfulness of crisis arises from a proliferation of crisis claims, each supported by a web of technical devices that shape interpretation and action. To empirically ground this dynamic, I introduce the concept of the "permanent crisis." Here, a prolonged period of instability normalizes a cacophony of crisis narratives, generating a pervasive sense that things are not going well, yet hindering decisive, transformative action.

I want to turn to a brief historical discussion of this, focusing on the case of Italy in the post–WWII period, and in particular the 1970s. The distributed model of crisis offers a lens for understanding how the complex dynamics of the Italian economic experience in the 1970s shaped the perception of and responses to the unfolding events. Here, multiple actors, each with their own evolving agendas and interpretations of how economic conditions shaped their own situation, played a role in constructing the narrative surrounding the crisis. This period becomes particularly illustrative of the "permanent crisis" concept since the extended economic turmoil normalized the competing crisis narratives, obscuring decisive action. Unlike critical-juncture models of crisis, ideas guiding the interpretation of crisis – of "what constitutes an economic crisis as crisis" (Blyth 2002, 9) – paired with technical devices to contribute to a more general perception of the long temporality of the crisis, and rather than seeking to find transformative solutions to it, prepared the ground for institutional reconfigurations that perpetuated the status quo.

The economic turmoil of the 1970s echoed challenges faced by the rest of the capitalist world. After prior decades of growth, Italy faced its first significant decline in income alongside high inflation. This crisis spurred major policy shifts, including reforms to industrial policy, a weakening of labor unions, and the central bank gaining independence in 1981. At the same time, these changes solidified Italy's commitment to a market-oriented economic system that institutions of economic governance, like the Bank of Italy, had publicly supported since the 1950s (even as its interventions reflected a practical understanding of the mixed nature of the Italian economy). The puzzling aspect of these changes is their timing with respect to crisis. Italy's first taste of economic trouble in the postwar period was the 1962-63 balance-of-payments crisis, which led the central bank to make controversial decisions on credit that generated a contentious debate as well as instigating innovations in how the Bank of Italy modeled the economy and the effects of various interventions. However, the 1960s were not a period of formal institutional transformation. Under the

leadership of Guido Carli, from 1965 to 1974, the Bank acted as "a 'clearing house' for power struggles among the nation's ruling class" (Zamagni 1993, 342) but insisted that, while its authority was firmly constrained by the law, it would be "seditious" to exercise its legal rights when that impaired the functioning of government, as Carli asserted in a famous speech in 1973. By contrast, by the late 1970s, the Bank of Italy had reframed monetary policy as subsidiary to more structural interventions, recognizing that it was insufficient for resolving the country's economic problems. As Wansleben (2023) argues for other central banks, this meant increasingly abdicating certain responsibilities in the name of supporting the emergence of financial markets as engines of growth.

Why neither the turmoil of the early 1960s, nor the social mobilization of 1968-9, led to institutional transformations, whereas the crisis of the late 1970s did, but in a way that reinforced the country's commitment to markets, warrants further scrutiny. Is a critical juncture sufficient to explain these dynamics? To perceptive economic analysts that lived through this period, the severity of the 1970s crisis was not unique. But the widespread availability of quantitative tools (such as new techniques of economic data analysis) heightened the perception of the crisis while normalizing the ongoing work of asserting the power of markets, rather than strengthening the welfare state or embracing new forms of economic development. Understanding how these techniques fragmented crisis claims could then offer valuable insights into the processes that later triggered crucial institutional transformations. One of the most vocal and critical voices in support of this position was the Italian economist Federico Caffè, who focused on the gap between representation and perception to highlight the subjective and political dimensions of economic crises.

Drawing an analogy between oligopolistic markets on one side and political systems (like Italy's), comprised of trade unions, professional and industrial associations, and other forms of political organization, on the other, Caffè (1972, in Caffè 1976) provocatively argued that the corporatist balance of power that characterizes such systems is often disturbed by established groups that attempt to acquire more power for themselves, or by marginalized groups that strive to have their voices heard. The "artificially exaggerated presentations of real fact," (Caffè 1972, in Caffè 1976, 59) or what he called "economic alarmism," is one strategy available to those invested in putting the system in crisis. How is it possible, he asked, to use such a strategy effectively, given the widespread availability of statistical data and econometric models in modern society?

He identified two main conditions, pertaining to the perceived gravity of the situation and to the role that economic data play in characterizing it as such. First, the situation must lend itself to a critical interpretation due to the presence of problems and challenges that draw public attention and that appear urgent and call for action. Second, economic analysis can be leveraged to frame the situation in particular ways. In a strategy of "exaggerated amplification," economic data are marshaled in support of the impression that interdependent mechanisms (for instance, economic recession, low investment, low profits) are in fact separate phenomena, each adding independently to the gravity of the situation. Through "deliberate omissions" of relevant data, economic analysis can be used to emphasize the uniqueness of a problematic situation, and discourage comparisons with past events, making it difficult to use potentially relevant historical precedents as a guide for action. Finally, through "one-dimensional presentations" of crisis, certain interventions can be made to appear necessary and inevitable, while others (especially social-justice claims articulated by the working class) appear partisan and excessive.

The constructivist approach in sociology emphasizes how data manipulation, presentation, and diffusion support competing claims about social problems (Spector and Kitsuse 2017). Caffè's distinction between "real fact" and its exaggeration demonstrates this approach, suggesting that a crisis can exist without a strong factual basis, and can be assembled in different ways even in the face of widely recognized economic challenges (Fourcade and Babb 2002). The analytical value of Caffè's perspective is reinforced by his position. A socialist-oriented, Keynesian economist, he had a long-standing but informal relationship with the Bank of Italy – his colleagues and students recount a story about how drafts of the annual reports were delivered to his private residence by motorcycle to give him the chance to write his comments and remarks, which would then be considered in later revisions. In my ongoing interviews with contemporaries who knew him, I have not been able to confirm whether he had the Bank of Italy in mind when he articulated his critique of "economic alarmism" – some vehemently reject this interpretation, mentioning his sense of civic duty and institutional commitment. However, in another important public intervention, published in *il Manifesto* on February 17, 1981, Caffè added a more pointed critique of what he colorfully termed the "abacus of information," a system of producing news about the economy in tendentious ways, turning forecasts into "myths," and overcoming uncertainty via sheer repetition rather than more accurate and rigorous measurement. This supports the constructivist notion that technical devices, as they gain wider circulation, become embroiled in and sustain a politics of

numbers that governing agencies may use to rationalize their ongoing interventions.

Caffè's perspective anticipated core ideas in the sociology of ignorance and quantification. Crisis claims are used to promote certain outcomes, often through methods presented as "mechanically objective" (Porter 1995). Caffè's work also offers an early look at the "economization of crisis," where expertise and technical tools matter not for their objectivity but for the anxieties they produce. This politics of numbers embeds crisis in measurement and calculation, potentially allowing its construction to persist over time. A crisis can become permanent through its entanglement in calculative devices and their circulation among broader publics.

Despite Caffè's protestations that "our country is not on the edge of a precipice … if it were … the abyss would have closed on top of us already" (*il Manifesto*, January 12, 1984, in Caffè 1990, 98), the Italian economy emerged from the 1980s as more market- and finance-oriented than it had been in the past; and yet, talk of crisis continued and multiplied, even in the face of institutional transformations meant to ensure its management. In Silvana Patriarca's incisive account of the work of shared, fictional representations of national character, she argues that recurring, self-denigrating accounts of "Italian vices" are part of a broader pattern of "latecomers" who develop a "keen awareness of their failings or failure to live up to the perceived standards of a normative modernity" (Patriarca 2013, 243). As crisis narratives interspersed with the emergence of new crises, like the corruption scandals of the early 1990s that led to the collapse of the "First Republic" and the twin rise of Berlusconi's populism and the far right, the "perceived standards of a normative modernity" were quantitative too, producing ongoing anxieties about the economy, its management, and its performance.

Conclusions

Whether or not economic crisis is an objective property of capitalist economies, the central role that calculation and its technical devices now play in the management, administration, and future development of the economy means that crisis itself is calculable, but that calculability does not reduce uncertainty; rather, it can amplify it. Understanding the effects of calculative efforts, and their relationship with various institutional projects like crisis management, is a first step towards a model of economic crisis as a multidimensional and distributed construct. For crisis to become permanent or "routine" (Muir 2021), however, it is necessary to also understand how calculation is incorporated into socially shared and subjective experiences. Perhaps crisis, a concept with its roots in modern-era critical judgment, has indeed come full circle. The calculability of crisis, while seemingly a tool for control, might in reality contribute to its "permanence" while obscuring the underlying social and political determinants of the events that, through crisis, economic authorities and agencies strive to manage.

Acknowledgments

This article is an extended reflection on a special issue I coedited with André Vereta-Nahoum, and it would not have been written without the benefit of our collaboration. I also want to thank Egor Makarov (PhD student at the University of Virginia) and Jennifer Silva (professor at the Paul H. O'Neill School of Public and Environmental Affairs at Indiana University) for their help and suggestions.

References

Adey, Peter, Ben Anderson, and Stephen Graham. 2015. "Introduction: Governing Emergencies: Beyond Exceptionality." *Theory, Culture & Society* 32 (2): 3–17.

Anderson, Ben, Kevin Grove, Lauren Rickards, and Matthew Kearnes. 2020. "Slow Emergencies: Temporality and the Racialized Biopolitics of Emergency Governance." *Progress in Human Geography* 44 (4): 621–39.

Blyth, Mark. 2002. *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century*. 1st ed. Cambridge: Cambridge University Press.

Bourdieu, Pierre. 2014. *The Social Structures of the Economy*. Hoboken, NJ: Wiley.

Caffè, Federico. 1976. *Un'economia in ritardo*. Turin: Bollati Boringhieri.

Caffè, Federico. 1990. *La solitudine del riformista*. Turin: Bollati Boringhieri.

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

Callon, Michel. 1998. *Laws of the Markets*. Oxford: Blackwell.

Callon, Michel, Pierre Lascoumes, and Yannick Barthe. 2009. *Acting in an Uncertain World: An Essay on Technical Democracy*. Cambridge, MA: MIT Press.

Collier, Stephen J., and Andrew Lakoff. 2021. *The Government of Emergency: Vital Systems, Expertise, and the Politics of Security*. Princeton: Princeton University Press.

Cooper, Marianne. 2014. *Cut Adrift: Families in Insecure Times*. Berkeley: University of California Press.

Fourcade-Gourinchas, Marion, and Sarah Babb. 2002. "The Rebirth of the Liberal Creed: Paths to Neoliberalism in Four Countries." *American Journal of Sociology* 108 (3): 533–81.

Jessop, Bob, and Karim Knio, eds. 2018. *The Pedagogy of Economic, Political and Social Crises: Dynamics, Construals and Lessons*. London: Routledge.
Koselleck, Reinhart, and Michaela W. Richter. 2006. "Crisis." *Journal of the History of Ideas* 67 (2): 357–400.
Muir, Sarah. 2021. *Routine Crisis: An Ethnography of Disillusion.* Chicago: University of Chicago Press.
Muniesa, Fabian, Yuval Millo, and Michel Callon. 2007. "An Introduction to Market Devices." *The Sociological Review* 55 (2_suppl): 1–12.
Patriarca, Silvana. 2013. *Italian Vices: Nation and Character from the Risorgimento to the Republic*. Cambridge: Cambridge University Press.
Polillo, Simone, and André Vereta-Nahoum. 2022. "Crisis: Sovereign or Distributed?" *American Behavioral Scientist*, published online December 27, 2022, doi: 10.1177/00027642221144842.
Porter, Theodore M. 1995. *Trust in Numbers: The Pursuit of Objectivity in Science and Public Life*. Princeton: Princeton University Press.
Roitman, Janet. 2013. *Anti-Crisis*. Durham, NC: Duke University Press.
Samman, Amin. 2015. "Crisis Theory and the Historical Imagination." *Review of International Political Economy* 22 (5): 966–95.
Samman, Amin. 2022. "Eternal Return on Capital: Nihilistic Repetition in the Asset Economy." *Distinktion: Journal of Social Theory* 23 (1): 165–81.
Seefeldt, Kristin S. 2017. "Serving No One Well: TANF Nearly Twenty Years Later." *Journal of Sociology & Social Welfare* 44 (2): 3–28.
Sewell, William H. 2012. "Economic Crises and the Shape of Modern History." *Public Culture* 24 (2 (67)): 303–27.
Sewell, William Hamilton. 2005. *Logics of History: Social Theory and Social Transformation*. Chicago: University of Chicago Press.
Spector, Malcolm, and John I. Kitsuse. 2017. *Constructing Social Problems.* New York: Routledge.
Wagner-Pacifici, Robin. 2017. *What Is an Event?* Chicago: University of Chicago Press.
Wansleben, Leon. 2023. *The Rise of Central Banks: State Power in Financial Capitalism*. Cambridge, MA: Harvard University Press.
Zamagni, Vera. 1993. *The Economic History of Italy 1860–1990: Recovery after Decline*. New York: Oxford University Press.

Crisis, patrimonialism, and the spirit of finance capitalism:

White men's dominance in the US hedge fund industry

Megan Tobias Neely

Hedge funds have a track record of profiting on stock market crashes and sociopolitical crises. In 2008, hedge fund managers made billions betting that the US housing bubble would burst (Lewis 2011). Despite the fact that hedge funds contributed to bringing about the crisis (Lysandrou 2011) and profited from it, investors entrusted even more money to them, in response to the US government interventions in the failing investment banks (IMF 2014). Then, in 2020, hedge funds capitalized on the stock market crash following the coronavirus shutdowns (Neely and Carmichael 2021). Carl Icahn made USD 1.3 billion by short-selling stocks hit by Covid-19 restrictions (Cohan 2020), and Bill Ackman turned USD 27 million into USD 2.7 billion by insuring bond indexes in anticipation of US equity and credit markets crashing. Hedge funds tout their ability to profit on market crises by shorting and hedging stocks.

Thanks to these maneuvers by financial elites and the government responses to them, recent economic crises have only reinforced the uneven distribution of resources that favors finance (Grusky, Western, and Wimer 2011; Lin and Neely 2020; Neely and Carmichael 2021). As feminist scholars have argued, crises and crashes reveal the fault lines of inequality in the existing social order (Enloe 2013) and create cracks that provide opportunities for change (Connell 2005; 2019). Given their role in creating and worsening these crises – and their symbolic position as embodying the "1 percent" in the Occupy Wall Street Movement – we might expect to see the excesses of hedge funds curtailed in the crises' aftermaths. And yet, the industry has continued to grow stronger and ever more emboldened, encroaching into public affairs and even into the current war against diversity, equity, and inclusion in universities under the guise of academic integrity, led by "activist" investor Bill Ackman (Farrell 2024).

How did these private financial firms come to control so much power and might in the United States? Hedge funds pool large sums of money from wealthy people and large institutions (e.g., pensions, endowments, and sovereign wealth funds) to invest in the stock market. Average hedge fund pay falls in the top 1 percent of earners and firms run entirely by white men manage 97 percent of the industry's USD 4 trillion in investments (Preqin 2022; 2017; Barclays Global 2011; Kruppa 2018). These extremely high amounts of capital are possible because many hedge funds can bypass regulatory scrutiny, avoid taxes, and even undermine governments. I immersed myself in the world of hedge funds and conducted in-depth interviews with 48 workers and field observations at 13 workplaces and 22 industry events. My recent book, entitled *Hedged Out: Inequality and Insecurity on Wall Street* (University of California Press, 2022), presents an insider's look at the

Megan Tobias Neely is assistant professor in the Department of Organization at Copenhagen Business School and a faculty affiliate of Stanford University's VMware Women's Leadership Innovation Lab. She studies workplace and economic inequality through the lens of gender, race, and social class. Her current research investigates how social inequality influences access to capital in some of the wealthiest industries in the United States, including the hedge fund, venture capital, technology startup, and artificial intelligence spaces. Her recent book, *Hedged Out: Inequality and Insecurity on Wall Street* (University of California Press, 2022), presents an insider's look at the notoriously rich, powerful, and secretive US hedge fund industry. *Hedged Out* won the 2023 Alice Amsden Book Award of the Society for the Advancement of Socio-Economics. Her first book, with Ken-Hou Lin, *Divested: Inequality in the Age of Finance* (2020, Oxford University Press), demonstrates why widening inequality in the United States is inextricably tied to the rise of big finance. Her work has also been published in the *Annual Review of Sociology, Socio-Economic Review, American Behavioral Scientist, Qualitative Sociology, Sociology Compass,* and *Social Currents. mne.ioa@cbs.dk*

industry to explain why it has generated extreme wealth and why mostly white men benefit.

I argue that hedge funds' ability to profit and exacerbate economic crises is not their most pernicious effect: rather, these ongoing crises inherent to finance capitalism create insecurity in the everyday work of hedge fund elites that fosters solidarity that maintains and reproduces inequality (Neely 2018; 2022). In examining a less visible sphere of economic elites, I find an interconnected – and politically mobilized – financial elite that has forged solidarity in response to perceptions of uncertainty bred by ongoing economic crises. Like the "power elite" – the government, military, and corporate leaders – theorized by foundational scholar C. Wright Mills (1956), the financial elite have intertwining interests that contrast with recent characterizations of a fragmented, dog-eat-dog world of corporate power brokers (Mizruchi 2013). At hedge funds, factions and boundaries delineate who is included and excluded, tightly binding the ties among the select few: the financial elites.

Patrimonialism among hedge funds

A key to this solidarity lies in a system of patronage that organizes the industry. Max Weber (1922) theorized patrimonialism as a system of patronage in which the leader's authority rests on trust, loyalty, and tradition shored up by transactional processes. Crucially, Weber identified patrimonialism as a gendered and racialized system, grounded in paternal rule and tribal ties (refer also to Charrad 2001).

Indeed, though economic sociology has often omitted this fact (Reyes 2022), gender and race were both central to capitalism's origins (Alexander 2012; Robinson and Kelley 1983; Ferguson 2004; Fraser 2009; Lipsitz 1998). Julia Adams's (2007) work on the emergence of the early modern capitalist state in the Golden Dutch Age is a notable exception to that tendency, revealing that Dutch capitalism arose through literal patrimonialism. State builders and merchant capitalists were family patriarchs whose exchanges provided the basis for capital accumulation. In this transitionary period, Adams shows, paternal authority fostered a twin flourishing of bureaucracy and patrimonialism within an emerging capitalist economy.

At hedge funds, patrimonialism is how a select group of white men groom and transfer capital to other elite white men (Neely 2022; 2018). Throughout my fieldwork and interviews, people referred to hedge fund managers as "chiefs" or "kings." One man even specified, "I intentionally said 'king' because it's always a man." These monikers indicated the primacy of men as hedge fund managers, their foundational investment philosophies, and their ability to anoint heirs apparent and spawn hedge fund dynasties.

The chiefs and kings were not only gendered roles but racialized, too. Industry insiders described hedge funds as being like "fraternities," implying racial homogeneity (fraternities tend to be racially segregated with Black fraternities labeled as such and white fraternities unmarked). The racial connotation became even more apparent in references to firms spun off from larger institutions like investment banks. People sometimes referred to these firms, often predominantly white, as "tribes" to describe the practice of a successful investment manager who would leave to start a separate firm – often funded by money raised from the previous firm and investors – and brings along their entire team. As Weber (1922) theorized, a patrimonial "tribe" is often bound by race and a shared ethnic culture. The terms *king, chief,* and *tribe* reflect how social ties are racialized in this industry.

Industry insiders often cited the example of Julian Robertson of Tiger Management. Nicknamed the "Wizard of Wall Street," he converted his financial success in the 1980s into initial funding for an empire of more than 120 hedge funds managing more than USD 250 billion in assets today (Altshuller, Peta, and Jordan 2014). That the industry calls such early funding "seeding" or "seed capital" connotes fecundity and familial reproduction in the transfer of wealth – the initiation of a family line. Insiders refer to Robertson's constellation of firms as the "Tiger Cubs" and "Grand Cubs." With each generation, the Tigers in this shared lineage, with overlapping investment strategies and returns, become wealthier and wealthier, proudly policing the boundaries of those who belong and those who do not.

The significance of this lineage emerged in my interviews. When I asked Jay (all names are pseudonyms) about his own training, his response was instructive in that it turned immediately to the value of networks to pass along knowledge and know-how:

> The business is very collegial. It feels like a family almost. One thing I learned immediately is there is a very strong mentorship environment. It's very patrilineal. What I noticed is, for example, my boss came from this place and he had been taught by this guy … a very strong sense of that mentorship and master/apprentice type of relationship. … One generation teaches the next generation who teaches the next generation. There's a strong sense of loyalty, there's a strong sense of kinship and family. It really does feel like a family.

When a manager takes on a protégé, a standout employee on the front office investment team, they are

passing along an investment tradition the protégé will carry forward. This gift instills a sense of trust, loyalty, even kinship with the symbolic father-leader, whose status is socially and culturally, rather than biologically, determined (Adams 2007).

The exchange of protégé loyalty for a mentor's skills and insight may even be rewarded, down the line, with the mentor providing seed funding for the protégé to start their own fund. It was common among my interviewees who had founded a hedge fund to have investment backing from a prior mentor, either at a hedge fund or an investment bank. Brian exemplifies patrimonial access to capital from mentors, family, and ethnic ties. He founded a hedge fund in his mid-twenties. Despite claiming he "didn't have the contacts in finance," his "friends and family" round of early fundraising brought in USD 2 million from his previous mentor, a past girlfriend's father, his childhood religious community, his CEO father's friends, and a colleague's father and his poker friends – because they all thought he was "trustworthy." That initial "seed" quickly grew to USD 200 million in assets. Brian captures how initial investors are often located through familial, racial, ethnic, and religious ties, which reflect patrimonial structures enabled by a sense of trust and loyalty among families, friends, and colleagues. These patrimonial structures are predominantly organized around gendered and racialized relationships, such that the founders who are women and racial minority men are relatively rare among hedge funds.

A changing model of corporate governance

Patronage on Wall Street contradicts a central tenet of Weber's theory. Weber predicted that as states modernized, rational bureaucracy would *replace* patrimonialism, rather than flourish alongside it as Adams found even in the early Dutch capitalist state. And so, patronage in the financial industry presents a puzzle: it evokes the leisurely "old money" of the Gilded Age while simultaneously embodying contemporary finance capitalism. In the modern era, Weber theorized that legal-rational authority would replace patrimonialism with technological change. However, I find that both reinforce one another within finance capitalism. While finance is often portrayed as a hyper-competitive world, I find that these social ties and the bureaucratic apparatus underpinning them bind insiders together.

Patrimonialism privileges networks of trust and loyalty – social ties that provide certainty in an uncertain world, such as that brought about by repeated economic crises characteristic of finance capitalism. People perceiving a high-risk context believe that trust reduces uncertainty, and so, in financial services, where risk really is high, trust is a powerful currency. We also know that people are more likely to trust people like themselves with respect to race, class, and gender. So, as a form of social exclusion, the practice of hedging out others – those unlike "us" and therefore instinctively untrustworthy – helps to bond and create solidarity between those who are included in the inner circle, which hedge fund insiders often describe as akin to families, fraternities, and tribes. Grounded in paternal rule and tribal ties, patrimonialism is a gendered and racialized system. At hedge funds, patronage is how a select group of white men groom and transfer capital to other elite white men. Thus, the industry's white male domination and extremely high earnings are deeply intertwined.

Overall, Weber was right: bureaucracy did become the norm. In 1941, as the United States was poised to join World War II (two years into the fighting), American philosopher James Burnham (1972) controversially predicted the death of capitalism. Where Karl Marx thought socialism would prevail, Burnham instead anticipated a new era of bureaucracy in which executives, bureaucrats, technicians, and soldiers ruled together as a managerial class. Indeed, a new strain of midcentury literature would capture an emerging suburban life tethered to corporations through their managers. Journalist William Whyte's bestselling *The Organization Man* (1956), C. Wright Mills's *White Collar* (1951), and business professor Alfred Dupont Chandler's *The Visible Hand* (1977) seemed to confirm that bureaucratic corporations and their managers had taken over the United States.

