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## *The Pragmatic Sources of Modern Power*

### **Abstract**

Much work in present-day political economy still adheres to an economic understanding of how markets operate - evident above all in the tendency to concentrate on the disciplinary and constraining effects of globalization. Using American power in financial affairs as an example, this essay proposes a shift of focus towards the constitution of actor capacities, which will permit more accurate conceptualizations of highly leveraged forms of agency. To this end, it turns to the philosophical foundations of the American pragmatist tradition, exploring the way in which it can inform a deeper understanding of the enabling qualities of institutions, the processes through which actor capacities emerge and the operation of power.

*Keywords:* Pragmatism; political economy; agency; power; state.

IT IS PROBABLY no exaggeration to say that one of the central concerns of present-day political economy is to steer clear of economic determinism. One of the most common ways to introduce new research is through an explanation of how it avoids the theoretical pitfalls of both neoliberal perspectives and Marxist theories. But the case against economic determinism is by now so widely accepted that we should raise the question of why we continue to take it as something to define ourselves against, as a conceptual point of departure. It seems that to some extent the critique of economism has ceased to be a productive engagement and has morphed into a defense mechanism, a means to divert attention from whatever residual elements of it might still be lurking in our new approaches. By giving political economists license to cast their arguments in a negative way, it reduces the room for the exploration of the very themes that new research programs have introduced.

This essay argues that an unexamined moment of economism has persisted at the heart of attempts to theorize the neoliberal era of economic and financial expansion. It is at work in the tendency to conceptualize the past decades as a process whereby markets have

become “disembedded” from their social and institutional context. Without any claims to completeness, I will discuss the conceptual contributions of two schools of thought: institutionalist political economy and cultural political economy. Taking as its point of departure the Marxist-neoliberal notion of globalization as a material juggernaut that sweeps aside all institutional obstacles, institutionalist political economy brought the state back in and proceeded to look at other institutions that are crucial to the construction of markets. Cultural political economy subsequently brought the discursive realm, where actors are socialized into financial norms, back into the picture. But while these literatures have socialized and politicized and so enriched and deepened the story of economic and financial globalization, the story itself does not seem to be all that dramatically different. Even if it is now seen as socially constructed, globalization still appears as a process that imposes a regime of market discipline on governments and citizens alike, as an external force that limits the room for agency and political choice. Thus, both institutionalist and cultural political economy still conceptualize economic expansion as a movement whereby the logic of markets escapes the existing modalities of social and political control and subjects human interaction to a regime of economic necessity.

This is evident when it comes to the question of state power and in particular American financial power. Engaging with perceptions during the 1980s that the global growth of financial markets was causing the decline of US power, institutionalist political economy noted that the US in fact often benefited from this trend, as it permitted the American state and citizens to fund growing deficits. But it then went on to emphasize that this could only last so long, and that the American state would eventually have to bow before the competitive imperatives of global capital – which would impose themselves with all the force they had gathered in the meantime. Cultural political economy, meanwhile, focused on the constitution of power relations outside the formal state. But in retreating from questions concerning state power it has tended to reproduce a rather familiar picture: it views the state as an important nodal point of social relations but one that is nonetheless fully subject to a neoliberal regime of disciplinary market pressures. Consequently, the portrayal of American power in an era of financial globalization still has rather deterministic overtones: the US appears as a fundamentally unsound, speculative borrower that is unwilling to tighten its belt but can continue borrowing only as long as its creditors are still taken in by its bluff and appearances of wealth. The ability to flout fundamental

economic principles is seen as contingent on a thin façade that becomes harder and harder to sustain as the mountain of bad debt continues to grow. This conceptual model has been widely applied to the recent financial crisis (*i.e.* the “subprime” crisis): when the façade dropped and the mountain of debt imploded, it left American authorities scrambling to prevent the economic system from disintegrating altogether.