The days of the "organization man," characteristic of managerial capitalism, were, however, numbered. By the century's end, corporations had transformed yet again. So too had the US economy. No longer did executives understand corporations as organizations that owed certain responsibilities to the workers who developed their products and profits. Commitment to workers proved a short-lived trend (one hard fought for by workers and unions), eroding just as women and racial minority men began to enter those workers' ranks in greater numbers. Thanks to investor demands – and concerted efforts to hamstring labor unions (Rosenfeld 2014) – both public and private firms have restructured, downsized, digitized, and outsourced labor, removing many of those managers (Davis 2009; DiMaggio 2001; Boltanski and Chiapello 2007). For many workers, working conditions have deteriorated and employment has become insecure, which has created more uneven working conditions and growing inequality (Kalleberg 2011).

With this transition, the corporation's primary function has become distributing value to shareholders (in the form of stock dividends) rather than developing a product for consumers. Advocates of the "lean and mean" firm, stripped of middle managers and bureaucratic red tape, believe it empowers workers to better innovate, adapt, and communicate (Anderson and Brown 2010; Borgatti and Foster 2003). Meanwhile, feminist scholars such as Rosabeth Moss Kanter (1977), Kathy Ferguson (1984), and Joan Acker (1990) have long theorized how organizational bureaucracy works as a tool of men's domination. More horizontal organizational structures and egalitarian decision-making, they argue, can more evenly distribute power among members (even if it does not fully alleviate gender inequality). But the parallel capitalist trend to delayer companies, which importantly did *not* democratize decision-making or power, happened at the same time that women made inroads into mid-level management (Cohen, Huffman, and Knauer 2009). Not coincidentally, the very jobs that are downsized and eliminated in the name of removing bureaucracy and flattening hierarchy are jobs gender-typed as women's work: human resources, personnel management, project management, and administrative roles (Kalev 2014; Williams 2021).

The existence of patrimonialism within finance capitalism

Wall Street has pioneered this system of profit seeking without power sharing. And with it, patrimonialism has persisted, not disappeared or been relegated to the Global South and sidelined to criminal activities as some have suggested (Collins 2011; for an overview, refer to Charrad and Adams 2011). Financial expansion and the inequality it creates instead lend credence to the existence of patrimonialism within capitalism. Piketty (2014), evidencing the system's persistence, cites the intense concentration of privately owned capital. Privatizing public wealth and deregulating financial markets has led autonomous and highly profitable firms, like hedge funds, to proliferate (Lachmann 2011).

These private enterprises amass wealth within a corner of capitalism made possible by rational bureaucracy. The loopholes and legal exceptions privileging hedge funds with lower capital gains taxes, fewer regulatory restrictions, and access to offshore bank accounts are not afforded to many other financial institutions (Ogle 2017). Contract law, property rights, and trusts enable elites to turn an asset, such as a company stock, into enduring financial advantage (Pistor 2019). Like the family offices studied by anthropologist Luna Glucksberg, this amassing of rights and wealth within private enterprise allows elites to enact patronage in the shadow of the finance system's bureaucracy (Glucksberg and Burrows 2016; Erdmann and Engel 2007). In other words, contrary to the neoliberal tenets of promoting unfettered competition and reducing government interventions, the state grants protections that allow firms to monopolize assets in ways that minimize the competition.

On Wall Street, the retreat from bureaucracy stems from intertwining markets and social forces. Bureaucracy, associated with middle management and administration (devalued, feminine-typed jobs), is treated as tedious, stifling, and old-fashioned, compared to the masculine-typed ways of doing business: working to cost-cut, outsource, downsize, streamline, and deregulate. Because the average hedge fund only lasts five years, workers understand their job precarity and plan to switch firms every few years (Preqin 2017). They endeavor to manage this uncertainty by building and leveraging social capital. That means their social networks guide investment decisions and drive market trends, accelerating the rapid stock market jumps and drops that create instability (Godechot 2016; MacKenzie 2003). In response, hedge fund managers strive to build lean and nimble firms, adaptable to the unstable terrain (a trend that is occurring in politics and technology, too). White men's social capital secures their claim to corner offices, further solidifying the power of their capital relative to others. That is, the relationships that allow white men to forge ties with each other to manage precarity and secure class advantage are not as readily available to women or racial minority men (Turco 2010; Roth 2006; Ho 2009).

How crisis and instability breed patrimonialism

How did bureaucracy become the force of inefficiency and patrimonialism the salvation? I find that financial deregulation and the market instability it creates (Galbraith 2012) appear to foster patrimonialism. That is because, as Charles Tilly (2001) notes, uncertainty leads people to rely more on trust and reputation in decisions regarding whom they should do business with. We "close" our networks, turning to traditional forms of social organization like family, religious, and ethnic communities tightly infused with trust (Cook 2001; Kollock 1994; Podolny 1994). Indeed, in insecure contexts, family-run firms handle relations with workers more effectively (Mueller and Philippon 2011). On the one hand, for elites staving off potential instability, patrimonialism closes certain networks in ways that concentrate rewards in trust-based circles. On the other, these same investment networks simultaneously

open other social channels to fuel capital flows around the globe to exploit risky markets (Hoang 2018).

All this helps to explain the dominance of elite white men, in the financial sector and beyond. A central bond in patrimonialism, trust is the thread weaving the fabric together. When facing uncertainty, people turn to the most readily available frames to make sense of the situation, as Cecilia Ridgeway (2011) and Shelley Correll and her colleagues (2017) demonstrate: social statuses including gender, race, and class conjure deeply ingrained beliefs about innate qualities, characteristics, and propensities. Because these provide a shorthand for which people we see as "like us," Lauren Rivera (2015) argues, people are most likely to give opportunities to "people like us." As my interviewee Jay said, "As you get older, wiser, more experienced, you seek somebody that reminds you of you, who has that same ambition, that same passion, that same drive. And you teach them all that you know." Social statuses – the obvious and taken-for-granted ways that people make divisions and boundaries around who to include or exclude – become proxies for who is trustworthy or who is passionate or who "fits" in (Smith 2010; Gambetta and Hamill 2005; Rivera 2015). These interactions become patterned, forming the building blocks of white supremacy and gender inequality as social institutions (Lipsitz 1998; Ray 2019; Martin 2004).

Economic sociologists have long established the significance of trust in structuring market activity (Fligstein 2001; Abolafia 2001). In a deeply stratified and finance-driven society, elites build trust networks that provide access to credit, while the middle and working classes take on debt to subsidize stagnant wages. Racism and sexism in lending, such as for home loans and consumer credit, is the predictable organizational outcome of parsimonious distributions of trust and loyalty (Lapavitsas 2006; Rugh and Massey 2010; Lyons-Padilla et al. 2019; Bielby 2012). The poor are routinely denied such access to credit, having been stereotyped as "untrustworthy" by elite lenders (Lin and Neely 2020). This, too, helps to explain why finance has widened economic inequality over the past forty years and why capitalism is a gendered and racialized system (Bessière and Gollac 2023; Robinson and Kelley 1983), as evidenced by the terminology of frontier and emerging markets (Hoang 2022) and the might of Chinese sovereign wealth funds (Liu 2023).

Implications for democracy and the economy

What happens in the hedge fund industry has enormous implications for global economies and governments. There is substantial overlap between government officials and Wall Street insiders, which allows the financial sector to expand its political might (Hacker and Pierson 2010; Lin and Neely 2020). After Ben Bernanke completed his second term as chairman of the Federal Reserve, he was appointed senior advisor to USD 25 billion hedge fund Citadel (Sorkin and Stevenson 2015). Bernanke's predecessor, Alan Greenspan, consulted with a number of hedge funds as well. And after leaving the White House, Barack Obama's chief of staff, Bill Daley, joined a hedge fund, too (Alden 2014). The pipeline goes both ways. More recently, Robert Mercer, hedge fund manager of the USD 65 billion Renaissance Technologies, invested millions in Donald Trump's presidential campaign and in Bannon's Breitbart News (Mayer 2017). Under Trump, hedge fund founder Anthony Scaramucci briefly served as communications director in 2017, and chief of staff Mark Mulvaney launched a hedge fund in 2020 that invests based on his regulatory expertise (Meyer, Guida, and Toosi 2020).

I even specifically noted in my fieldwork that, at a hedge fund industry conference during the 2014 midterm elections, the keynote speakers were notable financial lobbyists working in Washington, DC. The audience around me was chock-full of billionaires whose firms boasted political lobbying arms – one was, at the time, the wealthiest person in New York City. The revolving door between finance and the state swings smoothly, ensuring that the former increases political power and influence alongside pecuniary rewards.

As Wall Street networks overlap with worldwide political systems too, collapsing currencies and economies, what happens on the trading desks at hedge funds and in their activities after hours affects economies and governments. As flashy media stories focus on individual cases of illegal activity, like insider trading and drug use, we hear little about the very real, global impacts of the industry's encroachment on government power, which chips away at a functioning democracy. A prime example is when hedge fund creditors led by billionaire Paul Singer of Elliott Management mobilized legal interventions to reclaim USD 100 billion of bonds lost in the 2001 Argentine default (Merle 2016). Singer targeted its government assets, foreign exchange reserves, and prominent politicians' personal assets. He even seized an Argentine naval vessel in 2012, holding it as collateral for the sovereign debt. When the US Supreme Court ruled in favor of the credit holders, prompting a second Argentine default, the Argentine president, Cristina Fernández de Kirchner, called the hedge funds extortionists guilty of "financial and economic terrorism" (Barron 2019). The entitlement, control, and power of the elites who so frequently straddle the boundary be-

tween Wall Street and Washington is a threat to democracy.

Carved out by a confluence of regulatory and tax conditions, the niche in which hedge fund workers – predominantly elite white men – thrive is carefully surrounded by a thick, protective hedge against the incursion of "others." What makes this system so pernicious is the fact that white men's privilege is not only self-sustaining but also accelerating over time as its beneficiaries concentrate power and resources. Patrimonialism may characterize elites beyond Wall Street, including those helming large and powerful organizations such as Apple, Exxon, UnitedHealthcare, Harvard University, and the Oval Office.

Wall Street's high-risk, high-reward culture is insufficient explanation for its astronomical incomes and leadership of prevailingly upper-class, white men. Instead, the patrimonial structure organized around weathering risk restricts access to the rewards of financialization, and this is a response to the risk and uncertainty that characterizes contemporary financial markets riddled with ongoing crisis. The patrimonial system, which rests on certain brands of white masculinity and moneyed networks, gives white, upper-class men a fast-track pipeline to the top of the hedge fund world. The resulting environment breeds favoritism, exclusion, and even authoritarianism, ensuring that inequality persists and is protected at the highest levels.

In the book, I argue that the implicit social hierarchies arising from networks built on trust and loyalty in hedge funds facilitate and legitimize the exceedingly high pay that exacerbates income and wealth inequality. In this light, it is little wonder that the top 1 percent is predominantly white men (Yavorsky et al. 2019; Manduca 2018). The fortitude of patrimonial structures, like those on Wall Street, maintains this select group's claim to resources and further entrenches inequality among future generations. Moreover, patrimonialism is indicative of how elites are empowered by the rising conditions of American insecurity brought about by the crises of finance capitalism.

References

Abolafia, Mitchel Y. 2001. *Making Markets: Opportunism and Restraint on Wall Street*. Cambridge, MA: Harvard University Press.

Acker, Joan. 1990. "Hierarchies, Jobs, Bodies: A Theory of Gendered Organizations." *Gender and Society* 4 (2): 139–58.

Adams, Julia. 2007. *The Familial State: Ruling Families and Merchant Capitalism in Early Modern Europe*. Ithaca: Cornell University Press.

Alden, William. 2014. "Daley, Former White House Chief of Staff, Joins Hedge Fund." *New York Times*, April 24, 2014, sec. Business Day. https://dealbook.nytimes.com/2014/04/24/daley-former-white-house-chief-of-staff-joins-hedge-fund/

Alexander, Michelle. 2012. *The New Jim Crow: Mass Incarceration in the Age of Colorblindness*. New York: The New Press.

Altshuller, Stan, Joe Peta, and Christopher Jordan. 2014. "Like Tiger, Like Cub: The Progeny of Julian Robertson Leave Tracks in the Master's Footprints." *Novus Research*, April 2014.

Anderson, Cameron, and Courtney Brown. 2010. "The Functions and Dysfunctions of Hierarchy." *Research in Organizational Behavior* 30: 55–89.

Barclays Global. 2011. *Affirmative Investing: Women and Minority Owned Hedge Funds.* Boston: Capital Solutions Group.

Barron, Jesse. 2019. "The Curious Case of Aurelius Capital v. Puerto Rico." *The New York Times*, November 26, 2019, sec. Magazine. https://www.nytimes.com/2019/11/26/magazine/aurelius-capital-v-puerto-rico.html

Bessière, Céline, and Sibylle Gollac. 2023. *The Gender of Capital: How Families Perpetuate Wealth Inequality*. Cambridge, MA: Harvard University Press.

Bielby, William. 2012. "Minority Vulnerability in Privileged Occupations." *The ANNALS of the American Academy of Political and Social Science* 639 (1): 13–32.

Boltanski, Luc, and Ève Chiapello. 2007. *The New Spirit of Capitalism*. Translated by Gregory Elliott. London: Verso.

Borgatti, Stephen, and Pacey Foster. 2003. "The Network Paradigm in Organizational Research: A Review and Typology." *Journal of Management* 29 (6): 991–1013.

Burnham, James. 1972. *The Managerial Revolution: What Is Happening in the World*. Westport, CN: Praeger.

Chandler, Alfred D. 1977. *The Visible Hand: The Managerial Revolution in American Business*. Cambridge, MA: Harvard University Press.

Charrad, Mounira. 2001. *States and Women's Rights: The Making of Postcolonial Tunisia, Algeria, and Morocco*. Berkeley, CA: University of California Press.

Charrad, Mounira M., and Julia Adams. 2011. "Patrimonialism, Past and Present." *The ANNALS of the American Academy of Political and Social Science* 636(1):6–15.

Cohan, William D. 2020. "Who's Profiting from the Coronavirus Crisis?" *The New York Times*, April 29, 2020, sec. Opinion. https://www.nytimes.com/2020/04/29/opinion/coronavirus-hedge-funds.html

Cohen, Philip N., Matt L. Huffman, and Stefanie Knauer. 2009. "Stalled Progress? Gender Segregation and Wage Inequality Among Managers, 1980–2000." *Work and Occupations* 36 (4): 318–42.

Collins, Randall. 2011. "Patrimonial Alliances and Failures of State Penetration: A Historical Dynamic of Crime, Corruption, Gangs, and Mafias." *The ANNALS of the American Academy of Political and Social Science* 636 (1): 16–31.

Connell, Raewyn W. 2005. *Masculinities*. 2nd ed. Berkeley: University of California Press.

Connell, Raewyn W. 2019. *The Good University: What Universities Actually Do and Why It's Time for Radical Change*. London: Zed Books.

Cook, Karen S. 2001. *Trust in Society*. New York: Russell Sage Foundation.

Correll, Shelley, Cecilia Ridgeway, Ezra Zuckerman, Sharon Jank, Sara Jordan-Bloch, and Sandra Nakagawa. 2017. "It's the Conventional Thought That Counts: How Third-Order Inference Produces Status Advantage." *American Sociological Review* 82 (2): 297–327.

Davis, Gerald. 2009. *Managed by the Markets: How Finance Re-Shaped America*. Oxford: Oxford University Press.

DiMaggio, Paul. 2001. *The Twenty-First-Century Firm: Changing Economic Organization in International Perspective*. Princeton: Princeton University Press.

Enloe, Cynthia. 2013. *Seriously!: Investigating Crashes and Crises as If Women Mattered*. Berkeley: University of California Press.

Erdmann, Gero, and Ulf Engel. 2007. "Neopatrimonialism Reconsidered: Critical Review and Elaboration of an Elusive Concept." *Commonwealth & Comparative Politics* 45 (1): 95–119.

Farrell, Maureen. 2024. "Famously Obstinate, Bill Ackman Is Now Real-Life Famous: What Next?" *The New York Times*, March 24, 2024, sec. Business. https://www.nytimes.com/2024/03/24/business/bill-ackman.html

Ferguson, Kathy. 1984. *Feminist Case Against Bureaucracy*. Philadelphia: Temple University Press.

Ferguson, Roderick A. 2004. *Aberrations in Black: Toward a Queer of Color Critique*. Minneapolis: University of Minnesota Press.

Fligstein, Neil. 2001. *The Architecture of Markets: An Economic Sociology of Twenty-First-Century Capitalist Societies*. Princeton: Princeton University Press.

Fraser, Nancy. 2009. "Feminism, Capitalism and the Cunning of History." *New Left Review*, no. 56: 97–117.

Galbraith, James K. 2012. *Inequality and Instability: A Study of the World Economy Just before the Great Crisis*. New York: Oxford University Press.

Gambetta, Diego, and Heather Hamill. 2005. *Streetwise: How Taxi Drivers Establish Customer's Trustworthiness*. New York: Russell Sage Foundation.

Glucksberg, Luna, and Roger Burrows. 2016. "Family Offices and the Contemporary Infrastructures of Dynastic Wealth." *Sociologica* 2 (May). http://www.rivisteweb.it/doi/10.2383/85289

Godechot, Olivier. 2016. *The Working Rich: Wages, Bonuses and Appropriation of Profit in the Financial Industry*. London: Taylor & Francis Group.

Grusky, David, Bruce Western, and Christopher Wimer. 2011. *The Great Recession*. New York: Russell Sage Foundation.

Hacker, Jacob S., and Paul Pierson. 2010. "Winner-Take-All Politics: Public Policy, Political Organization, and the Precipitous Rise of Top Incomes in the United States." *Politics & Society* 38 (2): 152–204.

Ho, Karen. 2009. *Liquidated: An Ethnography of Wall Street*. Durham, NC: Duke University Press.

Hoang, Kimberly Kay. 2018. "Risky Investments: How Local and Foreign Investors Finesse Corruption-Rife Emerging Markets." *American Sociological Review* 83 (4): 657–85.

Hoang, Kimberly Kay. 2022. *Spiderweb Capitalism: How Global Elites Exploit Frontier Markets*. Princeton: Princeton University Press.

International Monetary Fund (IMF). 2014. *Global Financial Stability Report: Risk Taking, Liquidity, and Shadow Banking Curbing Excess while Promoting Growth*. Washington, DC: IMF.

Kalev, Alexandra. 2014. "How You Downsize Is Who You Downsize: Biased Formalization, Accountability, and Managerial Diversity." *American Sociological Review* 79 (1): 109–35.

Kalleberg, Arne. 2011. *Good Jobs, Bad Jobs: The Rise of Polarized and Precarious Employment Systems in the United States, 1970s to 2000s*. New York: Russell Sage Foundation.

Kanter, Rosabeth Moss. 1977. *Men and Women of the Corporation*. New York: Basic Books.

Kollock, Peter. 1994. "The Emergence of Exchange Structures: An Experimental Study of Uncertainty, Commitment, and Trust." *American Journal of Sociology* 100 (2): 313–45.

Kruppa, Miles. 2018. "The 'David' Problem." *Absolute Return*, September 7, 2018.

Lachmann, Richard. 2011. "Coda: American Patrimonialism: The Return of the Repressed." *The ANNALS of the American Academy of Political and Social Science* 636 (1): 204–30.

Lapavitsas, Costas. 2006. "Relations of Power and Trust in Contemporary Finance." *Historical Materialism* 14 (1): 129–54.

Lewis, Michael. 2011. *The Big Short: Inside the Doomsday Machine*. New York: Norton.

Lin, Ken-Hou, and Megan Tobias Neely. 2020. *Divested: Inequality in the Age of Finance*. Oxford: Oxford University Press.

Lipsitz, George. 1998. *The Possessive Investment in Whiteness: How White People Profit from Identity Politics*. Philadelphia: Temple University Press.

Liu, Zongyuan Zoe. 2023. *Sovereign Funds: How the Communist Party of China Finances Its Global Ambitions*. Cambridge, MA: Belknap Press.

Lyons-Padilla, Sarah, Hazel Rose Markus, Ashby Monk, Sid Radhakrishna, Radhika Shah, Norris A. "Daryn" Dodson, and Jennifer L. Eberhardt. 2019. "Race Influences Professional Investors' Financial Judgments." *Proceedings of the National Academy of Sciences* 116 (35): 17225–30.

Lysandrou, Photis. 2011. "The Primacy of Hedge Funds in the Subprime Crisis." *Journal of Post Keynesian Economics* 34 (2): 225–54.

MacKenzie, Donald. 2003. "Long-Term Capital Management and the Sociology of Arbitrage." *Economy and Society* 32 (3): 349–80.

Manduca, Robert. 2018. "Income Inequality and the Persistence of Racial Economic Disparities." *Sociological Science* 5: 182–205.

Martin, Patricia Yancey. 2004. "Gender as Social Institution." *Social Forces* 82 (4): 1249–73.

Mayer, Jane. 2017. "The Reclusive Hedge-Fund Tycoon behind the Trump Presidency." *The New Yorker*, March 27, 2017. https://www.newyorker.com/magazine/2017/03/27/the-reclusive-hedge-fund-tycoon-behind-the-trump-presidency

Merle, Renae. 2016. "How One Hedge Fund Made $2 Billion from Argentina's Economic Collapse." *Washington Post*, March 29, 2016. https://www.washingtonpost.com/news/business/wp/2016/03/29/how-one-hedge-fund-made-2-billion-from-argentinas-economic-collapse/

Meyer, Theodoric, Victoria Guida, and Nahal Toosi. 2020. "Mick Mulvaney's New Side Gig: A Hedge Fund Betting on D.C." *Politico*, August 28, 2020. https://www.politico.com/news/2020/08/28/mick-mulvaney-hedge-fund-404643

Mills, C. Wright. 1951. *White Collar: The American Middle Classes*. New York: Oxford University Press.

Mills, C. Wright. 1956. *The Power Elite*. Oxford: Oxford University Press.

Mizruchi, Mark S. 2013. *The Fracturing of the American Corporate Elite*. Cambridge, MA: Harvard University Press.

Mueller, Holger M., and Thomas Philippon. 2011. "Family Firms and Labor Relations." *American Economic Journal: Macroeconomics* 3 (2): 218–45.

Neely, Megan Tobias. 2018. "Fit to Be King: How Patrimonialism on Wall Street Leads to Inequality." *Socio-Economic Review* 16 (2): 365–85.

Neely, Megan Tobias. 2022. *Hedged Out: Inequality and Insecurity on Wall Street*. Berkeley: University of California Press.

Neely, Megan Tobias, and Donna Carmichael. 2021. "Profiting on Crisis: How Predatory Financial Investors Have Worsened Inequality in the Coronavirus Crisis." *American Behavioral Scientist* 65 (12): 1649–70.

Ogle, Vanessa. 2017. "Archipelago Capitalism: Tax Havens, Offshore Money, and the State, 1950s–1970s." *The American Historical Review* 122 (5): 1431–58.

Piketty, Thomas. 2014. *Capital in the Twenty-First Century*. Cambridge, MA: Belknap Press.

Pistor, Katharina. 2019. *The Code of Capital: How the Law Creates Wealth and Inequality*. Princeton: Princeton University Press.

Podolny, Joel M. 1994. "Market Uncertainty and the Social Character of Economic Exchange." *Administrative Science Quarterly* 39 (3): 458–83.

Preqin. 2017. "Private Capital Compensation and Employment Review." New York: Preqin, Ltd.

Preqin. 2022. "Global Hedge Fund Report." New York: Preqin, Ltd.

Ray, Victor. 2019. "A Theory of Racialized Organizations." *American Sociological Review* 28 (1): 26–53.

Reyes, Victoria. 2022. "For a Du Boisian Economic Sociology." *Sociology Compass* 16 (5), 1–14, published online March 24, 2022.

Ridgeway, Cecilia L. 2011. *Framed by Gender: How Gender Inequality Persists in the Modern World*. Oxford: Oxford University Press.

Rivera, Lauren. 2015. *Pedigree: How Elite Students Get Elite Jobs*. Princeton: Princeton University Press.

Robinson, Cedric J., and Robin D. G. Kelley. 1983. *Black Marxism: The Making of the Black Radical Tradition*. 2nd edition. Chapel Hill, NC: University of North Carolina Press.

Rosenfeld, Jake. 2014. *What Unions No Longer Do*. Cambridge, MA: Harvard University Press.

Roth, Louise Marie. 2006. *Selling Women Short: Gender and Money on Wall Street*. Princeton: Princeton University Press.

Rugh, Jacob S., and Douglas S. Massey. 2010. "Racial Segregation and the American Foreclosure Crisis." *American Sociological Review* 75 (5): 629–51.

Smith, Sandra. 2010. "Race and Trust." *Annual Review of Sociology* 36 (1): 453–75.

Sorkin, Andrew Ross, and Alexandra Stevenson. 2015. "Ben Bernanke Will Work with Citadel, a Hedge Fund, as an Adviser." *The New York Times*, April 16, 2015. http://www.nytimes.com/2015/04/16/business/ben-bernanke-will-work-with-citadel-a-hedge-fund-as-an-adviser.html

Tilly, Charles. 2001. "Welcome to the Seventeenth Century." In *The Twenty-First-Century Firm: Changing Economic Organization in International Perspective*, edited by Paul DiMaggio, 200–209. Princeton: Princeton University Press.

Turco, Catherine. 2010. "Cultural Foundations of Tokenism: Evidence from the Leveraged Buyout Industry." *American Sociological Review* 75 (6): 894–913.

Weber, Max. 1922. *The Theory of Social and Economic Organization*. Edited by Talcott Parsons. Mansfield Centre, CT: Martino Fine Books.

Whyte, William Hollingsworth. 1956. *The Organization Man*. Philadelphia: University of Pennsylvania Press.

Williams, Christine L. 2021. *Gaslighted: How the Oil and Gas Industry Shortchanges Women Scientists*. Berkeley: University of California Press.

Yavorsky, Jill, Lisa Keister, Yue Qian, and Michael Nau. 2019. "Women in the One Percent: Gender Dynamics in Top Income Positions." *American Sociological Review* 84 (1): 54–81.

Fiscal crises in the developing world: Zooming out and zooming in on Brazil's public finance history

Rodrigo Cantu

Fiscal crises are a central theme in the recent history of many emerging economies, as they are more vulnerable to budget distress than developed countries. From 1970 to 2015, emerging markets experienced more than twice as many fiscal crises as their wealthier counterparts (Gerling et al. 2017, 13). Of the scholarship dedicated to understanding this theme, mainstream economics has made commendable efforts. Perhaps the most notable of these are the works of Carmen Reinhart and Kenneth Rogoff (2009; 2010). They offered a long-term view of budget downturns through a cross-case large-n approach focused on the description of financial and fiscal crises and their relationship to economic growth. They showed that high levels of public debt led to lower growth. By now, many people are aware that, despite having constructed a prodigious dataset, these authors presented conclusions that contained academically embarrassing and politically insidious flaws (see Cassidy 2013). Given the level of attention it has received, their work is emblematic not only of the contributions of economics to the study of fiscal crises but also of some of its limitations. What if we are interested in the relationship of fiscal crises to issues other than economic growth, such as institutional change or political crises? What if we want a more in-depth look at some particular countries instead of a superficial cross-case overview? Suppose we want to understand the causes of fiscal crises. Should we be content with allusions, stating that countries with "weak institutional structures and a problematic political system" (Reinhart and Rogoff 2009, 21) are more prone to fiscal crises with external debt defaults? Sociology can offer fresh and more comprehensive perspectives on fiscal crises. What are their causes and consequences, not just from an economic standpoint but also from a sociopolitical one? In this brief text, I will explore how a small-n approach that seeks to intertwine its social and political dimensions can enrich our understanding of fiscal crises. I will use the fiscal history of Brazil as an illustration, as I am writing from Brazil and have more "descriptive leverage" regarding this case. This geographical positioning also partly defines the analytical proposal I present in this text. As Felipe González and Aldo Madariaga indicated in previous issues of this same publication, economic sociology in Latin America emerged in the 1980s as a micro approach that contrasts with the macro view of earlier *estructuralistas* traditions or center-periphery frameworks that thrived in the region. I seek to combine these two perspectives into an economic sociology of history or a historical sociology of economics, aiming to cross-fertilize different theoretical traditions.

Rodrigo Cantu is professor of sociology at the Federal University of Pelotas (UFPel) in Pelotas, Brazil. His research interests include economic sociology, historical sociology, social theory, and topics such as financialization and public finance. His current research project investigates the cleavages in the Brazilian business community between groups who embraced right-wing extremism after the Bolsonaro administration and groups who did not. *rodrigo.cantu@ufpel.edu.br*

Zooming out: Brazil's fiscal crises and the world's unequal development

Brazil has undergone several fiscal crises over its 200 years as an independent country (although perhaps fewer than some of its neighbors). Figure 1 shows two historical series: in gray, public revenue divided by GDP, which suggests the fiscal strength of the state, and in black, the fiscal balance (revenue – expenditure) divided by revenue, which serves as an indicator of the depth of deficits in specific conjunctures. Until 1870 there was a noticeable fiscal stability, broken only by three significant periods of fiscal crisis, which resulted from wars: independence (1822), civil wars during the Regency (1831–1840), and the War of the

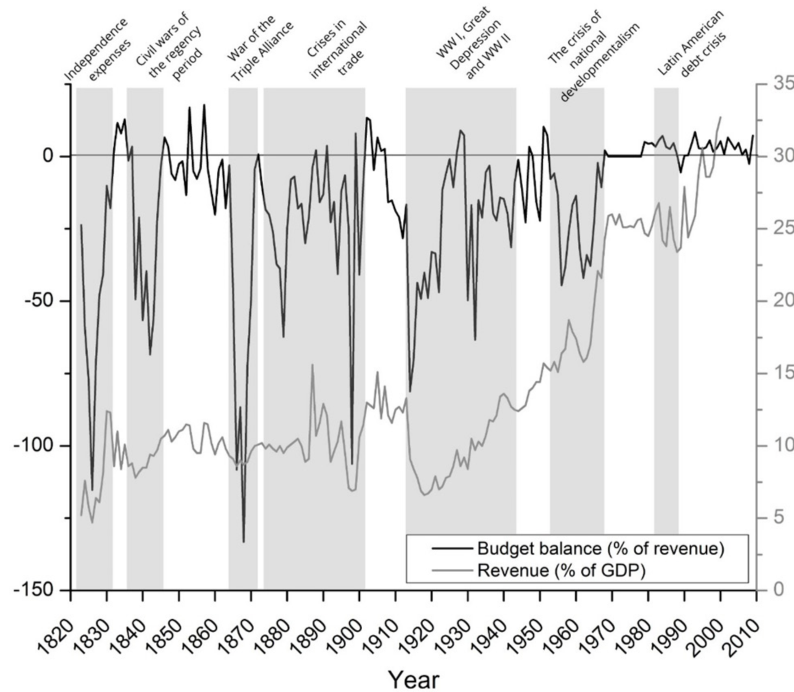


Figure 1. Public revenue divided (% of GDP) and fiscal balance (% of revenue) – Brazil, 1820–2010
Source: Author's calculations based on IBGE (1990, 2006) and Tombolo (2013)

Triple Alliance (1864–1870). There was no growth in revenue – in relative terms to GDP – as a consequence of the heavy fiscal pressures in these contexts. Accordingly, Miguel Ángel Centeno (2002) described the military history of Latin America in the 19th century as a history of blood and debt. A form of warfare less destructive and intense than that in European history resulted in slight state strengthening, increased external indebtedness, and the maintenance of exclusionary political structures. At this point, it is important to clarify for the reader that the Brazilian state has employed, since its foundation, the three basic methods of state financing: taxes, inflation, and debt. Although my focus is on the role of taxes and debt in the history of Brazilian public finances, inflation has often been a critical component of the transformations I will discuss.

With Brazil's increased integration in world trade, fiscal crises became more frequent from 1870 and fluctuations in international markets came to be their primary source. As a common characteristic among several Latin American countries, customs duties accounted for more than two-thirds of the Brazilian central government revenues during the 19th century (Carvalho 2010, 267). Thus, shocks such as the Long Depression of the 1870s and the crisis of 1890 hit not only the economy but also Brazil's public finances hard. World War I was another heavy blow to tax collection due to the halt in a considerable part of international trade. However, this crisis context also marked the beginning of essential transformations. The interruption of imports triggered a change in the productive structure – a spontaneous import substitution, prompting the local production of a range of goods that suddenly could no longer be obtained abroad. Thus, a slow transition of the revenue base began, which would be consolidated after World War II, from customs duties to internal taxes, including the creation of income tax. After a decline in absolute terms and relative to GDP, the level of public revenue began to increase consistently until reaching 15% of GDP after World War II. In summary, after a series of crises generated by fluctuations in international trade without effects on the structure and volume of revenue, the crises caused by the major conflicts of the 20th century (and the Great Depression of the 1930s) led to the unprecedented fiscal strengthening of the Brazilian state.

The fiscal situation deteriorated again in the second half of the 1950s and the first half of the 1960s. At the peak of the national-developmentalist period, with taxation predominantly affecting internal activities, fluctuations in external trade were no longer the central fiscal pressures. The enormous expenditures on public investment then became an important source of fiscal crisis. More broadly, it can be argued that the process of rapid late industrialization constituted a new cause of fiscal crises in Brazil. This scenario resembles that described in Skocpol's classic (1979), according to which states can financially ruin themselves

to catch up with more advanced countries in a context of uneven development. While this burst of economic development did not conclude with a catch-up with advanced capitalist countries, the resulting fiscal crisis again led to crucial changes. Nurtured for some time in the Brazilian expert debate, a series of ideas was incorporated into the 1967 tax reform, granted by the authoritarian government that ruled the country for more than 20 years (1964 to 1985). Not only was the entire tax system rationalized according to modern taxation principles but the value-added tax (ICMS, in its Portuguese acronym) was also created. It quickly became a vital source of revenue. As a result, revenue reached 25% of GDP in the early 1970s. At this point, Brazil deviated from most developing countries, where the tax burden rarely exceeds 15% of GDP.

From the 1970s onwards, the data on fiscal deficits (in black in Figure 1) ceases to be a reliable guide on fiscal crises. A law enacted in 1971 transferred responsibility for managing public debt from the Treasury department to the central bank, including in accounting terms. Consequently, all statistical records on debt servicing were removed from the fiscal budget, and the historical series on deficits only reflects what is currently termed the primary balance (excluding debt expenses). The law was repealed in 1986; however, from then on, accounting conventions were developed to distinguish between debt rollover and actual debt service payments. Alongside an ideological wave of increased attention to fiscal stability, the balanced budget result after 1986 is also attributable to the fact that a considerable portion of interest and amortization payments were made through the issuance of new debt (rollover) and thus recorded differently.

This flaw in the historical data should not overshadow the fact that, in the early 1980s, Brazil – along with several other countries in Latin America and Eastern Europe – experienced a severe fiscal crisis. The famous Latin American Debt Crisis originated from the sharp increase in US interest rates, which made unpayable the commitments of countries that had borrowed heavily in the 1970s. In Brazil, these loans were mainly taken out to finance a new wave of industrialization and infrastructure expansion in the latter half of the authoritarian government's rule (from 1975 onwards). Thus, this crisis can again be framed as a Skocpolian catch-up crisis. This time, the outcome of the debt crisis was also far-reaching. The authoritarian government fell, and the democratization process was consolidated by a new constitution in 1988, which guaranteed new and more extensive social rights. This new pressure from social spending caused revenue to rise to just over 30% of GDP. Even without tax reform, only with greater "fiscal voracity," the Brazilian state reached a tax burden similar to that of OECD countries throughout the 1990s. As the then secretary of the federal revenue service recalled, "It is important to bear in mind that what determines the tax burden is not the tax itself, but the spending."[1]

The 1990s saw Brazil swept into the tide of the neoliberal era, when the state, in Evans' (1995) terms, transitioned from its role as a demiurge, a producer and inducer of development, to a custodial role, regulating economic relations. Consequently, investment ceased to be a significant item in the public budget. Instead, the largest expenses of the central government became social spending and public debt service (predominantly domestic). It is also worth noting that – as in the rest of Latin America – taxation plays a considerably regressive role in Brazil (IPEA 2009; ECLAC 2022). In a context of social inequalities exacerbated by the public sector, this dual fiscal pressure defined a division that cuts across various social disputes in Brazil: on one side, groups and institutions that benefit significantly from domestic debt, and on the other, social groups that are beneficiaries (actual or potential) of social policies. Such division recalls O'Connor's (1973) accumulation versus legitimation cleavage, albeit with accumulation occurring in a very particular manner through public debt interest. During Dilma Rousseff's first term in office (2011–2014), a new attempt to implement industrial and development policies expanded investment spending. With fiscal pressure on three fronts (welfare, debt, and investment), the relative fiscal stability of previous decades turned into a sequence of annual deficits. Once again, the attempt to improve its position in an unequal world economy triggered a major fiscal crisis in Brazil.

As Figure 1 does not cover this more recent period, we can compare it to the developmentalist crisis of the 1950s and 1960s. Between 1956 and 1965, the average deficit was 30% of public revenue, while between 2015 and 2021 it was 34%[2] – a similar magnitude with equally disruptive potential. In 2016, President Dilma Rousseff was impeached, and there was a change in the government coalition – from center-left to center-right – without elections. An intense fiscal adjustment implemented in 2015 deepened the economic crisis. Subsequently, amidst a crisis of traditional political actors and parties, the rise of the far-right culminated in the election of Jair Bolsonaro in 2018. Finally, the Covid-19 pandemic exacerbated the deterioration of fiscal and economic conditions.

The history of Brazilian fiscal crises can prompt reflections on the relationship between crises and state transformation. A fruitful dialogue can be established, for example, with the thesis on the military origins of the modern state. Inspired by the notion of military

revolution (Roberts 1995; Parker 1996), Charles Tilly (1975; 1990; 1998) explored the various social and political dynamics unleashed by the strong fiscal pressure exerted by the increasingly costly military activity in Western Europe from the 16th century onwards. Focusing on Latin America, Miguel Ángel Centeno (2002) explored the alternative context where this type of existential crisis of political units did not strengthen state organization. War left only a legacy of destruction and financial fragility, with increasing indebtedness. However, how can we account for the Brazilian case, with a state revenue of over 30% of GDP and extensive (although often regressive) distributive and welfare schemes? The Brazilian state has strengthened considerably over the 20th century (both fiscally and administratively) and democratized – contrary to the historical fate of countries that did not undergo military processes similar to those in Europe.

A promising analytical approach to such a puzzle of historical and fiscal sociology can be formulated by conjecturing that other forms of fiscal pressure – coming about in different historical contexts – may also trigger fiscal strengthening.[3] In Brazil, fiscal crises originating from fluctuations in international trade did not provoke substantive fiscal changes in the late 19th and early 20th centuries. Such expenditure pressure does not seem to have an effect in the context of British liberal hegemony. Crises resulting from the two world wars and the Great Depression, although with similar causes to those at the end of the 19th century, prompted large-scale changes. It is the same crisis but in the different context of the dissolution of British hegemony and the US-led establishment of embedded liberalism (Ruggie 1982; Helleiner 2019). Thus, the Brazilian case suggests that fiscal crises in a peripheral country only promote state strengthening during a systemic crisis (Arrighi 1996) of the entire global capitalist accumulation regime.[4] In a system of states with rigid hierarchies, the suspension of institutional and ideological parameters during a systemic crisis can prompt vital changes in a nation's economic structure – which serves as the "infrastructure of taxation" in Gabriel Ardant's (1975) terms. It also opens up space for new ideas and experiments, which can ultimately succeed in transforming fiscal policy.

By the mid-20th century, Brazil had shifted towards a semi-peripheral role in the global economy, shedding its peripheral status. Correspondingly, its major fiscal crises since then no longer originate from exogenous shocks of downturns in central economies. Attempts to advance in the international hierarchy through the modernization of the country's productive regime then became the leading cause of major crises. Late industrialization – or late climbing up the ladder of global value chains – demands an enormous concentration of resources, comparable to wartime efforts.[5] Following Gerschenkron's (1962) proposal, this demand gave rise to the bank-based financial system in Germany and the predominant role of the state in Russian industrialization. Similarly, in Latin America, countries that underwent such processes suffered the fiscal consequences of them. In Brazil, this type of fiscal crisis during the American accumulation cycle caused two waves of revenue growth and state strengthening. The crisis, which – up to the moment of writing – has not yet come to an end, may result in comparable transformations.[6]

Zooming in: Fiscal crises and the eventfulness of fiscal regimes

Our perspective on fiscal crises so far allows an understanding of the general and long-term aspects of fiscal regimes. Indeed, it also deserves to be tested with evidence from other national experiences. However, it remains overly macro and structural. The ultimate reality of the social is also made of a micro dimension – resulting in a duality between action and structure, as in Giddens's (1984) familiar words. It is thus appropriate to introduce a complementary perspective based on events that reproduce or challenge the fiscal structures of the Brazilian state. In line with works that reinforce the importance of the eventful dimension in the social sciences (Suter and Hettling 2001; Sewell 2005; Dosse 2010), I will also indicate some elements for understanding the actions and ideas that comprised the critical moments of fiscal transformation in Brazil.

A significant juncture for reconstructing the origins of the current fiscal regime in Brazil is the outcome of the developmentalist crisis of the 1950s and early 1960s. The authoritarian government that took power after the 1964 coup d'état enacted a series of institutional reforms in the fiscal and economic spheres, many of which incorporated various prior debates from the 1960s. One of the fronts of these reforms was the establishment of the capital market and public debt. Until the mid-1960s, there was no domestic public debt market, as securities lacked standard value, yield, and maturity dates – and were often mandatory acquisitions. The capital market was incipient and unable to provide the funding companies needed. The creation of new and modern public debt securities was necessary for tax smoothing purposes as well as to reduce inflationary public spending and to foster the capital market.

In 1964, the Readjustable Bonds of the National Treasury (ORTN) were issued. Gradually becoming a

significant foundation of the capital market, these bonds presented a relatively innovative feature for the time: their remuneration was adjusted for inflation. Price increases had become recurrent since the previous decade, when industrialization "was here combined with a 'special institutional factor designed to increase the supply of capital,' namely inflation" (Hirschman 1968, 9). Thus, a bond that protected the investor from the risk of inflation was the solution implemented by the authoritarian government in power to create a public debt market. The monetary correction of the value of ORTNs was a clever bet. Experiences with this type of indexing were relatively scarce worldwide. According to the survey by Campbell and Shiller (1996), modern experiences of correcting the value of government bonds according to price indices that preceded the Brazilian one occurred in Finland (1945), Israel (1955), and Iceland (1955). Economic conditions differed significantly from those in Brazil. In all these cases, inflation was much lower, and except for Israel, the proportion of these adjustable rate bonds in the total debt was small.

The two oil shocks severely tested this somewhat experimental initiative in 1973 and 1979. Conceived as a temporary solution – while controlling inflation – the ORTNs became a permanent feature under these supply-side inflationary pressures. Uncertainties also led to the shortening of bond maturities and an increase in debt service due to higher inflation. Ultimately, short-term bonds with adjusted remuneration became crucial in crisis periods throughout the 1970s and 1980s for debt rollover and to avoid dollarization under high inflation. It was no different in 1986, when a monetary stabilization plan (*Plano Cruzado*) began to falter. In order to ensure debt rollover in a scenario of great uncertainty about future inflation, a new bond was issued: the Financial Treasury Notes (LFT in Portuguese) did not have their remuneration adjusted for inflation but rather to the Central Bank of Brazil's basic interest rate. As far as I am aware, such bonds were an innovation of Brazilian policymakers: another bet that, although very uncommon in other countries, remains Brazil's main instrument of public debt to this day. The format of this public bond is the subject of much debate, given the high interest rates in Brazil and, consequently, the disproportionate remuneration made possible by public debt.

This configuration formed by a consolidated capital market, high interest rates, and the predominance of domestic debt – led by LFTs – makes Brazil a unique case among emerging economies (see Figure 2). Economists influenced by the French regulation school and other heterodox currents point out that, in this framework, public debt is the primary driver of financialization in the Brazilian economy (Araújo, Bruno, and Pimentel 2012; Lavinas, Araújo, and Bruno 2019; Bresser-Pereira, de Paula, and Bruno 2020). Elsewhere in the world, this process often hinges on factors like private indebtedness, asset price inflation, and financial deregulation.

Two particular aspects of this framework deserve emphasis. First, the distortions caused in investment and private accumulation by public debt. The yields of this debt ensure substantial profits for the banking sector and prevent the development of a long-term private bank credit market. The productive sector has also been attracted to public debt to ensure profits. There are already well-known cases of companies earning significant gains from financial investments, alongside profits from their productive operations. In other words, the functioning of the economy is driven by the dynamics of financial assets, particularly the dynamics of public debt, while productive investment and job creation are sidelined. Second, the weight of debt remuneration is the main driver of public debt expansion. Based on the sources of budgetary imbalance, the uninterrupted growth trajectory of gross debt since the 1990s is not the result of a spendthrift state but of the pressure exerted by the debt itself. This pressure and the financialized nature of the economy are related to the sizable public debt adjusted by the basic interest rate (Selic).

The fiscal regime that emerged in Brazil from the debt crisis and its outcomes is characterized by tensions between social expenditure and domestic debt servicing.[7] Sociopolitical tensions involving public finances can be expressed in a variety of ways, including opposition between social and military spending (as in the US), pressure to reduce the welfare state

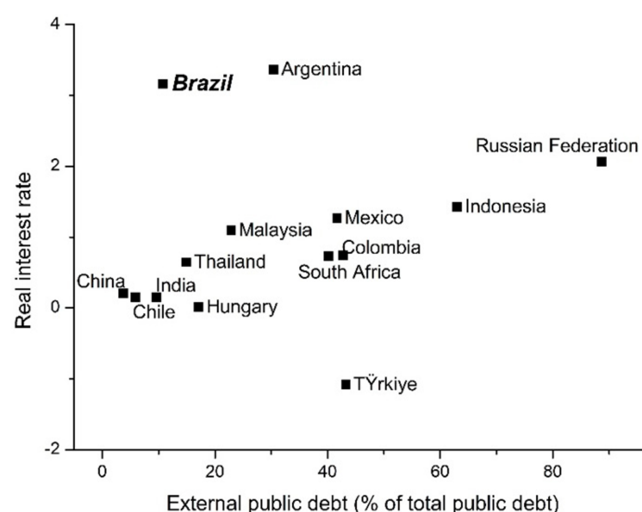


Figure 2. Real interest rate and external public debt – developing economies, mean 2011–2010
Source: IMF and UNCTAD

(as in Western Europe), and even the very construction of social policy (as in most less developed countries). The Brazilian situation differs from these cases, and also from its developing country peers, in its susceptibility not to external but to internal debt. The narrative of this section has sought to emphasize that, to understand the emergence of this regime, it is not enough to look at structural alignments. Especially the events at critical junctures cannot be ignored, as social actors experiment with solutions for a world where institutional frameworks and tools cease to function in these contexts of greater indeterminacy. Experimental initiatives and challenges that circumstances posed to their initial conceptions paved the road to the predominant role of debt at the crossroads between the cause of financialization and fiscal pressure. It is highly plausible to think that the decisions that created the instruments of modern Brazilian public debt could have been different, generating another regime and other political tensions.[8] Conceived in insulated technocratic circles (still authoritarian insulation in the 1960s), the ideas that fueled internal debates and the relationship of these groups with power still deserve to be better studied to complement the economic historiography of public finance with an economic historical sociology of institutional production.