To my mind, the continued focus on declining state power and the restriction of policy room seems to be a rather defensive research orientation. It takes the broad parameters and contours of neoliberal globalization as established by neoliberal and Marxist accounts as a point of departure and in this way allows such approaches to pre-define the problematic that is addressed. Political economists have been announcing the final hour of American financial power for decades now, and they have renewed their predictions time and again. From a less pre-occupied and more open perspective, it seems that what we should try to understand is how our financial interaction came to be organized in such a way as to make available to the American state the extraordinary room for maneuver it enjoys and the awesome leverage it commands (Panitch and Gindin 2005). That should not be taken to imply that US financial power ever has had or will have a smooth ride. But it does suggest a rather different take on events of recent years, during which the American state has been engaged in a rescue operation of unprecedented proportions, spending astronomical amounts of money to hold the American economy together and put the American financial system back on track. Many have argued that the need for such desperate measures is testimony to the weakness of the institutional foundations of American financial power. But such perspectives tend to pre-judge the matter and to preclude investigation of a fact that does not fit comfortably within our existing theories. Massive interventions prompted by market instability have taken place throughout the neoliberal era and we might very well say that the last three decades have seen a huge *increase* in the role and presence of the state. It has displayed an extraordinary degree of what Michael Mann (1984, p. 114) has termed “infra-structural power”: not despotic, arbitrary power over a limited and geographically well-defined set of actors, but rather a capacity to implement political projects through a social sphere characterized by institutional networks that serve to connect actors in more ways than ever before, *i.e.* an ability to employ the linkages of social life for the diffusion and transmission of authority.

The kind of political agency that such infrastructural power represents is something that we should be able to account for more fully than we currently are. This paper is dedicated to suggesting one way in which we might go about this. It argues that we might derive considerable conceptual mileage from shifting our focus from the growth of constraints towards the reconfiguration of agentic capacities. Conceptualizing infrastructural power requires that we view structures not as primarily constraining, but equally as conferring power, loosening the constraints on our agency and enabling us to pursue new strategies. Put this way, it is presumably not something that many political economists would disagree with; yet the field provides insufficient conceptual instruments that allow us to think about this with the precision that is required. It is not enough to say that structures do not only constrain but also enable; we need to take this insight and make it permeate and shape our concrete understanding of the times we live in.

In effecting this shift of focus, I draw on the American pragmatist tradition (Novak 2008, Berk and Galvan 2009). Most political-economic perspectives on the role of power in modern society are built on the theoretical shoulders of European thinkers, above all Marx, Weber, Polanyi and, more recently, Foucault. For all their differences, common to these thinkers and the schools of thought they spawned is a view of modern capitalism as characterized by the growth of structural forces that tend to cage human agency and undermine mechanisms for the purposeful control of social life. American pragmatism, which first emerged during the late 19<sup>th</sup> and early 20<sup>th</sup> centuries, a period that saw the emergence in the US of many of the institutional structures that have come to shape the American century, has offered us a quite different way of understanding the relationship between human action and its social context.<sup>1</sup> America's entry into modernity opened up a philosophical perspective that placed considerable emphasis on the constitutive powers and effects of agency. Pragmatists saw people's relationships to the forms of the social world as profoundly instrumental and practical, governed by the aim to

<sup>1</sup> Of course these traditions have not remained separate: this broad contrast is drawn for analytical purposes and is not an exercise in intellectual history. In particular Veblen's work, which was heavily influenced by pragmatism, has had considerable influence on the development of European social science, just as present-day American pragmatism is

in key ways indebted to the importation by Parsonian sociology of European thought and its specific sensibilities. Tracing these intellectual lineages and travails would no doubt provide us with considerable additional insight into some of the themes raised here, but falls outside the confines of this paper.

extend control over their environment and shape the social world in accordance with their interests. But if pragmatism viewed people primarily as do-ers, it certainly did not see them as self-sufficient, rational authors of their own fate. Practical innovation was not seen as a clean, anodyne adjustment but as a dynamic and often painful process of trial and error taking place right within the very social context that had produced the lived contradictions and problematic experiences motivating the search for new strategies in the first place.