Final remarks

Brazil is experiencing a critical juncture, conducive to reflection within a sociology of crises. During the "Great Brazilian Recession" from 2014 to 2016, the income contraction was the most severe of all crises ever faced by the country, and the recovery to pre-crisis income levels was the slowest (see CODACE 2017; Rossi and Mello 2017).[9] The Covid pandemic followed this feeble recovery. The impeachment of President Dilma Rousseff in 2016, a series of market-oriented institutional reforms implemented by the succeeding government (2016–2017), the downfall of several traditional parties in the 2018 election, and the rise to power of the far-right – with Jair Bolsonaro – are some of the political elements of this multidimensional crisis. The return of Luiz Inácio Lula da Silva to the presidency in 2023 marks a turning point, suggesting a return to an old institutional and political normality, which remains open-ended.

Within this turbulent context, the fiscal question has always been central and remains a dimension where the repercussions of the crisis are evident. In 2016, the sociopolitical dispute between social expenses and debt service was decided in favor of the latter, with the approval of a fiscal rule with a 20-year term that placed a ceiling on the growth of social expenditure. In 2023, the Lula government passed a new fiscal rule, which relaxes several of the limits on social spending set by the 2016 rule, giving new impetus to groups interested in maintaining and expanding social spending. Moreover, in early 2024, the National Congress approved the first significant tax reform in over 30 years. Although focused on reducing tax bureaucracy for the productive sector, it is a reform that suggests how moments of crisis can align perspectives and interests that were previously difficult to reconcile in order to produce institutional changes.

In this text, I suggest how an economic sociology of history, or a historical sociology of the economy, can shed light on various facets of fiscal crises beyond the narrow focus of mainstream economics. There is a long-term perspective on fiscal crises that allows us to understand them within the trajectory of a world-system. For Brazil, I posit the hypothesis that the deep origins of the country's crises after the mid-20th century are related to attempts to catch up in a global scenario of uneven development. Furthermore, I sought to demonstrate how this macro perspective can be combined with a focus on events in the formation of new fiscal regimes. The contemporary fiscal arrangement in Brazil is shaped by public debt instruments arising from decisions and events amid the crises of the 1950s and 1960s and the debt crisis in the 1980s. Specifically, the creation of inflation-linked public debt securities, which were initially intended as a one-off solution to the problem of building the public debt market, ultimately became a complex and influential factor in the formation of contemporary Brazil. They may have also played a role in amplifying subsequent fiscal crises. These efforts aim to encourage social scientists and economists to build new knowledge on this recurring phenomenon in the lives of developing countries.

Endnotes

1 In an interview on June 3, 2002, Everardo Maciel, who served as Secretary of the Federal Revenue Service from 1995 to 2002, appeared on the *Roda Viva* program on TV Cultura, one of Brazil's leading political interview programs.

2 Author's calculation based on data from the Brazilian Treasury department.

3 Examples of works that also explore this intuition can be found in Gil and Atria (2022) on the role of natural disasters and Limberg (2022) on the impact of financial crises for transformations on taxation and the state.

4 This was also the case in several other countries in South America. See Cantu, Honório, and Cuevas (2022).

5 An illustrative discussion can be found in Fraga (1986), which compares the costs of Latin American debt with European war reparations.
6 Thus far, there has been a considerable increase in social assistance transfers (between 2020 and 2023) and a tax reform to enhance efficiency and reduce tax bureaucracy for businesses (in 2024).
7 The weight of debt servicing on the state budget is a pressing issue not only for Brazil, but also for developing countries as a whole, as confirmed by the UNCTAD (2023) report *A World of Debt*. Nevertheless, the report primarily serves as a warning about the rising debt burden in developing countries over the past decade. In Brazil, this debt predicament has been particularly acute since the 1980s. While the ratio of net public debt interest payments to government revenue in developing countries recently peaked at an average of 6.9% in 2022, this figure has consistently been much higher in Brazil, with an average of 15% between 2010 and 2022.
8 A plausible counterfactual is that Brazil would follow Argentina's trajectory, where, during the high inflation experience of the 1980s, value references became dollarized, and external public debt continued to play a determining role in the economy and politics.
9 Rossi and Mello compare the GDP contraction in four major economic crises in Brazilian history: the 1930s, the 1980s, the Collor government in the early 1990s, and the 2015–2016 crisis. The cumulative GDP drop in this latest crisis reached 7%, surpassing the economic contraction in previous crises. Moreover, the recovery from the crisis was exceptionally sluggish. According to the historical GDP per capita series compiled by IPEA (http://ipeadata.gov.br/) for over a century, no prior crisis had a longer recovery period to reach the pre-crisis GDP per capita level. The Brazilian GDP per capita level in 2023 remains lower than the level attained in 2013 (IBRE-FGV 2024, 5).

References

Araújo, Eliane, Miguel Bruno, and Débora Pimentel. 2012. "Financialization against Industrialization: A Regulationnist Approach of the Brazilian Paradox." *Revue de la regulation. Capitalisme, institutions, pouvoirs* 40 (1), published online May 4, 2012, doi: 10.4000/regulation.9604.

Ardant, Gabriel. 1975. "Financial Policy and Economic Infrastructure of Modern States and Nations." In *The Formation of National States in Western Europe*, edited by Charles Tilly, 164–242. Princeton: Princeton University Press.

Arrighi, Giovanni. 1996. *The Long Twentieth Century: Money, Power, and the Origins of Our Times*. New York: Verso.

Bresser-Pereira, Luiz Carlos, Luiz Fernando de Paula, and Miguel Bruno. 2020. "Financialization, Coalition of Interests and Interest Rate in Brazil." *Revue de la régulation*. *Capitalisme, institutions, pouvoirs* 27 (1), published online June 30, 2020, doi: 10.4000/regulation.16636.

Campbell, John Y., and Robert J. Shiller. 1996. "A scorecard for indexed government debt". *NBER Macroeconomics Annual* 11: 155–208.

Cantu, Rodrigo, Kaline Honorio, and Benjamín Cuevas. 2022. "Crises, ciclos de acumulação e fortalecimento fiscal dos estados na América do Sul (1914–1950)." *Revista Brasileira de Sociologia* 10(24): 8–34.

Carvalho, José Murilo. 2010. *A Construção da ordem / Teatro de sombras*. Rio de Janeiro: Civilização Brasileira.

Cassidy, John. 2013. "The Reinhart and Rogoff Controversy: A Summing Up." *The New Yorker*, April 26. https://www.newyorker.com/news/john-cassidy/the-reinhart-and-rogoff-controversy-a-summing-up

Centeno, Miguel. 2002. *Blood and Debt: War and the Nation-State in Latin America*. University Park: Penn State University Press.

CODACE (Comitê de Datação de Ciclos Econômicos). 2017. *Comunicado de Datação de Ciclos Mensais Brasileiros*. IBRE/FGV, Rio de Janeiro, October 30. https://portalibre.fgv.br/sites/default/files/2020-03/comite-de-data_o-de-ciclos-econ_micos-comunicado-de-30_10_2017-_1_.pdf

Dosse, François 2010. *Renaissance de l'événement: un défi pour l'historien: entre sphinx et phénix*. Paris: Presses Universitaires de France.

ECLAC (Economic Commission for Latin America and the Caribbean). 2022. *Fiscal Panorama of Latin America and the Caribbean: Fiscal policy Challenges for Sustainable and Inclusive development*. Santiago de Chile: ECLAC. https://www.cepal.org/en/publications/48015-fiscal-panorama-latin-america-and-caribbean-2022-fiscal-policy-challenges

Fraga, Arminio. 1986. "German Reparations and Brazilian Debt: A Comparative Study." *Essays in International Finance* No. 163, Princeton University, Princeton.

Gerling, Kerstin, Paulo Medas, Tigran Poghosyan, Juan Farah-Yacoub, and Yizhi Xu. 2017. "Fiscal Crises." *IMF Working Paper* 17/86, International Monetary Fund, Washington, DC.

Gerschenkron, Alexander. 1962. *Economic Backwardness in Historical Perspective*. Cambridge, MA: Belknap Press.

Giddens, Anthony. 1984. *The constitution of society: Outline of the theory of structuration*. Cambridge: Polity.

Gil, Magdalena, and Jorge Atria. 2022. "Fiscal Aftershocks: Taxes and Catastrophes in Chilean History." *Revista de Historia Económica / Journal of Iberian and Latin American Economic History* 40 (2): 273–311.

Helleiner, Eric. 2019. "The Life and Times of Embedded Liberalism: Legacies and Innovations since Bretton Woods." *Review of International Political Economy* 26 (6): 1112–35.

Hirschman, Albert O. 1968. "The Political Economy of Import-Substituting Industrialization in Latin America." *The Quarterly Journal of Economics* 82 (1): 1–32.

IBGE (Brazilian Institute of Geography and Statistics). 1990. *Estatísticas históricas do Brasil*. Rio de Janeiro: IBGE.

IBGE (Brazilian Institute of Geography and Statistics). 2006. *Estatísticas do século XX*. Rio de Janeiro: IBGE.

IBRE-FGV (Instituto Brasileiro de Economia). 2024. *Monitor do PIB-FGV: Indicador mensual de dezembro de 2023*, Nr. 99. February 19, 2024. https://portalibre.fgv.br/system/files/2024-02/monitor-do-pib-fgv-fevereiro-de-2024-ref.-de-dezembro_0.pdf

IPEA (Instituto de Pesquisa Econômica Aplicada). 2009. *Receita pública: Quem paga e como se gasta no Brasil*. Comunicado da Presidência. Brasília: IPEA.

Lavinas, Lena, Eliane Araújo, and Miguel Bruno. 2019. "Brazil: From Eliticized-to Mass-Based Financialization." *Revue de la régulation. Capitalisme, institutions, pouvoirs* 25 (1), doi: 10.4000/regula tion.14491

Limberg, Julian. 2022. "Banking Crises and the Modern Tax State." *Socio-Economic Review* 20 (1): 29–54.

O'Connor, James. 1973. *The Fiscal Crisis of the State*. New Brunswick: Transaction Publishers.

Parker, Geoffrey. 1996. *The Military Revolution: Military Innovation and the Rise of the West, 1500–1800*. Cambridge: Cambridge University Press.

Reinhart, Carmen, and Kenneth Rogoff. 2009. *This Time Is Different: Eight Centuries of Financial Folly*. Princeton: Princeton University Press.

Reinhart, Carmen, and Kenneth Rogoff. 2010. "Growth in a Time of Debt." *American Economic Review* 100 (2): 573–78.

Roberts, Michael. (1956) 1995. "The Military Revolution, 1560–1660." In *The Military Revolution Debate: Readings on the Military Transformation of Early Modern Europe,* edited by Clifford J. Rogers. Boulder CO: Westview Press.

Rossi, Pedro, and Guilherme Mello. 2017. "Choque recessivo e a maior crise da história: A economia brasileira em marcha à ré." *Nota do CECON*, n. 1, Abril de 2017, Centro de Estudos de Conjuntura e Política Econômica – IE/UNICAMP, Campinas, Brazil.

Ruggie, John Gerard. 1982. "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order." *International Organization* 36 (2): 379–415.

Sewell, William. 2005. *Logics of history: Social theory and social transformation*. Chicago: University of Chicago Press.

Skocpol, Theda. 1979. *States and Social Revolutions: A Comparative Analysis of France, Russia and China*. Cambridge: Cambridge University Press.

Suter, Andreas, and Manfred Hettling, eds. 2001. *Struktur und Ereignis*. Göttingen: Vandenhoeck & Ruprecht.

Tilly, Charles, ed. 1975. *The Formation of National States in Western Europe*. Princeton: Princeton University Press.

Tilly, Charles. 1990. *Coercion, Capital, and European States, AD 990–1990*. Cambridge, MA: Basil Blackwell.

Tilly, Charles. 1998. "Where Do Rights Come From?" In *Democracy, Revolution, and History*, edited by Theda Skocpol, 55–72. New York: Cornell University Press.

Tombolo, G. 2013. "Brazilian GDP in the 19th and 20th Centuries: Two Hundred Years of Economic Cycles." Master's thesis, Universidade Federal do Paraná, Curitiba.

UNCTAD (United Nations Conference on Trade and Development). 2023. *A World of Debt*.
https://unctad.org/publication/world-of-debt

Coping with the crises in the periphery: The social and political costs of dollarization in Georgia

Ia Eradze

Dollarization and crisis

The US dollar has been an integral part of everyday life and political-economic order in Georgia for more than three decades. Thinking and planning in two currencies – the Georgian lari and the dollar – is common not only for local companies and the government but also for households. The dollar hegemony in Georgia is manifested in its high share in the currency composition of loans (45%) and deposits (51%), as well as in prices. From real estate companies to private tutors, prices are set and payments are made in US dollar, even though the only legal tender is the national currency, the lari.

The emergence of dollarization coincides with Georgian independence in 1991. The phenomenon was accepted as a norm for decades and not problematized by political and economic elites, civil society groups, or international organizations until the 2015 currency crisis. Drastic devaluation of the Georgian lari and protests by households who were indebted in foreign currency made the government and the central bank initiate de-dollarization policies in 2017–2018. Even though the dollarization rate has been decreasing since then, the phenomenon remains an important political-economic challenge for Georgia. A more recent crisis – Covid-19 – demonstrated a broader palette of risks linked to dollarization: vulnerability of the whole economy to exchange rate fluctuations during a recession, exchange rate-inflation pass-through, and limited space for fiscal and monetary policies. Both crises uncovered the materiality of dollarization risks and displayed underlying power relations on the local and global levels. This paper unfolds the socioeconomic and political implications of foreign currency domination in the periphery and untangles related power tensions during the two crises.

Asymmetrical relations between the countries in the core and the periphery are inherent to the phenomenon of dollarization. The very fact that sovereign states with their own national currencies use dollar instead of their own currency underlines the global currency hierarchy (Strange 1971; Priewe and Herr 2005; Helleiner 2008; Cohen 2011). Crisis unfolds and exacerbates these asymmetries even further. However, it also has the potential to politicize what had before been considered a natural phenomenon. Therefore, it serves as a good vantage point to observe and study subordination and power tensions in the periphery.

Financial dollarization is a worldwide phenomenon with a long history. It refers to the replacement of national currency functions by another currency (very often, but not only, US dollar). Dollarization can be official or unofficial, but the latter is more common, as most dollarized countries have their own national currencies (Levy-Yeyati 2006, 63–64). Dollarization is commonly measured in terms of deposit and loan dollarization, yet foreign and government debt dollarization, as well as price dollarization, can also be important indicators.

Georgia is an example of an unofficially dollarized economy. The Soviet ruble remained as a currency in Georgia after 1991 independence, as it did in most former Soviet states. In 1992, Russia stopped providing Georgia with ruble banknotes due to the inflationary process in the ruble zone and the decision to replace the Soviet ruble with the Russian ruble, among other reasons. Consequently, the Georgian

Ia Eradze is a political economist with a PhD in social and economic sciences from the University of Kassel. She is currently an associate professor at the Georgian Institute for Public Affairs (GIPA) and a researcher at Ilia State University. Eradze was a junior fellow at the Leibniz Centre for Contemporary History, Potsdam (ZZF), after finishing her PhD. She was also a visiting scholar at Harvard University, Trinity College, Sciences Po, and the University of Vienna. Her monograph, *Unravelling Dollarization Persistence: The Case of Georgia*, was published by Routledge in 2023. Her research interests are finance in post-socialist states, currency hierarchy, central banking in peripheral states, crypto currencies, financialization, and state theory. *i.eradze@gipa.ge*

government and the central bank issued a temporary currency coupon and postponed the introduction of the national currency due to the ongoing political-economic chaos in the country and the lack of financial means for such a reform. Despite its attempts, Russia failed to establish a common currency zone in the post-Soviet space. Former Soviet states gradually introduced their own national currencies (Eradze 2023a, 75–79). Georgia issued the lari as its national currency in 1995, in the aftermath of the 1993–1994 hyperinflation of, with the financial assistance of the International Monetary Fund (IMF). However, the Georgian economy was already highly dollarized before the introduction of the lari. While the Russian ruble was mostly used for smaller transactions, the dollar was used for bigger transactions and savings (Kakulia 2008, 182; Khaduri 2005, 30). The level of dollarization was 67% in 1994 (de Nicolo, Honohan, and Ize 2003, 33). Even though the lari's introduction encouraged de-dollarization, the Russian financial crisis of 1998 had negative impacts on the Georgian economy, as well as on the lari exchange rate (see Kakulia 2008). The level of deposit dollarization almost doubled from 1998 to 1999, reaching 80% (Kakulia and Aslamazishvili 2000, 23).

Dollarization remained high in Georgia after the 2003 Rose Revolution. If dollarization was beneficial for the shadow economy throughout the 1990s, after the revolution it became compatible with the foreign direct investment-oriented accumulation regime, a dollarized real estate sector, and a financial sector with a high share of foreign-owned banks. Foreign ownership of banks was encouraged by international organizations, such as the IMF and the World Bank (WB), after the 2003 revolution (Eradze 2023b). Due to the liquidity of the Georgian banks in foreign currency and the absence of regulations on foreign currency lending, commercial banks started to issue loans in foreign currency both at corporate and retail levels from 2004 onwards. The lari to US dollar exchange rate was relatively stable and the interest rate on foreign currency loans was lower compared to loans in the national currency, until the 2008/09 crisis. This is why loans in dollar were popular in Georgia and household borrowers did not pay attention to the exchange rate risk, which they had to bear. Moreover, as the real estate prices were set in US dollar, for many it was more convenient to take out mortgages in dollar; the level of dollarization in mortgages was therefore very high (more than 80%) (Eradze 2023a, 164–69).

Even though official dollarization has supporters in political and academic debates, it is a phenomenon that is mostly perceived as problematic (see Eradze 2023a; Aslanidi 2008; de Nicolo, Honohan, and Ize 2003; Mecagni et al. 2015). Dollarization limits its monetary sovereignty, diminishes the effectiveness of monetary policy, and prevents central bank from being a lender of last resort. It causes higher financial risks, especially during a currency crisis, negatively affects output volatility, and hinders economic growth (Levy-Yeyati 2006, 108–09). Dollarized countries practically lose the exchange rate as a policy tool (Priewe and Herr 2005, 175–76). Denomination of corporate, retail, and government debt in foreign currency increases vulnerability to exchange rate fluctuations for households, firms, and the government. In the event of a depreciation of the national currency against the US dollar, those who are indebted in dollar but earn in the national currency are exposed to currency risks. This might lead to solvency issues and an increase in poverty rates. These economic issues can unfold into a political crisis. Georgia is a good example for such developments.

Dollarization has widely been recognized as an economic phenomenon in academic debate (Kubo 2017; Arellano and Heathcote 2010; Versal and Stavytskyy, 2015; Rappoport 2009; Winkelried and Castillo 2010; Valev 2007), but it is also a social, cultural, and political process that cannot be explained through economic models only (see Eradze 2023a; Wilkis and Luzzi 2023). Moreover, dollarization is not a natural phenomenon that unfolds in developing economies due to the underdevelopment of financial sectors and high inflation, but is also a result of a certain set of policies. For post-Soviet states like Georgia, this phenomenon is directly linked with the policies of transition from planned to market economy, be it early liberalization of the exchange rate and current account, deregulation of financial markets, absence of rules on foreign currency lending and payments, or the inflow of foreign capital into the banking sector (see Eradze 2023b). Therefore, the political economy of dollarization can be explained by understanding the state, as argued in Eradze (2023a).

The moment of crisis displays the complexity of conflicts of interests among households who are indebted in foreign currency, the dollarized banking sector with excess liquidity in foreign currency, local producers who depend on imports in the production process, owners of assets with prices in dollar (for e.g., real estate), and the broader public that suffers under increased prices. These conflicts are translated into policy dilemmas and disagreements among the government, central bank, and international organizations. Moments of crisis therefore serve as fruitful terrain for studying local political and economic conflicts, as well as hierarchical global relations, in the context of dollarization. And it is important to ask who has the power, who profits from a foreign currency hegemony, and who bears the losses.

The lari crisis: Politicization of dollarization

A high level of dollarization persisted in Georgia throughout the 1990s and 2000s. One of the factors that contributed to its persistence was the stability of the lari to US dollar exchange rate from the early 2000s until 2013, with the exception of the 2008/09 crisis. Between 2004 and 2008, the lari was constantly appreciating to the US dollar due to the inflow of foreign capital after the 2003 Rose Revolution (National Bank of Georgia 2024). Exchange rate stability encouraged the rise in foreign currency loans at the beginning of the 2000s. The National Bank of Georgia adopted a floating exchange rate in 1998, and its interventions in the currency market were further reduced from 2009, after the shift to inflation targeting. The long-term stability of the exchange rate was disturbed by the 2015 currency crisis.

Lari devaluation started at the end of 2014; the currency gradually lost its value against the US dollar between 2015 and 2017, depreciating by 50% in this period (WB 2018, 6). The currency crisis had multiple drivers, from external shocks to internal causes. The crisis evolved alongside the Russian invasion of Crimea (2014) and falling oil prices, as well as dollar appreciation under the US Federal Reserve's quantitative easing policy. Moreover, due to political and economic turmoil in Russia, Turkey, and Greece (key destination countries for Georgian emigrants) at the time, remittances declined and the inflow of foreign currency decreased. In addition, diminished Georgian exports to its neighboring countries and expansive fiscal and loose monetary policies contributed to the lari's depreciation (see Anguridze, Charaia, and Doghonadze 2015, 19).

By the time the currency crisis broke out, more than 90% of Georgia's foreign debt, 50% of retail loans, and 70% of corporate debt were denominated in foreign currency (National Bank of Georgia 2016a). In 2015, Georgia had the highest rate of foreign currency debt in the non-financial private sector among emerging economies, which was around 55% of GDP (Kliatskova and Mikkelsen 2015, 7). The accumulation of debt in foreign currency at different levels aggravated the implications of currency devaluation and consequently led to the problematization of dollarization. Georgia's external debt (government debt, intercompany debt, and debt of commercial banks) increased from 81% of GDP in 2014 to 108% of GDP in 2015 (National Bank of Georgia 2016b, 44–45). While corporate borrowers were also hit by the lari crisis, the most vulnerable group were households – unhedged borrowers, who earned money in national currency and had to pay interest on loans in dollar. Moreover, the currency crisis of 2015 led to a rise in prices and widening of the current account balance.

The currency crisis also crystalized the issue of over-indebtedness, as by that time more than 30% of retail borrowers spent more than half of their income on servicing loans (IMF 2015a, 18). This was a problem for the Georgian banks as well, as the solvency of their borrowers was questioned (IMF 2015b, 5). Thus, the debt burden, along with increasing prices, worsened the socioeconomic situation of Georgian households and the level of poverty was exacerbated. A 2018 report by the United Nations Children's Fund (UNICEF) stated that the poverty level had increased primarily because of the 2015 currency crisis. Almost 22% of the population and around 28% of children lived in absolute poverty in 2017. More than 40% of the surveyed population declared that their economic condition had worsened since the lari crisis and they needed credit to cover daily expenses (UNICEF 2018, 8–14).

Lari depreciation led to public unrest, protests, and hunger strikes. As parliamentary elections were coming up in 2016, the public pressure on the government increased. Opposition parties used the momentum and politicized the issue to criticize the governing party. While the government tried to portray lari depreciation as yet another natural process, it soon realized that the issue could not be disregarded any longer. The National Bank of Georgia (NBG) was also criticized for not being able to handle the issue, as it stood firm on not selling foreign currency reserves to stabilize the lari exchange rate. The NBG justified this policy with its inflation targeting mandate, which obliged the central bank to control price stability. The NBG increased the interest rate to fight inflation, raising it from 4% to 8% between May 2015 and March 2016, despite the harmful effects of such a decision on the economy (Eradze 2023a, 195–97). Consequently, the interest rate spread between lari and dollar loans increased and national currency loans became even more expensive compared to dollar loans. The level of deposit dollarization also increased, as people converted their lari deposits into dollar and commercial banks continued lending money in foreign currency due to their excess liquidity in foreign currency (National Bank of Georgia 2015, 75–76).

While the government and the central bank shared the same position at the beginning of the crisis, this soon changed. The government blamed the NBG for failing to handle the crisis. Bidzina Ivanishvili, the head of the governing party, criticized the NBG's president, Giorgi Kadagidze, personally for the bank's ineffective policies. Kadagidze, for his part, saw it as the government's responsibility to reduce spend-

ing and taxes. The International Monetary Fund also became involved in the conflict and took the side of the central bank. The IMF has been an important actor in Georgian politics since the start of its macroeconomic stability program in 1994, not only in terms of providing funding but also shaping economic policies. It was convinced that lari depreciation would boost Georgia's export competitiveness and was therefore not necessarily a bad thing. The government did not share this view. The government-central bank conflict was exacerbated when the Georgian parliament initiated a law to remove supervisory function from the central bank and shift it to an independent agency. Yet not everyone in the government shared the same position on this matter. The president of Georgia denounced the interference of politics in the economic sphere and vetoed the parliament initiative. The IMF threatened to stop its funding if the government continued to pressure the NBG. The WB, IMF, and European Bank for Reconstruction (EBRD) representatives in Georgia stated that they were against the law to remove the supervisory function from the NBG. Opposition party members, the Business Association of Georgia, the American Chamber of Commerce in Georgia, the EU-Georgia Business Council, the Banking Association of Georgia, and Georgian-based NGOs shared this position, too (Kunchulia 2015). The president's veto was overruled by a majority in the parliament (Gogua 2015) and the law was adopted in June 2015. A separate supervisory agency was established in October 2015, but it only operated for two days before being outlawed by Georgia's constitutional court (Voice of America 2015). The heated conflict between the government and the central bank ended in 2016, as the NBG president term was over and a new president, Koba Gvenetadze, seemed to have a better relationship with the government (Eradze 2023a, 197–200).

This politicization of dollarization translated into a set of de-dollarization policies, which were initiated by the Georgian government and the NBG in 2017–2018. The IMF also supported and participated in the process. Some of the most important de-dollarization measures included the establishment of a pension fund and enhancement of the capital market reform to develop the lari market, introduction of a floor for foreign currency loans (loans up to 100,000 lari had to be issued in national currency), and stricter foreign currency reserve norms for commercial banks, adoption of payment-to-income and loan-to-value ratios for financial institutions (differentiated across currencies), prohibition of real estate transactions in foreign currency, and one-time conversion of foreign currency loans into national currency loans (Eradze 2023, 202–04).

Coping with the pandemic amid dollarization

Nevertheless, dollarization-related issues returned during Covid-19. Along with the widening global inequality gap, high inflation and weak currencies being devalued, existing power asymmetries between the Global North and the Global South, as well as among world currencies, grew further. Rising public and private debt during Covid pointed to the perils of increased borrowing in foreign currency for households, firms, and the state.

The pandemic crisis led to a surge in debt on the government and corporate level, as well as for households, in Georgia. Increased unemployment, 10-year-high inflation rate (13.9%) (National Bank of Georgia 2022), devaluation of the Georgian lari (by 7.4% in real effective terms in 2020), and the lack of social security compelled Georgian households to meet their financial needs through new loans. The debt burden of retail borrowers soared as the unemployment rate exceeded 20% in 2021 (Geostat 2022). The Georgian government responded to the Covid crisis by subsidizing payments of communal bills and paying targeted unemployment assistance. The total support that the government provided to households and business was 3.8% of GDP in 2020 (IMF 2021a, 6). Yet the rate of absolute poverty increased. According to the World Bank, 350,000 people were pushed into poverty and 800,000 people into a lower income group (the total population is 3.5 million) (WB 2021). The number of families who received subsistence allowance also increased by 22% in 2020 and by 19% in 2021 (Geostat 2021).

Rising food and energy prices reduced the purchasing power of the Georgian lari and exacarbated the insolvency of retail borrowers with foreign currency loans. Consequently, non-performing retail loans in foreign currency more than doubled in the first six months of the pandemic (reaching 12% in October 2020) (National Bank of Georgia 2021, 21–22). The level of loan dollarization remained high in 2021 (51%) (National Bank of Georgia 2022), and 37% of household loans were denominated in foreign currencies at that time (National Bank of Georgia 2021, 23).

In spring 2020 the government, together with commercial banks, initiated a loan-restructuring program for households (Government of Georgia 2020, 55). Borrowers realized rather late that this restructuring increased not only the payment schedule but also the monthly interest rate on their loans (Svimonishvili and Loladze 2021; Public Defender of Georgia 2024). A further significant risk that became visible during the pandemic was the issue of evictions of borrowers

who were not able to repay their loans. While the government requested its citizens to stay at home and obey quarantine rules, many insolvent families were about to become homeless due to forceful evictions; the Georgian state does not have a housing policy or structural solutions to homelessness (Janiashvili and Chubabria 2022). There is no statistical information available, but it is known from individual cases and interviews that most of these borrowers were also indebted in dollar, which increased the risk of their insolvency. Evictions were temporarily stopped in April 2020 and a moratorium was announced for two years, under the state emergency. Yet auctions on the collateral and freezing of assets continued (see Eradze, forthcoming, 2024).

The pandemic had a negative influence also on Georgia's public debt, which increased by 20% from 2019 to 2021, reaching 60% of GDP – Georgia's fiscal rule threshold for public debt; 80% of this debt was denominated in foreign currency (IMF 2021a, 31–32). Georgia's current account deficit also doubled in dollar terms between 2019 and 2020, when it reached 12.3% (IMF 2021a, 5). The rise in public debt above the legally allowed threshold significantly constrained Georgia's fiscal policy space and spending during the crisis.

Like the lari crisis of 2015, Covid not only showed the fragility of the existing political-economic order but also unfolded power relations among local and global actors. The policy decisions met by the National Bank of Georgia and the role of the IMF in this process are a good demonstration of core-periphery relations. While it was a common sense in advanced economies that spending should have increased during the Covid crisis and the central banks were following loose monetary policy and quantitative easing (Giles 2020; Gaspar and Gopinath 2020; IMF 2021b), the Georgian central bank was supposed to raise the interest rate and the government was called on to exercise caution in fiscal spending. Such an approach is not only a demonstration of double standards in global policymaking but also shows how peripheral countries must follow different rules of the game, while they are most in need of financial support during the crisis.

Despite the economic recession, the National Bank of Georgia started to increase the interest rate in March 2021 and gradually raised it from 8% to 11% by May 2022 to combat inflation. The IMF approved the NBG's strict monetary policy, as fighting inflation was a cornerstone of Georgia's macroeconomic framework, and noted that a further increase in the interest rate could have been necessary (IMF 2021a, 1–2). The NBG expressed readiness to raise the monetary policy rate further in the event of increasing exchange rate pressure on prices (IMF 2021a, 11).

Even though the NBG intervened in the foreign exchange market and sold reserves in autumn and winter of 2020 to stabilize the lari exchange rate (IMF 2021a, 8), local producers were not happy with the central bank policies in Georgia. According to the Business Association of Georgia, local businesses wanted the central bank to stabilize the exchange rate. From the central bank's perspective, it was crucially important to maintain a floating exchange rate, especially at a time of shocks and crises. The prime minister was playing a mediator role in this process. The central bank intervened only if a change in exchange rate negatively impacted prices. According to the former governor of the NBG, Koba Gvenetadze, Georgian business often demanded a fixed or pegged exchange rate for stability, but in his view this would not have been beneficial for the overall economy and the financial sector (Business Media Georgia 2021b).

The IMF called for caution in terms of government spending in 2021. It recommended that the Georgian authorities did not stop all government subsidies immediately but also did not widen the existing fiscal deficit. Its suggestion to the government was to cut capital spending and extend cash transfers to the households most in need of the money (IMF 2021a, 10). The IMF also advised the Georgian government not to take out new loans to cover incresaed social spending but to reprioritize budgetary spending instead (Business Media Georgia 2021a). The Liberty Act of Georgia imposed a fiscal rule according to which the fiscal deficit should not exceed 3% of GDP, which the Georgian government agreed to follow (IMF 2021a, 10).

Final reflections

Dollarization is not a purely economic phenomenon. It is embedded in the political and civil societies and within the accumulation regime, and it is underpinned by the positioning of a country in the global hierarchy. The complex character of this phenomenon is best manifested during crisis, when not only winners and losers of dollarization are possible to identify but economic and financial issues also turn into questions of political legitimacy.

The lari crisis of 2015 was a good manifestation of such processes. The depreciation of the lari led to the politicization of dollarization and unravelled complex power relations not only within the Georgian state but also between the core and the periphery. The crisis showed that households who were indebted in dollar were hit worst by the devaluation of the national currency. The combination of public protests and pressure of upcoming parliamentary elec-

tions made the Georgian government acknowledge the importance of this crisis. Yet it soon found a solution in shifting the blame towards the central bank, which considered itself primarily responsible for price stability. The involvement of global actors (IMF, WB, EBRD) to protect the central bank from government pressure was yet another clear example of subordinate power relations, as well as protection of a neoliberal inflation targeting mandate in the periphery.

Covid-19 made visible once again that household borrowers who were indebted in dollar were most vulnerable and prone to insolvency risks. The pandemic also demonstrated how volatile entire economies and governments are made by dollarization. In Georgia, local businesses and the government were also affected by the depreciation of the lari, and dollarization notably shrank monetary and policy spaces. Moreover, crises can demonstrate that peripheral countries have to accept different rules of the game, which can be damaging for their economies during crisis. The National Bank of Georgia's strict monetary policy during the pandemic, approved by the IMF, is a demonstration of faithfulness to the price stability mantra in the periphery.

Thus, looking at the two crises, it can be argued that crisis not only aggravates existing socioeconomic issues but also brings them to light, encourages the politicization of these issues, and reveals power relations underlying and shaping the crisis. Moreover, the moment of crisis is an opportunity to question the resilience of socioeconomic and political orders and rethink the existing power asymmetries between the core and the periphery.

References

Anguridze, Otar, Vakhtang Charaia, and Irakli Doghonadze. 2015. *Security Problems and Modern Challenges of the Georgian National Currency.* Tbilisi: Tbilisi State University Press.

Arellano, Cristina, and Jonathan Heathcote. 2010. "Dollarization and Financial Integration." *Journal of Economic Theory* 145 (3): 944–73.

Aslanidi, Olga. 2008. "Dollarization in Transition Economies: New Evidence from Georgia." *Charles University GERGE-EI Working Paper Series* 366, GERGE-EI, Prague.

Business Media Georgia. 2021b. "int'erviu Koba Gvenetadzestan (Interview with Koba Gvenetadze)." *BM.GE*, September 15.

BM.Ge. 2021a. "ra shemtkhvevshi unda gadaikhedos biujet'is kharjebi, rek'omendatsia (In which case should the budget spending be revised. A recommendation)." *BM.GE,* April 12. https://bm.ge/ka/article/ra-shemtxvevashi-unda-gadaixedos-biujetis-xarjebi---imf-is-rekomendacia/80139

Cohen, Benjamin J. 2011. "The New Geography of Money." In *Nation-States and Money: The Past, Present and Future of National Currencies,* edited by Emily Gilbert and Eric Helleiner, 121–39. London: Routledge.

De Nicoló, Gianni, Patrick Honohan, and Alain Ize. 2003. "Dollarization of the Banking System: Good or Bad." *IMF Working Paper* 146, International Monetary Fund (IMF), Washington DC.

Eradze, Ia. 2023a. *Unravelling Dollarization Persistence: The Case of Georgia*. Oxfordshire: Routledge.

Eradze, Ia. 2023b. "Dollarization in the Prism of State Building: The Case of Georgia." *Globalizations,* published online June 19, 2023, doi: 10.1080/14747731.2023.2221096.

Eradze, Ia. Forthcoming, 2024. "¿La calle o la fortuna? Dolarización del crédito y desalojos en Georgia (Fortune or Homelessness? Dollar Loans and Evictions in Georgia after the Pandemic)." In *Dolarizaciones: La caja negra de las crisis y del futuro en el sur global,* edited by Ariel Wilkis.

Giles, Chris. 2020. "IMF Calls on Rich Nations to Boost Public Investment." *Financial Times,* October 5. https://www.ft.com/content/fc7ad858-0fdd-401e-bce5-796a8353ba30

Gaspar, Vitor, and Githa Gopinath. 2020. "Fiscal Policies for a Transformed World." *International Monetary Fund,* July 10. https://blogs.imf.org/2020/07/10/fiscal-policies-for-a-transformed-world/

Government of Georgia. 2020. *Covid 19-is ts'inaaghmdeg saqart'velos mtavorbis mier gatarebuli gh'onisziebebis angarishi (A report on the measures against the Covid 19 implemented by the Georgian Government).* https://www.gov.ge/files/76338_76338_444796_COVID-19angarishi...pdf

Geostat (National Statistics Office of Georgia). 2021. *Social Protection.* Tbilisi: Geostat.

Geostat.Ge (National Statistics Office of Georgia). 2022. *Employment and Unemployment*. Tbilisi: Geostat.

Gogua, Giorgi. 2015. "P'reziden'is vet'o daidzlia (President's veto was overcome by the parliament)." *Radio Liberty,* September 3. https://www.radiotavisupleba.ge/a/prezidentis-veto-daidzlia/27224424.html

Helleiner, Eric. 2008. "Political Determinants of International Currencies: What Future for the US Dollar?" *Review of International Political Economy* 15 (3): 354–78.

IMF (International Monetary Fund). 2015a. "Georgia: Financial Sector Assessment Program. Macroprudential Policy Framework – Technical Note." *IMF Country Report* No. 15/9, International Monetary Fund, Washington, DC.

IMF (International Monetary Fund). 2015b. "Georgia: Financial Sector Assessment Program. Stress Testing the Banking Sector – Technical Note." *IMF Country Report* No. 15/7, International Monetary Fund, Washington, DC.

IMF (International Monetary Fund). 2021a. "Eighth Review under the Extended Fund Facility Arrangement – Press Release; and Staff Report." *IMF Country Report* No. 21/79, International Monetary Fund, Washington, DC.

IMF (International Monetary Fund). 2021b. *Shifting Gears: Monetary Policy Spillovers during the Recovery from Covid-19*. In *World Economic Outlook: Managing Divergent Recoveries,* 81–99. Washington, DC: IMF.

https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021

Janiashvili, Mariam, and Tamar Chubabria. 2022. *usakhlk'aro jgupebis satskhovrisit uzrunvelkh'opis p'rak't'ik'ebi (Provision of housing for homeless groups)*. Tbilisi: Social Justice Center.

Kakulia, Merab. 2008. "Before and after the Introduction of the Lari: Georgian National Currency in Retrospect." In *Central Eurasia: National Currencies,* edited by Eldar M. Ismailov, 176–87. Stockholm: CA&CC Press.

Kakulia, Merab, and Nana Aslamazishvili. 2000. *dolarizatsia sakartveloshi: masht'abebi, pakt'orebi, daz'levis gzebi (Dollarization in Geogia: Dimensions, Factors, Solutions)*. Tbilisi: Institute of Economy of the Georgian Science Academy.

Khaduri, Nodar. 2005. "Mistake Made in Conducting Economic Reforms in Post-communist Georgia." *Problems of Economic Transition* 48 (4): 18–29.

Kliatskova, Tatsiana, and Uffe Mikkelsen. 2015. "Floating with a Load of FX Debt?" *IMF Working Paper* 15/284, International Monetary Fund (IMF), Washington, DC.

Kubo, Koji, ed. 2017. *Dollarization and Dedollarization in Transitional Economies of Southeast Asia.* London: Palgrave Macmillan.

Kunchulia, Lela. 2015. "erovnuli bank'i, p'arlament'i, lari da gant'evebis vatsi (Central bank, parliament, Lari and a scapegoat)." *Radio Liberty,* May 25. https://www.radiotavisupleba.ge/a/erovnuli-banki-da-parlamenti/27035012.html

Levy-Yeyati, Eduardo. 2006. "Financial Dollarization: Evaluating the Consequences." *Economic Policy* 21 (45): 61–118.

Mecagni, Mauro, Juan S. Corrales, Rodrigo Garcia-Verdu, Patrick Imam, et al. 2015. "Dollarization in Sub-Saharan Africa Experience and Lessons." Washington, DC: International Monetary Fund (IMF).

National Bank of Georgia. 2024. *Exchange Rates 1993–2000 and 2001–2024*. Tbilisi: National Bank of Georgia. https://nbg.gov.ge/en/statistics/statistics-data

National Bank of Georgia. 2022. "Key Macroeconomic Indicators." https://nbg.gov.ge/en/statistics/international-rating

National Bank of Georgia. 2015. *Annual Report.* Tbilisi: National Bank of Georgia.

National Bank of Georgia. 2016a. *Annual Report.* Tbilisi: National Bank of Georgia.

National Bank of Georgia. 2016b. *sakartvelos sagadasakhdelo balansi (Current Account Balance of Georgia).* Tbilisi: National Bank of Georgia.

National Bank of Georgia. 2021. *Annual Report.* Tbilisi: National Bank of Georgia.

Priewe, Jan, and Hansjörg Herr. 2005. *The Macroeconomics of Development and Poverty Reduction: Strategies beyond Washington Consensus.* Baden-Baden: Nomos.

Public Defender of Georgia. 2024. *Public Defender's Proposal to National Bank of Georgia Relating to Protection of Pensioners' Rights.* Tbilisi: Public Defender of Georgia. https://www.ombudsman.ge/eng/akhali-ambebi/sakhalkho-damtsvelis-tsinadadeba-liberti-banks-pensionerta-uflebebis-datsvis-shesakheb

Rappoport, Veronica. 2009. "Persistence of Dollarization after Price Stabilization." *Journal of Monetary Economics* 56 (7): 979–89.

Strange, Susan. 1971. "Sterling and British Policy: A Political View." *International Affairs (Royal Institute of International Affairs 1944–):* 47 (2): 302–15.

Svimonishvili, Mariam, and Shorena Loladze. 2021. *Saseskho da sak'redit'o urtiertobebze p'andemiis gavlenis shedegad kvekh'anashi arsebuli mdzime sotsialuri mdgomareoba (Difficult social conditions due to the impact of the Pandemic on credit relations).* Tbilisi: Georgian Young Lawyers' Association. https://gyla.ge/ge/post/saseskho-da-sakredito-urtiertobebze-pandemiis-gavlenis-shedegad-qveyanashi-arsebuli-mdzime-socialuri-mdgomareoba#sthash.jlWchDTC.dpbs

UNICEF (United Nations Children's Fund). 2018. *Mosakhleobis k'etildgheobis k'vleva 2017: mok'le mimokhilva (Population Welfare Research 2017: A Short Overview).* New York: UNICEF.

Valev, Neven T. 2007. "The Hysteresis of Currency Substitution: Currency Risk vs. Network Externalities." *Andrew Young School of Policy Studies Research Paper Series* 07–23, Andrew Young School of Policy Studies, Atlanta. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=989053

Versal, Nataliia, and Adriy Stavytskyy. 2015. "Financial Dollarization: A Trojan Horse for Ukraine?" *Ekonomika* 94 (3): 21–45.

Winkelried, Diego, and Paul Castillo. 2010. "Dollarization Persistence and Individual Heterogeneity." *Journal of International Money and Finance* 29 (8): 1596–618.

Voice of America. 2015. "sapinanso zedamkhedvelobis saagent'om mkholod ori dghe imushava (Financial supervision agency worked for two days only)." *Voice of America,* October 13. https://www.amerikiskhma.com/a/georgia-constitutional-court-decision/3003730.html

Wilkis, Ariel, and Mariana Luzzi. 2023. *The Dollar: How the US Dollar Became a Popular Currency in Argentina.* Albuquerque: University of New Mexico Press.

WB (World Bank). 2018. *Georgia from Reformer to Performer.* Washington, DC: World Bank.

WB (World Bank). 2021. *Tackling Uncertainty with Real-Time Data: Tracing COVID-19's Impact on Households and Firms in Georgia*. Washington, DC: World Bank.

Facing inflation in times of digital finance:

Monetary plurality and financial repertoires in the Argentinian crisis

María Soledad Sánchez

Argentina began 2024 with the odd privilege of becoming the country with the highest inflation in the world, amassing an interannual variation of 276% in February (INDEC 2024). Although inflation has once again become a first-order global issue due to the impact on the prices of basic goods (such as energy, food, and water) of the Covid-19 pandemic and the war in Ukraine, Argentinian inflation rates were well above the global and even regional average for the period (IMF 2023). Exacerbated by long-lasting local structural problems, inflation in Argentina has more than quadrupled between 2020 and 2024, climbing from 36.1% in 2020 to triple-digit annual rates since 2022. The experience of high inflation has made an impact on people's and families' daily living, both damaging their quality of life in the present and obscuring their future. Furthermore, it has negatively affected society's relationship to politics: as the state was blamed for rising inflation, right-leaning and extreme right discourses and political options expanded (Wilkis 2023). With the promise of ending inflation at the center of his presidential campaign, the libertarian candidate Javier Milei won the elections in November 2023 and has implemented economic reforms and severe cuts in government spending. Although inflation slowed the pace of its growth in recent months, the likelihood of his success is still uncertain.

Even though Argentina is not the only economy that has suffered an inflationary crisis in recent years (the experiences of Lebanon, Venezuela, and Zimbabwe can be mentioned), it seems to be a unique case in terms of its long and persistent history of inflation (Heredia and Daniel 2023). Before the pandemic, the country had already been suffering under persistent inflation for over a decade, with an average annual rate of over 20%. In fact, according to Telechea (2023), Argentina is the country that has existed with 20% or higher inflation the longest, since 1970. Except for the decade of the currency board regime (1991 to 2001), inflation has been a chronic feature of the Argentine economy since the middle of the last century, combining moderate periods with others of rampant price increases and even hyperinflation crises.

As with every social phenomenon, inflation does not repeat itself over time. This is not only because inflation can refer to extremely variable processes (in terms of the scales of magnitude of price variation, for example) and outcomes (because of unequal effects of price variations among social groups), but also because the daily experience of inflation – regarding how people and families cope with price increases in everyday life – is renewed and transformed over time. In a country with such a long inflationary history, people and families developed habits and practices to navigate increasing costs of living and to protect themselves from currency depreciation, shaping a specific economic habitus and inflationary culture (Neiburg 2023). More than a mechanical response to a macroeconomic phenomenon, these financial repertoires (Guyer 2004) shaped by inflation are the result of variable articulations between expert and day-to-day ideas, resources and practices that became integrated in monetary cultures (Neiburg 2005; 2023). These repertoires function as monetary dispositions: strategies learned over time, available to be renewed in new contexts.

María Soledad Sánchez is a sociologist and researcher at CONICET (Argentina's National Council for Scientific Research). She is a professor at the Escuela IDAES (University of San Martin, Argentina), where she also co-coordinates the Center for Social Studies of the Economy. Her research topics relate to the economic, social, and cultural dynamics of financial markets. She has studied the illegal dollar market and informal financial organizations in Argentina. Currently, she is working on the expansion of digital finance and its impact on household economy. *mssanchez@unsam.edu.ar*

Sociologists, anthropologists, and historians have studied the experience of price increases in daily life in Argentina, observing consumption and financial practices of people and households (for inflation from 1945 to 1955, see Elena 2012; for high inflation and hyperinflation in the 1970s and 1980s, Sigal and Kessler 1997; Spitta 1988; Jelin et al. 1984; Neiburg 2006; Heredia 2015; for inflation in the 21st century, Hernández, 2024; Luzzi and Hernández 2023; Luzzi 2023; Wilkis, 2023; Luzzi and Sánchez 2023). In particular, academic research on high inflation regimes and hyperinflation crises has shown that protecting the value of money from the negative effects of rampant price increases becomes a main objective in day-to-day decision-making regarding not only consumption but also investments and savings. The daily use of multiple currencies and the disentanglement of the canonical functions of money (unit of account, means of exchange, and store of value) are constitutive of inflationary processes – as evidenced by the US dollar in Argentina (Neiburg 2023; Luzzi and Wilkis 2023). Also, speculative short-term practices aimed at preserving the value of money or making profits (even marginal ones) generally increase among ordinary people in periods of high inflation (Sigal and Kessler 1997).