Pragmatists stressed that our practices never fully correspond to our ideas about them or the opinions we hold. The forms that structure our world – norms, rules, conventions and institutions – do not tell us everything about our actual social practices and the tangled webs of interdependence they weave. Social rules are like codes: they need to be interpreted by a wide range of actors applying them in an infinite number of concrete situations, and they are hence necessarily abstract and formal. Institutional structures should therefore be seen not as original sources of authority but rather as public signs that people employ in their attempts to shape their relations to others. The ability to define the rules and principles of social interaction is a crucial means to enhance one's control over the dynamics of social life. When others identify with and rely on principles in whose design I have had the upper hand, my ability to control the dynamics of social life and to organize it in accordance with my needs and objectives is greatly enhanced. Institutional structures might be said to “leverage” agency, to confer on it a reach that would not be possible if all power were brute force. In this way, institutions create the possibility for relationships of power and control to assume structural dimensions, *i.e.* to widen, deepen and take on web-like characteristics. But, as pragmatists emphasized, even if the tangled webs of social life powerfully influence our experiences and do much to shape our behaviour, identities and interests, we are still the ones who do the weaving.

In other words, American pragmatist thought, while viewing actors as forever enmeshed in networks of relationships that they only partly comprehend and so permitting ample theoretical room for exploring the social influences on actors' identities and interests, nonetheless views actors as the moving element in this relationship. For this reason, it supplies a number of useful building blocks for the construction of the kind of approach that has not been sufficiently developed in contemporary political economy. In what follows I will first take a closer look at the strands of thought introduced above, *i.e.*

institutionalist and cultural political economy. I will distil some key themes and develop these through an engagement with the central insights of pragmatist thought. I will then demonstrate, with specific reference to the interpretation of the neoliberal era and the subprime financial crisis, how the analysis sheds light on some of the central questions facing political economists today, and conclude by offering some thoughts on the political implications of the analysis.

### *I. Power in political economy*

One of the key objectives of institutionalist political economy has been to open up and articulate the constitutive linkages between two categories that earlier theories largely took for granted, *i.e.* state and market. It introduced the notion of “structural power” into debates on American hegemony in order to effect a shift away from the conventional focus on the directly observable qualities of power relations. Whereas mainstream observers, relying on such a “resources” view of power, had taken the global expansion of financial markets from the 1960s as a cause or sign of hegemonic decline, it was now pointed out that on a more sophisticated understanding of power – one that emphasized its indirect operation and diffuse effects (*i.e.* its ability to shape preferences and to work through the market) – the matter was not so clear-cut. When assessed by such a conception of power, the US still appeared as a major point of gravity in the global financial system and the leverage commanded by the US state still seemed quite considerable (Strange 1988, Arrighi 1994, Walter 1993, Helleiner 1994, Germain 1997, Seabrooke 2001).

While pointing in a promising direction, this literature never quite succeeded in fully articulating the two poles of its conceptual schema. Market and state tend to be seen as interrelated, but nonetheless as governed by their own distinct logics. Even though the concept of structural power was introduced as a means to theorize the social referents of state power, it has remained rather similar to traditional notions of capital and the market (Underhill 2000, pp. 819–820, de Goede 2003). In other words, the attempt to take into account the wider dimensions of political power has remained somewhat abortive: the categories of market and state have been opened up only partially and the full extent of their constructedness and relatedness remains difficult to appreciate (Palan 1999, p. 128).

One of the consequences of such residual economic determinism is that institutionalist political economy has tended to develop its own thesis of American decline. The continued reliance on an external conception of the relation between state and market means that neoliberal globalism still appears as a process whereby financial flows escape from their institutional context and undermine the authority and capacities of states. Hence, while it is recognized that financial globalization has often worked to the advantage of the US, those opportunities are seen as no longer properly supported by the basic organization of global financial markets. It is often argued that, even if the moment of reckoning can be postponed for some time, eventually the American state will have to submit to the disciplinary power of disembedded financial markets.