As a result of the growing "financialization of everyday life" (Pellandini-Simanyi 2021) since the 1970s, financial organizations and products have become part of people's and households' daily economic life and also a key element of their response to inflation (Sigal and Kessler 1997; Luzzi 2023; Luzzi and Sánchez 2023). This relation is highlighted by the recent inflation crisis in Argentina, where financial repertoires constituted over long decades of inflationary experiences are renewed and transformed because of the insertion of digital financial technologies and digital currencies, which have revolutionized the monetary landscape.

Based on ongoing quantitative and qualitative research, this paper reconstructs Argentina's long history of inflation and the day-to-day strategies individuals and families have used to face it. In this context, the aim is to highlight the changes in saving and investment practices that have taken place over recent years. Rampant inflation spurred the search for new financial instruments among ordinary people, including those with little or no previous financial experience, who could now easily enter the market through any smartphone. Digital investments in cryptocurrencies and other financial instruments such as stocks, bonds, and novel digital accounts linked to money market funds started to take part in the financial repertoires of many Argentines, making the ways to cope with inflation more complex.

An inflationist society: Inflation and daily life in perspective

According to Sigal and Kessler (1997), both authoritarian governments and inflation constituted the main forms of instability in Argentinian society during the second half of the 20th century. Although inflation was then a widespread problem in many Western economies, especially in Latin America, no other country presented such high levels of inflation for so long during those decades (Schvarzer 1998). As Heredia and Daniel (2019, 6) summarize, "since the 1940s, Argentinian inflation has been consistently above the international average (by 28% per year from 1940–1970), reaching 400% in 1976 and 3000% in 1989, with no recorded levels under 90% until the last decade of the twentieth century."

If up until the 1970s inflation stayed within moderate limits (with brief periods of relative stability and others of drastic price increases), the inflationary process reached a turning point in that decade, with the beginning of a "high inflation regime" (Frenkel 1989) which resulted in a hyperinflationary crisis in 1989 and 1990 (Frenkel 1989; Schvarzer 1998). During the turbulent decades of the 1970s and 1980s, marked by political instability and social conflict, the Argentine economy suffered recurrent and strong currency devaluations and continuous price indexing. Unlike the postwar years, when inflation was considered an ineluctable effect of economic growth, it now became a first-order public and political concern, contributing to the rise of economic experts in social and political life and opening a space for the implementation of neoliberal policies in Argentina (Heredia 2015).

As high inflation became part of day-to-day experience, people and families developed strategies to navigate price variations and protect themselves from their negative effects. Even though inflation was not new for Argentinian society, the scale of magnitude of price increases changed and, unlike in previous decades, the purchasing power of real wages decreased. Given the more frequent – or even daily – rise in prices, consumption habits were deeply modified: households tried to buy essential consumer goods at the beginning of the month, but those less fortunate experienced goods deprivation (Sigal and Kessler 1997; Jelin et al. 1984).

As the national currency progressively lost its capacity to accomplish some of its monetary functions (especially to be the store of value, considered in economic theory to be the primary feature since the 1970s, Guyer 2016), savings and investment practices transformed as well. The use of the US dollar as a tool for saving and investment became more widespread in

Argentine society during decades of 1970 and 1980, spurred by both institutional changes (such as the deregulation and liberalization of the financial system implemented by the military dictatorship in 1977, which enabled and encouraged free access to foreign currency) and broader cultural processes (such as public attention to the dollar exchange rate in the media and the role played by experts in the spreading of economic practices to deal with inflation) (Luzzi and Wilkis 2023; Neiburg 2005; 2008). Buying and selling US dollars for saving or investment purposes – even in the illegal dollar market, especially in times of foreign exchange control policies, such as those implemented in the 1980s – became a daily activity among many members of the middle and even working classes in many cities of the country. Also, the US dollar started to be used as the unit of account and/or means of payment in different markets and transactions: the dollarization of the real estate market was the paradigmatic example of this transformation (Gaggero and Nemiña 2022).

High inflation also stimulated the emergence of speculative practices among ordinary people. The now flourishing and diversified financial market offered new savings and investment instruments (both in the national currency and US dollars) capable of coping with money depreciation and eventually making a profit. According to Sigal and Kessler (1997), regular men and women became "ant speculators" in the late 1970s and the 1980s: daily or weekly, people visited banks, exchanges, trading desks, and the so-called *cuevas*[1] of the parallel market, closely following the everyday evolution of the floating interest rates and the multiple dollar exchange rates (which varied depending on each market and transaction, such as the legal and the illegal ones) (Neiburg 2010; Luzzi and Wilkis 2023). Short fixed-term deposits (with shortened terms of 7, 14, or 21 days) became very popular among the middle and working classes, as the positive interest rates for most of the period allowed them to obtain quick profits in a context of spiraling inflation (Sigal and Kessler 1997; Heredia 2015). Bank deposits but also public debt bonds indexed to inflation as well as those denominated or indexed in dollars gained popularity (especially in the 1980s) among lay investors of the middle classes, who thus entered the stock market. In the 1980s, when forex control policies were enforced due to the dollar shortage and the growing public debt, micro-speculation between the official and the illegal dollar market also became common, with people purchasing dollars at the lower official exchange rate and selling them high on the prosperous parallel market.

During the hyperinflation crisis of 1989 and 1990, both strategies for preserving consumption and micro-speculation for protecting the value of money became indispensable but also inefficient in the face of drastic fluctuations in the exchange rate and other prices that crushed incomes. In 1989, when inflation reached 3,080%, the dollar replaced the local austral in everyday transactions, even for basic goods (Heredia 2015; Luzzi and Wilkis 2023). The poorest groups, hit hardest by the prices and shortages, resorted to looting shops and supermarkets in many big cities as a strategy for survival (Serulnikov 2017).

The traumatic hyperinflation experience gave birth to a society that demanded to "put an end to inflation" and ultimately legitimized the implementation of a neoliberal program with structural reforms (Roig 2019). In 1991, the government implemented a currency board system that established by law a fixed parity between the new peso and the US dollar as part of a broader stabilization plan. As automatic price adjustment mechanisms were suspended and the exchange rate was stable, the currency board decade (1991–2001) became the only more or less prolonged period of price stability that Argentina had experienced since the mid-twentieth century (Schvarzer 1998). Despite the relative absence of inflation, as the US dollar was acknowledged as legal tender, its use in financial repertoires became consolidated, even in low-income households (Luzzi and Wilkis 2023). By the end of the decade, people held more bank accounts, loans, fixed-term deposits, and mortgages denominated in dollars – which would then create intense social conflicts and mobilizations for its conversion once the dollar peg was abandoned (Luzzi 2008). If the currency board regime succeeded in controlling inflation, it also created critical financial imbalance (with an enormous public debt with foreign creditors) and a severe deterioration of social indicators, ending abruptly with the 2001–2002 crisis.

The return of high inflation: Learned financial repertoires and new digital infrastructures

Inflation resurfaced both as an economic problem and a public concern in the first decade of the 21st century (Daniel 2013; Heredia and Daniel 2019; Hernandez 2020; Hernandez and Luzzi 2023). After years where inflation remained steadily at moderate levels (at an annual average below 10% between 2003 and 2006, and around 20% from 2007 to 2014), it accelerated after 2015, climbing from 25% to over 50% in 2019 (Telechea 2023). In the first part of this cycle, marked by economic growth, wages tended to be increased above inflation (ensuring, at least for the formal economy,

the purchasing power of real wages). But in 2011 the economy stagnated and it became evident that many of the long-lasting structural problems had not been resolved. From 2015 onwards, real incomes started to deteriorate (Benza, Dalle, and Maceira 2022) and the importance of inflation could no longer be underestimated.

As inflation in the period was moderate but persistent, people and families developed mainly adaptive strategies to preserve the value of money or their consumption level (Hernández 2020; Luzzi and Hernández 2023). Saving in dollars (and held outside the banks, in people's homes or safety deposit boxes) continued to be a widespread practice and became even stronger after the 2008 global financial crisis, when depreciation became more frequent (Gaggero, Rua, and Gaggero 2015; Luzzi and Wilkis 2023). Between 2012 and 2015, when Cristina Fernandez de Kirchner's government restricted foreign exchange transactions and even banned purchases for saving, many Argentinians turned to the now flourishing *cuevas* to get hold of dollars (Sánchez 2018). As in other periods, those with more experience or market knowledge took advantage of the gap between the legal and illegal values – which reached 100% – to make a profit in pesos. A similar thing took place again from 2019 onwards, when the center-right administration of Mauricio Macri reestablished the restrictions on the forex market, which it had removed just a few years earlier when it took office. Since then, residents can only buy up to USD 200 per month at a preferential exchange rate. Faced with forex restrictions and an undeveloped capital market, members of the middle and upper class invested in dollarized markets or goods, such as real estate developments or soybean production (D'Avella 2019; Luzzi and Wilkis 2018a). At the same time, fixed-term deposits (for a minimum of 30 days) became the most widespread option in pesos among "savers" in the first two decades of the 21st century, even though the interest rates usually remain above inflation. After 2017, when inflation reached higher levels, fixed-term deposits indexed to inflation also gained popularity.

When inflation reached its highest levels in over 30 years, the strategies for both individuals and households changed. After a relative drop in 2020, related to the economic recession caused by the Covid-19 pandemic, inflation spiked again, and rapidly. In 2021, the inflation rate was 50.9%; it then climbed to 94.8% in 2022, reached over 200% by the end of 2023, and hit 270% in the first months of 2024 (INDEC 2024). The sharp acceleration of the inflationary process hit people's and families' wallets and budgets, once again affecting consumer habits. Cutting "unnecessary" expenses, halting the consumption of certain goods, and even going into debt to afford day-to-day spending became part of the daily responses to high inflation (Luzzi 2023; Luzzi and Hernandez 2023; Wilkis 2023).

At the same time, the reemergence of high inflation caused identifiable changes in savings and investment practices. One of the keys to understanding the changes in the savings and investment repertoires to cope with inflation through the years is what the literature calls the "financialization of everyday life," referring to the growing impact of finance on the practices of individuals and households (Pellandini-Simányi 2022). While the Argentinian case has its own specific traits that set it apart from those described in the literature on central economies,[2] the growing participation of households in the financial market is a long-term process that can be traced back to the mediation of different types of organizations in savings and investment practices (such as those linked to both the legal and illegal exchange markets in the 1970s and 1980s), and it has gained strength since the 1990s with individuals and families progressively banking more (through the payment of salaries and social benefits via public and private banking institutions) and the increase in financial devices linked to the consumer market (such as personal loans or credit cards) (Luzzi 2017; 2021; Luzzi and Wilkis 2018b).

In the context of the global proliferation of innovative monetary technologies that are reshaping monetary systems and practices (Nelms et al. 2018), digital financial platforms and digital currencies have transformed the local financial ecosystem and deepened the financialization of household economies over recent years – both involving groups that remained unbanked and making the money ecologies of those who were already in the financial market more complex. Favored by new regulations and public policies that allowed their expansion, and stimulated by the impact of the pandemic crisis, digital financial apps and digital monies became a part of the day-to-day ways in which people pay, save, go into debt, and invest (Sánchez 2024). And they especially changed the strategies and resources with which ordinary people cope with inflation (Luzzi and Sánchez 2023). If high inflation stimulates speculatory strategies and the search for short-term profitability, as in other periods, the digital organizations give rise to the emergence of new practices as well as offering novel infrastructures and instruments to channel learned habits.

Along with the rapid expansion of digital "low-finance" (Hayes 2021), the participation of lay individuals in risk-bearing financial investments started to grow in the pandemic and peaked after 2022, at the same pace as inflation. Encouraged by the prolifera-

tion of financial literacy discourses targeting a non-expert public,[3] instruments such as stocks, bonds, mutual funds, and cryptocurrencies started to be part of the financial repertoires of millions of individuals from different socioeconomic backgrounds. Recent survey data show that new digital "amateur investors" are mainly young men who do not necessarily have formal financial education nor are they part of the higher income groups (Sánchez 2024).[4] Qualitative research with young investors also made it clear that interest in financial investments is directly related to actively searching for new options to make profits, even marginal ones, in response to high inflation (Luzzi and Sánchez 2023).

According to official data, individual investment accounts grew by 60% between 2019 and 2022, and by another 90% between 2022 and 2023 (CNV 2023), propelled by digital brokers and wallets that allow anyone to open an account almost without any requirements, as well as buying and selling shares or public debt bonds from any smartphone. Additionally, the cryptocurrency market boomed since the pandemic, becoming one of the largest in the region and 15th largest worldwide (Chainalysis 2023). According to private estimations, there are more than 10 million cryptocurrency accounts in Argentina and most of the purchases are stablecoins, whose value is pegged to the US dollar (Lemon 2023). At the same time, the participation of individuals in mutual funds through digital platforms increased sevenfold between 2019 and 2022, reaching 7 million investors, and climbing to 10 million in 2023 (over 30% of adults) (CNV 2023). This growth can be explained fundamentally by the emergence of a new product that became the most popular investment option in Argentina: the *cuentas remuneradas,* digital accounts offered by the new fintech digital wallets and banks (such as Mercado Pago, the most popular Argentinian fintech and one of the biggest in Latin America), which are linked to money market funds that invest in short-term and low-risk securities. Unlike fixed-term deposits offered by traditional banks, these *cuentas remuneradas* generate daily profits and also allow users to withdraw the money freely at any point.[5] Although their interest rates are even lower than traditional fixed-term deposits and failed to surpass inflation, they are able to compensate part of the loss over the value of money. Argentineans from all income brackets transfer money from their bank savings accounts to *cuentas remuneradas* at the start of the month to make profits their traditional banks cannot offer them; meanwhile, more and more people, especially informal workers, choose to receive their payments through the fintech apps. Much like in the 80s, people lean towards short-term instruments to enhance the value of their money.

Furthermore, financial apps have also become a central infrastructure for a long-standing practice in contexts of monetary instability: the dollarization of savings. For those who can save despite the drop in real incomes, the "financial dollar" (locally known as "dólar MEP," with a different exchange rate to the commercial and also the "saving" dollar) has spread as a legal way to buy dollars without restrictions, through transactions with stocks or bonds that can be sold in dollars and which can be accessed through digital brokers (and also traditional banks). Also, those who were able to legally access "saving" or "financial" dollars turned to a practice from previous times: *hacer puré* (mashing) with the legal and illegal dollar exchange rates, so as to make a profit in pesos.[6] Finally, especially for young people more familiar with digital technologies, cryptocurrencies – and stablecoins in particular – became a complement or even a replacement for US dollar as a store of value (Luzzi and Sánchez 2023), deepening monetary plurality in inflationary contexts.

Final remarks

In Argentina and countries like it where generalized price increases have a long and persistent history, inflation has become not only a familiar phenomenon but also an essential part of ordinary people's and families' financial repertoires. As existing literature has shown, both the extended use of foreign currencies (as units of measure, methods of payment, or stores of value) and the proliferation of speculative practices are constitutive of intense inflationary processes. However, more than a mechanical and invariable response to high inflation, the production of these financial repertoires and changes in them over time depends on broader institutional and cultural processes, where the configuration of financial organizations and instruments takes a central role.

After years of largely ineffective policies, inflation has again reached triple-digit annual rates. As in other times of crisis, individuals are turning to financial circuits to either reduce the effects or try to take advantage of rising inflation, which at the same time are becoming increasingly complex and diversified. Although part of a global process, in the last few years both the inflationary and the pandemic crisis (along with institutional and cultural changes) have stimulated the rapid expansion of financial technologies and digital currencies in Argentina. Especially among those with more knowledge of digital technologies but not limited to them, the incorporation of financial technologies has given rise to new ways of facing inflation instability. New digital financial investments and

digital currencies have become integral to the long-term co-existence of the national currency and the US dollar in recent years, deepening monetary plurality and making monetary ecologies more complex. If the recent inflationary crisis is one of the main causes of the recent changes in saving and investment practices, it will remain to evaluate in the future whether the incorporation of digital financial technologies and digital currencies has durably transformed monetary cultures.

Endnotes

1 *Cueva* (cave) is the popular name for sites offering illegal currency exchange. *Cuevas* can be offices or storefronts dedicated exclusively to currency exchange, or part of a variety of businesses that exchange currency in addition to offering other goods or services (Sánchez 2018).

2 Studies on central economies have pointed out that the retrenchment of the welfare state since the '70s made individuals increasingly responsible for their financial well-being, transforming them into investors (van der Zwan 2014). In Argentina, the growing participation of households in the world of finance did not always occur in contexts of the dismantling of state protections. Furthermore, in many cases, public protection policies resulted in the incorporation of families' economies in the financial system (Luzzi 2017).

3 As in the 1980s with economists and financial experts, "financial influencers" now have a key role in disseminating financial knowledge and practices among lay individuals.

4 The telephone survey was conducted by Escuela IDAES (UNSAM) among 820 individuals over 18 years of age residing in the Buenos Aires Metropolitan Area in 2022. The stratified random sample was weighted so that the result reflected the population distribution considering gender, age, educational level, and region.

5 While *cuentas remuneradas* were also launched in other Latin American countries (like Brazil or Mexico), in Argentina they are comparatively more popular. In fact, as the Mercado Pago case shows, Argentina acted as a sort of lab for the launch of these products. Although local high inflation must be considered in order to understand their popularity, the prior development of stronger investment cultures and instruments in other countries must also be taken into account when analyzing the differences.

6 However, the possibilities for micro-speculation were unequally distributed. As public authorities identified that people who had received emergency social assistance in the pandemic used it to purchase dollars at the official rate to then resell in the parallel market, Alberto Fernández's government (2019–2023) decided in 2020 to deepen the forex control policies to further reduce the number of people who could buy the USD 200 "saving dollar" monthly in the exchange market and also the "dolar MEP," excluding those who had received some kind of government assistance during the pandemic or those who receive social benefits.

References

Benza, Gabriela, Pablo Dalle, and Verónica Maceira. 2022. "Estructura de clases de Argentina (2015–2022): Efectos de la doble crisis prepandemia y pandemia en el empleo, los ingresos y los gastos de los hogares." In *Estructura social de Argentina en tiempos de pandemia*, edited by Pablo Dalle, 3–52. Buenos Aires: Imago Mundi.

Chainalysis. 2023. "Global Crypto Adoption Index: The 2023 Global Crypto Adoption Index: Central & Southern Asia Are Leading the Way in Grassroots Crypto Adoption." *Chainanalysis,* September 12, 2023. https://www.chainalysis.com/blog/2023-global-crypto-adoption-index/

Comisión Nacional de Valores (CNV). 2023. *Informe ejecutivo del Mercado de Capitales, junio 2023.* Ciudad Autónoma de Buenos Aires: Comisión Nacional de Valores. https://www.argentina.gob.ar/sites/default/files/segundo_trimestre_informe_2023_final.pdf

Daniel, Claudia. 2013. *Números públicos: Las estadísticas en Argentina (1990–2010)*. Ciudad Autónoma de Buenos Aires: Fondo de Cultura Económica.

D'Avella, Nicholas. 2019. *Concrete Dreams: Practice, Value, and Built Environments in Post-Crisis Buenos Aires*. Durham: Duke University Press.

Elena, Eduardo. 2012. "Guerra al agio: El problema de la domesticación del comercio en la Argentina del primer peronismo, 1943–1945." *Apuntes de investigación del CECYP* XVI (21): 13–47.

Frenkel, Roberto. 1989. "El régimen de alta inflación y el nivel de actividad." *Documento del CEDES* 26, Centro de Estudios de Estado y Sociedad, Buenos Aires.

Gaggero, Alejandro, and Pablo Nemiña. 2022. "Origen y consolidación de la dolarización del mercado inmobiliario en Argentina." *Ensayos de Economía* 32 (60): 136–59.

Gaggero, Jorge, Magdalena Rúa, and Alejandro Gaggero. 2015. "Principales características e impacto macroeconómico de la fuga de capitales en Argentina." *Problemas del Desarrollo* 182 (46): 67–88.

Guyer, Jane. 2004. *Marginal Gains: Monetary Transactions in Atlantic Africa*. Chicago: The University of Chicago Press.

Hayes, Adam. 2021. "The Active Construction of Passive Investors: Roboadvisors and Algorithmic 'Lowfinance.'" *Socio-Economic Review* 19 (1): 83–110.

Heredia, Mariana. 2015. *Cuando los economistas alcanzaron el poder*. Buenos Aires: Siglo XXI.

Heredia, Mariana, and Claudia Daniel. 2019. "The Taming of Prices: Framing and Fighting Inflation in the Second Half of the Twentieth Century in Argentina." *Economic Sociology: The European Electronic Newsletter* 20 (2): 6–14.

Hernández, María Clara. 2020. "Itinerarios de compras en tiempos de inflación: La organización cotidiana de las economías domésticas." *Sudamérica: Revista de Ciencias Sociales* 12: 46–73.

International Monetary Fund (IMF). 2023. World *Economic Outlook*. Washington, DC: IMF.

INDEC (Instituto Nacional de Estadística y Censos). 2024. "Informes técnicos 8 (54). Índice de precios 8 (8). Índice de precios al consumidor (IPC), febrero de 2024." https://www.indec.gob.ar/uploads/informesdeprensa/ipc_03_24BF7A335103.pdf

Jelin, Elizabeth, María del Carmen Feijoó, Juan José Llovet, and Silvina Ramos. 1984. *Las relaciones sociales del consumo: El caso de las unidades domésticas de sectores populares*. Santiago de Chile: CEPAL.

LEMON. 2023. "Argentina capital crypto. Estado de la industria crypto 2023". https://www.lemon.me/reportecrypto2023.pdf

Luzzi, Mariana. 2008. "La institución bancaria cuestionada: Actitudes y representaciones de los ahorristas frente a los bancos en el contexto de la crisis de 2001 en Argentina." *Crítica en Desarrollo: Revista Latinoamericana de Ciencias Sociales* (2): 173–90.

Luzzi, Mariana. 2017. "La financiarización de los hogares bajo el prisma de otras crisis." *Civitas. Revista de Ciências Sociais* 17 (1): 43–60.

Luzzi, Mariana. 2021. "Consumo, deuda y desigualdad: La expansión de los servicios financieros para los hogares en Argentina, 2003–2015." In *Desigualdades en Argentina: Actores, territorios y conflictos*, edited by Silvio Feldman, Mariana Luzzi, and Gabriela Wyczykier, 133–58. Buenos Aires: Ediciones UNGS.

Luzzi, Mariana. 2023. "Sobrevivir a crédito." *El Diplo*, June 2023.

Luzzi, Mariana, and Clara Hernández. 2023. "Coping with Inflation: Social Perceptions and Ordinary Measures of Price Increases in Contemporary Argentina." *International Sociology* 38 (6), published online October 27, 2023, doi: 10.1177/02685809231200892.

Luzzi, Mariana, and María Soledad Sánchez. 2023. "The Expansion of Cryptocurrencies among Young Argentines: Finding a Way through Finance in Contemporary Argentina." Conference paper. Annual meeting of the Society for the Advancement of Socio-Economics (SASE), Rio de Janeiro, July 20–22.

Luzzi, Mariana, and Ariel Wilkis. 2018a. "Soybean, Bricks, Dollars and the Reality of Money: Multiple Monies during Currency Exchange Restrictions in Argentina (2011–15)." *HAU. Journal of Ethnographic Theory* 8 (1–2), doi: 10.1086/698222.

Luzzi, Mariana, and Ariel Wilkis. 2018b. "Bancarización y el acceso al crédito." In *La Argentina en el siglo XXI: Cómo somos, vivimos y convivimos en una sociedad desigual,* edited by Juan Ignacio Piovani and Agustín Salvia, 389–417. Buenos Aires: Siglo XXI.

Luzzi, Mariana, and Ariel Wilkis. 2023. *The Dollar: How the US Dollar Became a Popular Currency in Argentina*. Albuquerque: University of New Mexico Press.

Neiburg, Federico. 2005. "Inflación y crisis nacional: Culturas económicas y espacios públicos en la Argentina y Brasil." *Anuario de Estudios Americanos* 62 (5): 113–38.

Neiburg, Federico. 2008. "Inflación, monedas enfermas y números públicos." *Crítica en Desarrollo* 2: 93–108.

Neiburg, Federico. 2023. "Inflation: Pragmatics of Money and Inflationary Sensoria." *Economic Sociology: Perspectives and Conversations* 24 (3): 9–17.

Nelms, Taylor, Bill Maurer, Lana Swartz, and Scott Mainwaring. 2018. "Social Payments: Innovation, Trust, Bitcoin, and the Sharing Economy." *Theory Culture & Society* 35 (3): 13–33.

Pellandini-Simanyi, Lena. 2021. "The Financialization of Everyday Life." In *Routledge Handbook of Critical Finance Studies*, edited by Robert Wosnitzer and Christian Borch, 278–99. New York: Routledge.

Roig, Alexandre. 2016. *La moneda imposible: La convertibilidad argentina de 1991*. Buenos Aires: Fondo de Cultura Económica.

Sánchez, María Soledad. 2018. "¿Cuánto vale el dólar? El orden social y moral de los mercados cambiarios ilegales." In *El poder de evaluar: La producción monetaria de jerarquías sociales, morales y estéticas en la sociedad contemporánea,* edited by Ariel Wilkis, 49–66. Buenos Aires: Unsam Edita y Universidad del Rosario Editorial.

Sánchez, María Soledad. 2024. "Cuando las inversiones se popularizan: Finanzas digitales e inversores amateurs en Argentina." *Estudios Sociológicos* 42, publicación continua: 1–26.

Schvarzer, Jorge. 1998. *Implantación de un modelo económico: La experiencia argentina entre 1975 y el 2000*. Buenos Aires: Editorial A–Z.

Serulnikov, Sergio. 2017. "Como si estuvieran comprando: Los saqueos de 1989 y la irrupción de la nueva cuestión social." In *La larga historia de los saqueos en la Argentina: De la Independencia a nuestros días*, edited by Gabriel Di Meglio and Sergio Serulnikov, 137–76. Buenos Aires: Siglo XXI.

Sigal, Silvia, and Gabriel Kessler. 1997. "La hiperinflación en Argentina: Comportamientos y representaciones sociales." In *La investigación social hoy,* edited by Darío Cantón and Jorge Jorrat, 155–85. Buenos Aires: Oficina de Publicaciones del CBC.

Spitta, Arnold. 1988. "La cultura de la inflación en la Argentina: Observaciones cotidianas de un extranjero." In *El impacto de la inflación en la sociedad y la política,* edited by Natalio Botana and Peter Waldmann, 124–50. Buenos Aires: Instituto Torcuato Di Tella.

Telechea, Juan Manuel. 2023. *Inflación. ¿Por qué Argentina no puede sacársela de encima?* Buenos Aires: Capital Intelectual.

Wilkis, Ariel. 2023. "From the Pandemic to Spiraling Inflation: Moral Superiority over the Argentine State in Time of Crisis." *Economic Sociology. Perspectives and Conversations* 24 (3): 34–43.

van der Zwan, Natascha. 2014. "Making Sense of Financialization." *Socio-Economic Review* 12 (1): 99–129.

Tribute

Richard Swedberg steps down from the editorial board

Richard Swedberg, one of the founders and the first editor of what is now *economic sociology: perspectives and conversations*, is stepping down from the editorial board, the first of the original editorial board members to do so in the publication's 25-year history. So much of *economic sociology* is connected with Richard, including the very idea behind it, that we want to take the opportunity both to thank him for his dedication and long-standing leadership and to recall some of the publication's history.

Richard started the first issue of the first volume of the then newsletter with this sentence: "The decision to publish an electronic newsletter of this type was formally taken by Jens Beckert, Johan Heilbron, Ton Korver and myself at the annual meeting of the European Sociological Association in Amsterdam in August 1999." During the first years the newsletter was hosted by SISWO, a Dutch interuniversity institute for social science research, which was exploring ways to internationalize its activities.

Initially subtitled "the European electronic newsletter" and now published in three issues per year, the publication has changed its name and design and grown in the number and geographical scope of its subscribers. Today, it is hosted by the Max Planck Institute for the Study of Societies in Cologne.

The most obvious difference between the first and the current issue is, perhaps, the design. If one goes back to the newsletter's first year, when Richard served as the editor and Reza Azarian as managing editor, the graphic design still reflects the age of typewriters. A mechanical typewriter was kept at Swedberg's Stockholm office for many years, its characteristic noise audible from the hallway. The original title also highlighted the notion of an "electronic" newsletter, to distinguish it from the still common practice at the time of sending out newsletters printed on paper.

The newsletter showcased one of Richard's strengths: the unique combination of academic work of the highest caliber and an entrepreneurial spirit capable of breaking new ground. Today, *economic sociology* still tries to keep this spirit by giving new editors the freedom to develop the volume for which they are responsible in the ways they see fit, without much steering from the editorial board, whose role is to choose the incoming editor and provide support when needed. All the decisions about the topics and the authors are left to the editor.

Richard, who defended his dissertation at Boston University and spent many years in the United States, played a central role in defining the field of economic sociology during the 1980s and 1990s, most notably in his important collaborations with Mark Granovetter (1991) and Neil Smelser (Smelser and Swedberg 1994). He wrote book-length studies on the history and systematics of economic sociology, as well as on classical authors like Alexis de Tocqueville, Max Weber, and, perhaps most importantly, on Joseph Schumpeter. At Stockholm University and in the US, he functioned as a Schumpeterian entrepreneur facilitating the development of the New Economic Sociology by bringing various approaches together in "new combinations."

During this period Richard took many leadership roles to support economic sociology in Europe. Together with Gyorgy Lengyel he established the Eu-

ropean Sociological Association research network "Economic Sociology" (RN09) in 1995. Richard also organized an important conference in Stockholm, which resulted in special issues in two European sociology journals in 2001. At this conference he brought together not only those who had already made a name for themselves in sociology but also quite a few younger researchers. A good handful of those who were there later became editors of the newsletter and/or active in the research network of the ESA. Works in economic sociology had of course been published in Europe before, as Swedberg writes in his first editorial to the newsletter. But by helping to create an organizational infrastructure, the initiatives guided by Richard turned economic sociology into a field with recognizable institutional structures also in Europe.

Once an academic field has become institutionalized, it can thrive within the structures created. It is perhaps natural at this point, and indeed a strength, that the person who has formed the field so decisively wants to take a step back from the administrative work. As past editors and current board members of today's *Economic Sociology: Perspectives and Conversations*, we are very grateful to Richard Swedberg, who put his scholarly commitment and entrepreneurial energy at the service of the newsletter and economic sociology more generally. For this we thank him wholeheartedly.

The editorial board

References

Beckert, Jens, and Richard Swedberg, eds. 2001. "Symposium: The Return of Economic Sociology in Europe." *European Journal of Social Theory* 4 (4): 379–458.

Beckert, Jens, and Richard Swedberg, eds. 2001. "Theme Issue: New Economic Sociology in Europe." *European Societies* 1, 2001: 1–132.

Granovetter, Mark, and Richard Swedberg, eds. 1991. *The Sociology of Economic Life*. Boulder: Westview Press.

Smelser, Neil, and Richard Swedberg, eds. 1994. *The Handbook of Economic Sociology*. Princeton: Princeton University Press.

Book reviews

Philipp Staab · 2024

Markets and Power in Digital Capitalism.

Manchester: Manchester University Press

Reviewer Dieter Plehwe
WZB (Berlin Social Science Centre)
dieter.plehwe@wzb.eu

Post-neoliberalism is en vogue. Contrary to those who rely on short-lived political conjunctures, the German sociologist Philip Staab speaks about another popular (sociotechnological and socioeconomic) dimension of the present transformation to demolish the belief in neoliberal continuity. His book on digital capitalism deals with relevant structural transformations of corporations and markets. The key witnesses of his account of digital capitalism and post-neoliberalism are Schumpeter and arguably Gordon Tullock and Anne Krueger, but not Marx. I first agree with the book's main aim of focusing on the global political economy of digital capitalism and lead corporations at the center of a profound economic transformation. Proceeding to the author's claim of the arrival of a post-neoliberal era because of a new dimension of corporate control of market relationships, I present a few challenges related to neoliberal theories of markets and monopoly.

Digital capitalism and the end of neoliberalism

The widely perceived threat of (arguably unprecedented) market control of the global tech corporations, which led to intense campaigning in support of regulatory efforts in digital markets in many countries, is the basis of a theoretical argument pertaining to epochal change of capitalist social relations in the work of Philip Staab, whose German-language book on digital capitalism has now been revised and published in English. Objecting to a descriptive narrative of the digital transformation of capitalism and Silicon Valley and to the argument of a reinforcement of American cultural hegemony, Staab observes a relative divorce of the state and corporate leadership. He emphasizes the ownership structures of leading tech firms both in the United States and China – GAFAM (Google, Amazon, Facebook, Apple, Meta) and BAT (Baidu, Alibaba, Tencent), respectively. These are the corporations that control much of the *commercial internet* (author emphasis throughout) and thereby are also considered the main drivers of the transformations of many traditional markets, from retail to car manufacturing. Although Staab does acknowledge the joint public-private *security state* action involving the tech giants, he argues that the state has given up economic policy leadership in digital markets, thence the need to speak about digital capitalism, and not about digital hegemony.

Staab explains the *economic conditions* for the rise of *meta-platform companies* with supply-side *economies of scale* and demand-side *network effects*, which enable the new lead companies to engage in *monopolistic competition*, subjecting lesser competitors to subordinate positions in a new corporate hierarchy. Referring to Schumpeter's entrepreneurship theory, Staab considers monopolistic competition not all bad in contrast to neoclassical theory. Not fully following the Harvard economist's historical perspective of the rise of managerialism, however, Staab seems to miss Schumpeter's irony about fundamental changes likewise expressed in his presentation of communism as an elite affair, void of proletarian dictatorship. Staab wants to go beyond Schumpeter by drawing a greater distinction between Schumpeter's age of economic production under conditions of scarcity and the present era of digital capitalism and its logic of superabundance. For Staab, the lead companies constitute proprietary markets, which are driven more by rent-seeking than by entrepreneurship. "The objective is not to maximise production but to derive profit from goods that are actually superabundant" (p. 8). Gordon Tullock (1967) and Anne Krueger (1974) thus are more central to his argument than Schumpeter, even if the state is no longer blamed for the outcome.

Beyond economies of scale and networks, in addition to the relevance of likewise superabundant risk capital – Staab speaks about some continuity of financial capitalism in chapter 3 – in the evolution of the commercial internet, he insists on "a system of proprietary markets" (p. 8) as the operational core of digital capitalism, although he does ask if this is not just a return of previous forms of monopoly capitalism. Surprisingly, he refers to corporations characterized by "natural monopoly" (p. 9) dimensions in the telecom

and railway sectors according to liberal welfare economics rather than the more generic monopoly categories discussed by Hilferding ([1910] 1981), for example, and the rise of financial capital in particular. His choice to focus on technical dimensions serves Staab again to distinguish the digital monopolies from the *capital-intensive* infrastructure-related corporations of past centuries. Digital lead companies do not create a monopoly due to capital intensity but to a very comprehensive ownership of and identity with the markets they are, and hence design and shape at will. Monopolistic profits in such proprietary markets are generated by way of access control (gatekeeper) and provisions paid for access (p. 109f.). Staab claims that firms can set prices at will (hence rents) and additionally take systematic advantage of their control by inviting competitors to the platform if a product is considered too expensive. However, would finance capital not be in the same position in many a market, enabling competitors to enter if interest paid on the money lent for investment is considered likely to meet expectations?

Staab emphasizes "product" abundance and the specific (digital) market ownership to argue for a completely new era of digital capitalism, which he conceives as a radical break with neoliberal capitalism. Starting a historical narrative of the emergence of digital capitalism with still fairly traditional ways to establish monopoly, Staab considers the Windows-Intel partnership (WINTELISM) to be a preview of what was coming, even if it was about controlling the PC market only. He holds that the present digital lead companies operate on a much larger and diversified scale, however, and are thereby enabled to gain more control over producers and consumers alike. The ownership of digital meta-platforms allows the lead companies to expand in ever more markets like entertainment, media, and gaming, or employment services and retail. The meta-platforms thereby allegedly turn from marketplaces into the market as such, aiming to prevent producers and consumers alike from switching to competing platforms and services. The meta-platforms thus strive to become universal venues for economic transactions (p. 20).

In contrast to a prospect of decentralization and open source collaboration, the commercial internet is all about concentration of power and control, much like finance, according to Staab, albeit presently subject to intense oligopolistic competition. Again similar to finance are secondary uses of data (derivatives in finance, commercial advertising in digital markets) and the capitalization of time (credit and speculative utility of advertising, respectively). Digital capitalism in this way is considered to be similar to the neoliberal age of speculative finance: specifically, the risk capital invested in prospective gatekeepers is considered an example of the crisis-prone character. But digital risk capitalism is not controlled by the large financial institutions, according to Staab, but by the established gatekeepers: finance capital online. The book does not offer much insight into the relationship between big finance and big tech, unfortunately. More important appears to be the turn against the continuity of neoliberalism: the new system of proprietary markets.

Post-neoliberalism?

Although in Staab's view there is not yet a full-fledged new mode of regulation in digital capitalism, the old mode of neoliberalism is under ultimate pressure to disappear due to the development of proprietary markets.

The key difference lies in lead companies no longer acting as producers operating in markets but as markets on which producers interact. Contrary to typologies of different platform business models, Staab insists on the hierarchy of the lead firms as gatekeepers that control secondary companies (and potentially everything else). The proprietary "eco systems" are the core of the post-neoliberal accumulation regime and its emerging mode of regulation. They are considered meta-platforms because of their core position in the wider universe of digital capitalism. They maintain their central position of power by way of four control mechanisms (p. 82f.): (1) information control (data extractivism); (2) access control to the market (gatekeeping); (3) price control (by adding competitors); and (4) performance control (via customer evaluation). Due to the exercise of these control mechanisms, the core/lead firms have managed to establish a presence without alternative.

The only limiting factor of their rentier model is the non-exclusive character due to the oligopolistic competition among themselves. While Silicon Valley neoliberals may dream of the ultimate singular monopoly, the tech giants still come in (small) herds. The key difference to the neoliberal order is nevertheless in plain sight for Staab. Instead of a mode of regulation based on constant expansion of markets and commodification, the new era has removed the principle of market neutrality (p. 129) allegedly common to all varieties of neoliberalism. While Staab knows that market neutrality has been a fiction, the principle of market openness and access is key to neoliberal ideology, according to him, and no longer compromised to some degree only. The era of digital capitalism undermined the traditional market regime with a new system of privatized mercantil-

ism (p. 121f.). Staab meanwhile acknowledges that many policies and management approaches continue to be characterized by neoliberal ideas and concepts, and the forces fighting against and in defense of neoliberalism continue to exist. Still, Staab regards these troops as fighting in the "smoking ruins" of a system that has already ceased to exist.

Staab certainly does have a powerful argument about the new tech giants, even if he does not address the wider phenomenon of assetization and rentier capitalism (Christophers 2020) and many aspects of the relationships between the economics of abundance and the real-world economics of scarcity that continue to be relevant in the age of digital capitalism and arguably remain outside the scope of controls exercised by the tech firms. In fact, he may be considered to have fallen victim to Hayek's own deflection of real-world economics (of scarcity) by intellectually transforming the whole of the economy into a system of price signals and information processing (Mirowski and Nik-Kah 2017), which has been a convenient way to avoid considering the human–nature relationship, or, in Staab's case, the relationships of superabundant information products and the real world of scarcity economics. Staab's claims about neoliberalism rest entirely on a principle of market neutrality, by which he is probably referring to market openness and acknowledging its fictive character in real life (in contrast to neoclassical theoretical assumptions). However, neoliberalism in fact moved away from neoclassical ideal types of market operations and demanded a much lesser degree of market openness than Staab seems to believe. Neoliberals regarded the state as a much greater threat to the functioning of the price signals than even the biggest corporation, and they continue to do so (Colton 2021). According to Hayek, it is "desirable not only to tolerate monopolies but even to allow them to exploit their monopolistic position – so long as they maintain them solely by serving their customers better than anyone else, and not by preventing those who think they could do still better from trying to do so" (Hayek 1979, 73). Considering the US restrictions on Chinese competitors of GAFAM, Hayek even seems to have a point that it is government intervention that undermines economic constraints of tech monopolies.

The struggle over the regulation of digital markets meanwhile provides some evidence of both the ongoing effort to limit the "market ownership" strategy of the tech companies and the efforts of tech and other big corporations to limit the regulatory impact of the antitrust authorities. Staab is right to suggest that the regulatory approach in the EU continues to rely on neoliberal hopes of market competition, but he fails to discuss the new Brandeisian moment in US antitrust and belittles the considerable attacks of both EU and US antitrust authorities on digital monopolies as well as neoliberal consumer efficiency arguments in recent cases. Neoliberalism does not lose if the digital corporations control rather than "own" (some, certainly relevant,) markets, but it wins if private capital cannot be significantly restricted and directed in its endless search for profits. Comments of other corporations and their business associations on new (ex ante) antitrust tools of competition authorities should give Staab food for thought with regard to the new hierarchy he claims to observe. Instead of support for the state to keep digital markets open, other big firms and their spokespeople are worried about more powerful antitrust authorities, not about the tech companies.

Overall, Staab's book makes a contribution when it comes to highly relevant transformations in a global political economy that is driven by a set of new lead corporations in control of platform assets, and the resulting shake-up of corporate hierarchies. But he misses key aspects of contemporary neoliberalism with its unwavering defense of property rights and ownership structures, which turns privately controlled forms of rentier capitalism into the rule rather than the exception in the shape of digital platforms.

References

Cayla, David. 2022. "How the Digital Economy Challenges the Neoliberal Agenda: Lessons from the Antitrust Policies." *Journal of Economic Issues* 56 (2): 546–53.

Christophers, Brett. 2020. *Rentier Capitalism: Who Owns the Economy, and Who Pays for It?* London: Verso.

Colton, Caroline Kate. 2021. "The Imitation Economy: How AT&T's Contestability Doctrine Transformed the Neoliberal Project." PhD diss., University of Technology Sydney.

Hayek, Friedrich A. 1979. *The Political Order of a Free People.* Vol. 3 of *Law, Legislation and Liberty: A New Statement of the Liberal Principles of Justice and Political Economy.* Chicago: University of Chicago Press.

Hilferding, Rudolf. (1910) 1981. *Finance Capital: A Study of the Latest Phase of Capitalist Development.* Edited by Tom Bottomore. London: Routledge & Kegan Paul.

Krueger, Anne O. 1974. "The Political Economy of the Rent-Seeking Society." *American Economic Review* 64 (3): 291–303.

Tullock, Gordon. 1967. "The Welfare Costs of Tariffs, Monopolies and Theft." *Western Economic Journal* 5 (3): 224–32.

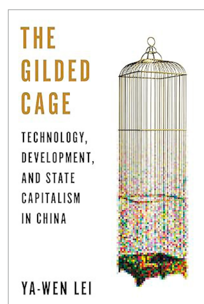
Mirowski, Philip, and Edward Nik-Khah. 2017. *The Knowledge We Have Lost in Information: The History of Information in Modern Economics*. New York: Oxford University Press.

Ya-Wen Lei · 2023

The Gilded Cage: Technology, Development, and State Capitalism in China.

Princeton: Princeton University Press

Reviewer Timur Ergen
Max Planck Institute for the Study of Societies
te@mpifg.de



The Gilded Cage is a breathtakingly ambitious book. Most sociological monographs today "choose their battles wisely" – they drive home a small number of conceptual points, establish methodological novelty in one or two respects, or provide empirical illumination in a clearly delimited space of problems. Lei's new book does it all at once, and does so not just in any problem space, but in one of the most relevant and contested contemporary fields – 21st century Chinese capitalism.

Just a few of the things the book succeeds at: *The Gilded Cage* rescues Daniel Bell's theory of power in the postindustrial society from the dead; it establishes the existence of a new developmental regime in China called techno-developmentalism; it reconstructs the emergence, geographical diffusion, and internal contradictions of that regime historically; it demonstrates how "technological development" has become an almost mind-numbing cultural scheme in Chinese society, overriding most other concerns; it reconstructs the rise and current societal role of Chinese Big Tech; and it documents ongoing mergers between party-authoritarian governance, industrial policy, faith in quantification and indicators, and data-based social control. The book is not just a macrosociological account, but traces all of these issues down to the shopfloor and street levels and to the everyday experience of administrators, citizens, managers, and workers, with a keen eye on contradictions and social conflict. Almost all of the book is based on a huge amount of original archival, ethnographic, and interview data, which are meticulously documented and discussed.

Perhaps most remarkable, *The Gilded Cage* does all this and still reads fluently as a coherent whole – it is remarkably well-crafted and well-written. The metaphor holding Lei's account together is that of the *birdcage*. In that vision of state-economy relations, the state nurtures desirable economic forces as "birds" in a "cage" of political-administrative control and selective intervention. At its narrative core, the book demonstrates how symbolic notions of desirable and obsolete, new and old, rising and declining "birds" have changed over time – with far-reaching consequences for administrators as well as subjects of the "bird"/"cage" logic.

The book is structured into eight major chapters, two of which reconstruct the historical emergence of techno-developmentalism and six of which take readers through the major arenas of this new socioeconomic regime.

Chapter 2 documents that the ideational and structural seeds of techno-developmentalism were already present in China's labor surplus-driven accumulation regime. Key features the chapter finds dormant in China's "factory of the world" era are widespread elite beliefs in the scientific management of development, strong popular beliefs in the beneficial nature of science and technology, and an indicator-heavy control structure of the political-administrative system. Lei speaks of an emerging "scientization of statecraft" (p. 64).

Chapter 3 shows how the surplus labor- and manufacturing-intensive developmental regime increasingly fell out of fashion after the Great Financial Crisis. Change was led by coastal regions in reaction to the economic and environmental limits of the old growth model as well as by key elites, such as Xi, who, Lei shows, had a history of experimenting with science and technology-oriented developmental interventionism. Of particular force are the chapter's illustrations of how the techno-developmental logic seeped into indicator-based evaluation systems for citizens, firms, and local administrators. Lei demonstrates how state favors, financial and political access, and plain citizenship rights are now deeply tied to the goal of furthering science and technology and technological upgrading.

Chapters 4 and 5 move down to the shopfloor and regional level to show how this developmental logic changes the lived experience of capitalists and workers now deemed "obsolete" or in need of being "upgraded." Lei documents selective regulatory overenforcement and systematic harassment to root out "old birds." The level of open discontent is surprisingly limited – often on the basis of a consensus around national upgrading goals. Particularly in the field of policies around "robotization," the chapters also highlight the irrationalities of the process when street-level administrators, managers, and workers try to find creative ways to bring together unrealistic robotization goals with actual economic practice. "From the process, I have realized that the human body is magic," one of Lei's informants summarizes the experience with robotization on the ground (p. 147).

Chapters 6 to 8 trace the regime into the digital economy. The book gives a deep account of the rise of China's big tech sector as an incremental "para-public" amalgamation between the state's interests in instrumental power and technological upgrading and big corporations striving for data-based accumulation. In the sphere of work, Big Tech's rise implies that surplus labor is increasingly absorbed by precarious gig and platform work, rather than by the factory. Again, Lei documents widespread disillusionment but a resilient consensus with catch-up developmental policies, even among those vastly underprivileged in China's digital economy. Following up on Daniel Bell's thoughts about knowledge elites in post-industrial society, Lei also investigates privileged digital economy workers with prestige technical education – what she calls "Coding Elites." Yet, even here the book documents ambivalence and the human grind techno-developmentalism inflicts on Chinese society.

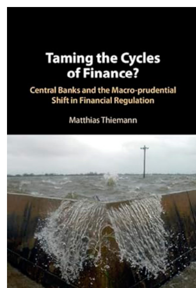
The Gilded Cage is more than a book for regional or subject specialists. It pushes the agenda for economic sociology and political economy in several respects. One key move that should prove instrumental to a wide range of socioeconomic scholarship concerns Lei's innovative coupling of comparative historical macrosociology with shopfloor- and street-level qualitative analyses. The book deploys analyses of micro- and meso-arenas not just for illustrative purposes, but to guide macrosociological description and theory-building. This style of shopfloor-grounding of work on socioeconomic regimes used to be at the core of comparative work in economic sociology, and Lei's book shows why it is well worth revisiting. In particular, recently revived work on industrial policy and the developmental state – which in large part is driven by analyses of declarative elite material – would benefit from a return to microsociology, not least to work out that not all that is gilded is gold in 21st century developmentalism.

Matthias Thiemann · 2024

Taming the Cycles of Finance? Central Banks and the Macroprudential Shift in Financial Regulation.

Cambridge: Cambridge University Press

Reviewer Zsófia Barta
University of Albany
zbarta@albany.edu



In the almost two decades that have passed since the global financial crisis, scholars have repeatedly returned to the question of what lessons policymakers have learned from the crisis that shocked the world economy and imposed heavy costs on governments. Have policymakers adequately revised their approach to financial markets? Have they sufficiently reformed and rewired regulation to prevent the renewed buildup of pressures that so violently erupted in 2007 and 2008? While most scholarly work focuses on assessing, comparing, and explaining the regulatory responses of international and national authorities since the crisis, Matthias Thiemann's *Taming the Cycles of Finance?* places more emphasis on exploring the intellectual route that led policymakers to those choices. In a sense, it takes the question of what lessons have been learned quite literally, by carefully documenting how, after the crisis, policymakers rethought what they thought they knew about financial markets to arrive at the current regulatory regime. *Taming the Cycles of Finance?* meticulously traces the debates and the research programs that marked the departure from the pre-crisis "vision of finance" (p. 45), founded upon the efficient market hypothesis, towards a regulatory framework that would incorporate Minsky's and Kindleberger's "macro-prudential" vision of how financial markets operate. It chronicles the arduous, disjointed, and incomplete process that has characterized the shift from one policy paradigm of financial regulation to another in the years that have passed since the crisis.

This methodical process-tracing approach allows Thiemann to paint a more nuanced picture of just how much has changed in the world of financial regulation since the crisis than previous accounts, while also accurately depicting the fragmented, uneven nature of the progress made so far. Thiemann rejects views that write off regulatory changes as cosmetic, incremental, or smoke-and-mirrors. Instead, he highlights the immense efforts expended in building the epistemic foundations of a new paradigm, points to instances of significant change, and seeks to explain the lack of improvement in areas where reform has encountered the greatest obstacles. He argues that a substantial shift has occurred in regulatory thinking towards acknowledging the need for regulators to monitor and limit *systemic* risks that build up across financial markets (a significant move away

from the micro-prudential thinking that had focused on individual, rather than systemic, failures prior to the crisis), which resulted in meaningful regulatory interventions on that front. At the same time, he notes that regulators have been reluctant to embrace intervention against the *cyclical* risks that build up in the financial system across time.

Thiemann explains this contrast by pointing to differential developments in what he calls "regulatory science": the epistemic underpinnings of regulatory action through the generation of data, models, early warning systems, and actionable indicators produced by applied economists to convince technocrats and politically appointed regulators that intervention is both necessary and possible within the confines of regulatory intervention that technocrats face within their respective polities. Whereas the policy community arrived at a consensus on actionable metrics regarding systemic (cross-sectional) risks fairly early on, action on counter-cyclical (cross-temporal) regulation has been hampered by the fact that the models, indicators, and rules of thumb required to build the confidence of technocrats and politically appointed regulators in counter-cyclical intervention have taken much longer to produce and have only recently reached their full potential.

Thiemann uses extensive evidence from interviews and policy documents to meticulously trace the debates taking place both in the global regulatory community and in the national regulatory spheres – comparing developments in the United States, the United Kingdom, and the European Union. In doing so, he contributes greatly to our understanding of the fascinating process by which a change in economic ideas leads, sometimes incompletely and unevenly, to paradigmatic changes in policy. He documents the messy process by which "third-order" changes (Hall 1993) in policy happen, and thereby illustrates with rich empirical detail what Best (2020) called the "practical life of ideas." But while Thiemann explicitly addresses the literature on the role of ideas in the political economy of policymaking, he fails to tease out the ways in which his story also resonates with the public policy literature on framing, agenda setting, and narratives. This omission is unfortunate not only because the painstaking mapping out of the interactions of applied economists, technocrats, and political appointees in *Taming the Cycles of Finance?* is a brilliant modern case study of Kingdon's (1984) classic "policy streams" framework that would deserve a place on every public policy syllabus, but also because engaging with the public policy literature would have allowed Thiemann to even more effectively parse the ways in which ideas are shaped and wielded strategically to achieve deeply political ends.

Thiemann's analysis builds primarily on Hall's (1989) distinction between the economic, bureaucratic, and political viability of ideas to structure his discussion on the ways in which applied scientists interact with technocrats and political appointees in shaping new policy paradigms. This analysis yields fascinating insights on the immense efforts that applied economists invest not only in producing incontrovertible evidence on the need to act but also in repackaging their knowledge in simple indicators and rules of thumb in order to make action palatable to technocrats as well as to political appointees. Yet, the focus on economists' efforts to build the necessary "ideational infrastructure" (p. 11) to make their policy ideas viable on the bureaucratic and political levels implicitly suggests that there is an objective end point to such endeavor – where the evidence is incontrovertible and the indicators simple and clear enough to make policy proposals succeed – and Thiemann's framework cannot effectively account for instances when economists' very best efforts fail (especially under conditions very similar to what helped such efforts succeed before). Insurmountable opposition from lobby groups or vetoes from rival regulatory authorities often crop up unexpectedly in the narrative to cut a detailed story of intellectual efforts short.

It is in explaining these unexpected defeats of intellectual efforts that it would have been particularly useful to employ the conceptual toolkit of the public policy literature describing how actors within the policymaking arena strategically deploy competing policy frames and rival policy images, and tactically choose policy venues to further their goals. The empirical evidence offered in the book provides fascinating insight into this – for example when discussing the persistent worry of technocrats that their actions might be framed as unduly discretionary and, therefore, political by the subjects of their regulatory intervention, or when referencing the conflicting policy images that rival regulatory authorities set against the initiatives of macroprudential regulators – but explicit use of the theoretical framework would have allowed the author to map out the strategic use of the different frames, policy images, and venues by different actors to better explain the eventual outcomes.

More systematic attention to the strategic use of ideational devices would have also allowed *Taming the Cycles of Finance?* to problematize the ways in which not only the knowledge generated by "ideational infrastructures" but also ignorance might be deployed

by different actors within the policymaking sphere to protect themselves and further their objectives. *Taming the Cycles of Finance?* depicts the heroic efforts of applied economists to build an "ideational infrastructure" to enable policymakers to confidently act. In doing so, the narrative adopts the premise that a key explanation for inaction is what Best (2022) calls "external ignorance" (i.e., the gaps in knowledge produced by uncertainty and the unknowability of the world), and that mitigating external ignorance would make action more likely. However, the narrative never engages with the possibility that the claim of ignorance is also a convenient excuse not to act, an example of what Best (2022) would call "practical ignorance," which allows policymakers to avoid facing up to policy failures they are not prepared to tackle. One illustration of such strategic choice to remain ignorant is described in chapter 6: officials at the Federal Reserve decided to forgo using the early warning model developed by their own researchers – which was later adopted by the IMF as the central element for its Financial Sector Assessment program – with the excuse that the model did not sufficiently predict tradeoffs with other policy goals (p. 151). Such examples of technocrats' rejection of the knowledge produced by economists beg for more explicit analysis on how far expert knowledge can go in the struggle for policy change.

The narrative also suggests that important actors involved in the debates about macroprudential regulation might exhibit – and perhaps strategically use – what Best (2022) calls "ideational ignorance," i.e., ideological blind spots and assumptions that prevent them from embracing and acting upon the new knowledge generated by economists. One example of such "ideational ignorance" in the narrative is the recurring theme of policymakers claiming that it is impossible for them to better identify cyclical developments than markets do (chapters 4, 5, 6, and 7). Such cropping up of evidence of a persistent commitment to premises of the efficient market hypothesis – which the crisis supposedly definitively refuted – also implies that the proponents of macroprudential reform are confronted with more than simply the need to build adequate ideational infrastructure for employing the macroprudential vision of finance – an insight that would have been worth exploring further to make this captivating analysis of policy learning and ideational change even more comprehensive.

Taming the Cycles of Finance? provides an intriguing look into the political economy of the struggle to reform financial regulation according to the tenets of a fundamentally new paradigm. It is essential reading not only for all finance specialists who want to know the history of macroprudential regulation since the crisis, but also for non-specialists who want to better understand the arduous process through which economic ideas are transplanted into the sphere of policymaking. Scholars and students of public policy will also find the book an engrossing read with fascinating empirical material on the interaction among policy experts, technocrats, and political actors, and their strategic use and neglect of advances in economic knowledge.

References

Best, Jacqueline. 2020. "The Quiet Failures of Early Neoliberalism: From Rational Expectations to Keynesianism in Reverse." *Review of International Studies* 46 (5): 594–612.

Best, Jacqueline. 2022. "Varieties of Ignorance in Neoliberal Policy: Or the Possibilities and Perils of Wishful Economic Thinking." *Review of International Political Economy* 29 (4): 1159–1182.

Hall, Peter A. 1989. "Conclusion: The Politics of Keynesian Ideas." In *The Political Power of Economic Ideas: Keynesianism across Nations,* 361–92. Princeton: Princeton University Press.

Hall, Peter A. 1993. "Policy Paradigms, Social Learning and the State: The Case of Economic Policymaking in Britain." *Comparative Politics* 25 (3): 275–96.

Kingdon, John. W. 1984. *Agendas, Alternatives, and Public Policies*. Boston: Little, Brown.

Brett Christophers · 2024

The Price is Wrong: Why Capitalism Won't Save the Planet.

London/New York: Verso

Reviewer Max Willems
Max Planck Institute for the Study of Societies
mw@mpifg.de

Due to power price upheavals and the centrality of electrification for decarbonizing economies, electricity markets have been subject to ever closer scrutiny by policymakers and the broader public in recent years. In (mostly Western) countries, where markets are liberalized, there have been fierce debates about whether the predominant model is still fit for purpose. However, given the technical and economic complexity of electricity markets, understanding what is at stake is anything but straight-

forward. Against this backdrop, Brett Christophers' timely new book offers a uniquely accessible tour-de-force through the world of electricity markets, focusing on their (in-)ability to bring about the renewable energy installations necessary to reach net zero. In view of the widespread narrative – which anyone only remotely engaging with climate policy news will have encountered – that renewable electricity production costs have fallen below those of fossil fuel-based power thanks to technology cost improvements, Christophers' book asks why government support for renewable energy is (or is at least seen to be) still indispensable for the deployment of wind and solar power. While many commentators and public discussions currently focus on bureaucratic obstacles to renewable energy, Christophers problematizes the *economics* of renewable energy investments under the private finance-led energy transition paradigm.

The book makes two basic arguments on the matter. The first takes the second-order observation that those who assume markets to be able to bring about sufficient clean energy installations are following a misguided understanding of the economics of renewables investments. Prevalent in the public and political debate is a focus on price, but the relevant parameter is in fact profitability. The second argument holds that renewable energy is not profitable enough on the market to yield investments at the scale needed. It consists of two parts: on the one hand, profits are too volatile and uncertain; on the other, their total volume is not large enough.

As the author duly acknowledges, the first part of his lack-of-profitability argument – renewable energy's profit volatility – has long been understood by policymakers and market experts. In a merit order pricing system, which most liberalized electricity markets have, the marginal cost of the most expensive unit feeding electricity into the grid sets the market price received by all active participants in any given bidding period (usually one hour). When many low marginal cost renewable energy assets enter the market, this may cause very low power prices during periods of high renewable energy production – a phenomenon referred to as "price cannibalization" – and relatively high prices during periods of low renewable power production. Christophers argues that, as banks perceive this price volatility as risky, it increases the capital costs at which projects active in these markets can lend. Given the high capital intensity of renewable energy projects, such a risk premium on capital costs can quickly render them unprofitable. Governments around the world have responded to this issue by stabilizing the revenue of renewable power with various support schemes, as Christophers explains (chapters 8 and 9).

The second component of Christophers' lack-of-profitability thesis is more controversial. He argues that the downward pressure that renewable energy installations exert on power prices not only leads to increased profit volatility but also reduces the total return on investments in renewable energy projects. Christophers provides little data evidence to back this argument, since it is very hard to prove. This is not only because revenues, and therefore profitability, vary greatly across locations, but also because his argument that renewables cannot be profitable on a pure market basis relies on a counterfactual: there simply are not so many subsidy-free renewable energy projects and the few that do exist will hardly be representative of the population of potential investments. Nevertheless, given that, according to Christophers, renewables investments compete with fossil fuel-based investments that are also subsidized, the fact that reported returns on investments in renewable power are a multiple higher than returns on fossil fuel investments (IEA 2021) seems to contradict his line of argumentation.

To avoid such numerical comparisons Christophers argues that it is the *expected* profitability that counts for whether a project will materialize or not. If, however, it really is the bankers – as Christophers claims – on whose expectations about a project's profitability it depends whether it will come to fruition or not, one may wonder why total profits are deemed so important in his account. After all, bankers can be assumed to be satisfied with any positive return on investment if it is steady enough for the project owners to be able to adhere to their scheduled repayments. But, as Christophers shows, this is an important *if*: prices in electricity markets with a high and quick penetration of renewables will become more volatile almost unavoidably. This demonstrates that the profit uncertainty component is much more important to Christophers' story than the profit volume component. What he basically points to is the gap between short-run marginal prices and long-run marginal cost. Because spot market prices are determined by scarcity, they may undermine the positive effect of long-run marginal cost improvements on investment profitability.

This relates to his other key argument, that the focus on price is misleading if one is to assess the attractiveness of renewable energy investments (chapters 4 and 5). More precisely, Christophers – often using the terms price and cost interchangeably – takes issue with the public debate's focus on the *levelized cost of electricity* (LCOE), which expresses the discounted electricity

production costs of a generation asset averaged over its entire lifetime, as a measure of comparison. His argument here is as simple as it is powerful: LCOEs do not provide for a balanced comparison as they are "rendered in temporal as well as spatial abstraction" (p. 155). Both factors, time and place of production, are highly consequential for the revenues earned by renewable power plants, which is why another measure, so-called system cost (Ueckerdt et al. 2023) is more frequently used as a metric, e.g., for policy design purposes. Because of the "price cannibalization" dynamic, the revenue actually received by intermittent renewable generation assets for each dispatched unit of electricity (the "capture price", to put it in energy policy terms) will on average be lower than that of "dispatchable" fossil fuel-based power plants, which can react to price signals at will. It makes intuitive sense, then, that renewable energy investments are not becoming more profitable as long as their cost improvements vis-à-vis fossil fuel-based power is overcompensated by higher volatility and lower total revenue. As such, Christophers' argument implies that we should, indeed, look at price – the prices captured on the market by each renewable energy investment – and set it in relation to cost, in order to assess renewable energy profitability, which is the key metric driving investment decisions.

There are various reasons behind renewable energy's profitability problem, which Christophers elaborates to an impressive degree of detail (especially in chapters 6 and 7). At the most basic level, it comes down to two interrelated aspects: the way electricity markets are designed, on the one hand, and insufficient demand in hours of high renewable power production, on the other.

Because the intermittent generation of renewable energy is volatile and relatively difficult to predict, electricity systems with a high penetration of clean energy are more frequently seeing an *insufficient level of demand* for the large amounts of renewable electricity produced during some periods. Christophers notes that there is in principle a range of technological solutions to this problem, but he discounts them as not sufficiently mature to aid the profitability problem of wind and solar. While he is right that storage technologies are not installed at the pace needed, market design is more likely to blame for this than technological immaturity (Qin et al. 2023). But even more importantly, another technological infrastructure Christophers barely touches upon can serve as remedy, coming at a low level of technical complexity: grid expansion (IEA 2023). Of course, there are intricate political obstacles to the expansion of grids, but transmission bottlenecks – causing large price differentials between different electricity trading zones in times of a geographically unequal distribution of power supply and demand – are primarily a result of the lack of coordination between the development of generation and transmission capacities. This problem could be alleviated with measures improving regulation, planning capacities, and the exchange of information between the production and the transport level of the electricity value chain (Cremona and Rossloe 2024).

As Christophers points out, *electricity market design* is the outcome of a series of path-dependent policy decisions to restructure the electricity industry since the neoliberal heyday of the 1990s (chapter 2). Electricity markets are therefore genuinely political constructs; prices and profits "as much a matter of external institutional intervention [...] as of supply and demand" (p. 362). The author emphasizes this in particular to highlight that the profits of renewables generators are "un-'natural'", given that "they are the product of continual, ongoing and, ultimately, rather haphazard efforts by policymakers" (p. 363). Insofar as Christophers acknowledges the political malleability of electricity markets, it comes as a surprise to the reader that he only sees two alternative conclusions potentially to be drawn from his analysis: either "it is essential that governments continue to provide the same fulsome support that they historically have" or the market is "the wrong model" (p. xxxii) altogether. From the assumption that the economics of electricity are largely a function of politics, should it not follow that the rules of the market can be shaped for the better?

To assess this suggestion – paralleling the likely objection of any committed marketeer to Christophers' argument – a deeper engagement with alternative electricity market design conceptions, such as those on the table in recent debates around electricity market design, could serve as a starting point. Long-term contracts (e.g., power purchase agreements), as Christophers shows, have proven to incentivize renewables buildout in markets without revenue stabilization policies, including the United States. He dismisses them, arguing that "there are few credible, bankable off-takers" (p. 258). However, the consensus among market experts that there is insufficient demand for PPAs seems to be less clear, if not pointing in the opposite direction (Collier 2023). In addition, solutions pooling smaller consumers demand can extend the circle of buyers beyond large corporates (e.g., EnergiDanmark 2023). If Christophers is still right (which he likely is) that demand under the current setup does not suffice to bring about the scale of investments needed, there have also been more sweeping proposals for the outright overhaul

of (European) electricity markets. Greece's proposal (Government of Greece 2022) to separate the electricity market into a renewable and a conventional segment, for example – however viable it may be – has been described by a group of energy economists as "the end of electricity markets as we know them" (Romano et al. 2022). A more thorough discussion of such proposals would have strengthened Christophers' case for more public ownership even more.

Theoretically, Christophers' bifurcated solution alternatives out of the clean energy investment malaise reflect a somewhat watered-down reading of the economic ontology of Karl Polanyi (1944), who is brought in during the last chapter and appears as an interlocutor in the background of the book's entire argument. Going beyond the scope of Christophers' already incredibly dense, empirically focused book, a consistent Polanyian perspective may hold that every separation of economics and politics amounts to an illusion, given that all economic outcomes of electricity markets are – and always will be – politically "crafted" (Vogel 2018). Seen in this light, any argument dismissing the ability of markets to bring about renewable energy investments on the basis of comparisons between the current market setup, including government support for renewables, and the shadow of a hypothetical economic reality absent these interventions, seems pointless. Not only renewable energy subsidies would have to be taken as political choices, but also the less visible mechanisms and societal conventions supporting fossil fuels that electricity markets are embedded in. Why are efficiency losses from subsidized fossil fuel-based power production tolerated, when the curtailment of renewable power plants is sanctioned by the regulator? Is there any good argument to make electricity consumers pay for redispatch costs arising from transmission capacity shortages during periods of renewable energy overproduction, but finance large parts of the construction works necessary to build a highway out of the public budget? Most of all, why are carbon emissions not priced higher even though there is excess demand for their release?

These and the many other questions arising from Christophers' book would each deserve coverage in book length on their own. *The Price is Wrong* has sparked a debate that will deepen the level of engagement with the intersection of technological, economic, and political questions of the clean energy transition and is essential reading for anyone interested in these questions.

References

Collier, Rob. 2023. "Competition for PPAs Is Fierce: Here's How Buyers Can Succeed," LevelTenEnergy, August 9. https://www.leveltenenergy.com/post/competition-vppa-how-buyers-succeed

Cremona, Elisabeth, and Chris Rosslowe. 2024. *Putting the Mission in Transmission: Grids for Europe's Energy Transition*." Ember, London. https://ember-climate.org/insights/research/putting-the-mission-in-transmission-grids-for-europes-energy-transition/#supporting-material

EnergiDanmark. "12 Companies in a Pool PPA." Accessed April 25, 2024. https://www.energidanmark.com/one-stop-shop/references/12-companies-in-a-pool-ppa/

Government of Greece. 2022. "Proposal for a Power Market Design in Order to Decouple Electricity Prices from Soaring Gas Prices." Council of the European Union, Brussels. https://data.consilium.europa.eu/doc/document/ST-11398-2022-INIT/en/pdf

IEA (International Energy Association). 2021. *Clean Energy Investing: Global Comparison of Investment Returns*. International Energy Association, Paris. https://www.iea.org/reports/clean-energy-investing-global-comparison-of-investment-returns

IEA (International Energy Association). 2023. *Electricity Grids and Secure Energy Transitions*. International Energy Association, Paris. https://www.iea.org/reports/electricity-grids-and-secure-energy-transitions

Polanyi, Karl. 1944. *The Great Transformation*. Boston, MA: Beacon Press.

Qin, Xin, Bolun Xu, Ioannis Lestas, Ye Guo, and Hongbin Sun. 2023. "The Role of Electricity Market Design for Energy Storage in Cost-Efficient Decarbonization." *Joule* 7 (6): 1227–40. https://doi.org/10.1016/j.joule.2023.05.014

Romano, Valentina, Christoph Maurer, Ingmar Schlecht, and Lion Hirth. 2022. "The Greek Market Design Proposal Would Be the End of Electricity Markets as We Know Them." www.euractiv.com, July 28, 2022. https://www.euractiv.com/section/electricity/opinion/the-greek-market-design-proposal-would-be-the-end-of-electricity-markets-as-we-know-them/

Ueckerdt, Falko, Lion Hirth, Gunnar Luderer, and Ottmar Edenhofer. 2013. "System LCOE: What Are the Costs of Variable Renewables?" *Energy* 63 (December 2013): 61–75. https://doi.org/10.1016/j.energy.2013.10.072

Vogel, Steven Kent. 2018. *Marketcraft*. Oxford: Oxford University Press.

economic sociology.
perspectives
and conversations

Editors

1999–2000	Richard Swedberg	2008–2009	Andrea Mennicken	2016–2017	Sascha Münnich
2000–2001	Johan Heilbron	2009–2010	Philippe Steiner	2017–2018	Olivier Godechot
2001–2002	Jens Beckert	2010–2011	Nigel Dodd	2018–2019	Aldo Madariaga and Felipe González López
2002–2003	Frederic Lebaron	2011–2012	Vadim Radaev	2019–2020	Akos Rona-Tas
2003–2004	Patrik Aspers	2012–2013	Rainer Diaz-Bone	2020–2021	Anita Engels
2004–2005	Olav Velthuis	2013–2014	Sophie Dubuisson-Quellier and Pierre François	2021–2022	Cheris Shun-ching Chan
2005–2006	Olav Velthuis	2014–2015	Asaf Darr	2022–2023	Marcin Serafin
2006–2007	Nina Bandelj	2015–2016	Zsuzsanna Vargha	2023–2024	Mariana Heredia
2007–2008	Patrik Aspers				

econsoc.mpifg.de · ISSN 1871-3351

Editor Mariana Heredia · University of San Martín & National Council for Scientific and Technical Research · mariana.heredia@conicet.gov.ar
Book reviews editor Sebastian Kohl · John-F.-Kennedy Institute, Freie Universität Berlin · sebastian.kohl@fu-berlin.de
Editorial board Patrik Aspers · University of St. Gallen · patrik.aspers@unisg.ch· Jens Beckert · Max Planck Institute for the Study of Societies, Cologne · beckert@mpifg.de · Alevtina Guseva · Boston University · aguseva@bu.edu · Johan Heilbron · Centre de Sociologie Européenne, Paris · johan.heilbron@wxs.nl

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

© by the authors