Authors influenced by poststructuralist theory have gone further in opening up “the market”. Work in “social studies of finance” has aimed to uncover the social, moral and organizational dimensions of financial markets and process of innovation (MacKenzie 2006, Knorr Cetina and Bruegger 2002, de Goede 2001, Beunza and Stark 2004). Other authors have widened their gaze from the realm of high finance and paid more attention to the ways in which financial relations are penetrating new areas of economic life. They view financial reality and the institutions and processes that govern it as produced through cultural norms, discourses and interpretive frameworks situated at the lower, everyday levels of financial life (Langley 2008, Aitken 2007, Martin 2002, Harrington 2008).

Such cultural approaches to political economy are critical of the tendency to attribute too many independent causal powers to the world of high finance and to give short shrift to the concrete, micro-level practices that shape financial markets. This relativization of the autonomous coherence of macro-level market structures does not imply a simple shift of emphasis towards agency, as actors and their strategies are seen as themselves situated in and constructed through wider networks. Indeed, the poststructuralist orientation and strong constructivism of cultural political economy mean that the effects of social norms and discourses are often seen as more far-reaching than in institutionalist approaches: greater emphasis is placed on the web-like nature and network characteristics of power relations and its capacity to not only constrain and influence but also constitute and produce actors. The process of social construction is understood as “performative” in nature (see, in particular, MacKenzie 2006, Langley 2008, de Goede 2005, Aitken 2007): practices of signification and

representation are theorized not as passively depicting an external reality, but rather as shaping the very fields within which objects and subjects can acquire coherence and identity (Butler 1996, 1997).

While cultural political economy has done a great deal to further deepen our understanding of financial change, it has done little to challenge or revise the broad parameters and contours of existing narratives of the neoliberal era. This is apparent in the tendency to subscribe to the understanding of financial expansion as a movement whereby the logic of markets autonomizes itself *vis-à-vis* their institutional context. Indeed, it often seems as if cultural political economy, to the extent that it has done a more thorough job opening up “the market”, has lost interest in “the state”, which it tends to view as merely an important node in the networks of market-based governance. In other words, while cultural political economy emphasizes that the structural forces facing us should be viewed as social and discursive constructions, this reconceptualization has not resulted in a substantially different reading of the concrete operation of these forces, *i.e.* of the precise ways in which they constrain and enable particular kinds of strategies and policies.

The claim of this article is that we are missing out on an opportunity, in principle afforded by the wider perspective on the constitution of power relations, to rethink some key dimensions of modern power. In order to clear the ground for the argument, let us have a brief look at some of the conceptual problems entailed by the strong constructivism of cultural political economy. The emphasis on the constitutive role of discursive representations, as well as the analysis of power as operating through the construction of actor identities, are crucial contributions to political economy; but the “performance” metaphor is of limited use when it comes to pursuing and operationalizing these insights. As realist authors have always insisted, the refusal to make a clear distinction between the properties of agents and those of structures tends to result in an inability to articulate them properly, leaving us with either overly deterministic accounts of social life or with autonomous actors whose agency becomes somewhat futile in the absence of an external objective world to work their powers on (Bhaskar 1998, Archer 1995). This problem is reflected in the fact that the historical explanations proffered by the literature tend to be somewhat polarized between accounts that are very culture-centred (concentrating, for instance, on the ways everyday life is governed by financial norms, with a strong focus on the reproduction of received cultural scripts) and those that are strongly idea-centred (studying, for



instance, how specific techniques or theories became the basis for entire market structures). In the former case performativity seems to entail a strong emphasis on the habitual reproduction of existing cultural norms, whereas in the latter case it seems to refer primarily to decontextualized creativity. In both cases actors appear to be largely unreflective, primarily motivated by discursive structures or impulses and performing meanings in whose emergence they had little “agency”, if that is understood as the human ability to engage in strategic, contextualized problem-solving. In other words, what remains insufficiently developed is a conception of structuration as *enabling*, *i.e.* a conception of symbolic and institutional formations not only as constituting actors but also as *facilitating* their ability to act in the world.

## *II. Pragmatist insights*

When it comes to formulating a theoretical perspective that does justice to the constitutive nature of norms and rules yet does not fall prey to the kind of idealism or culturalism that views our relation to reality as defined by our concepts of it, political economists still have much to learn from the American tradition of pragmatist thought, which emerged in an era when the US experienced the profound transformations that would come to shape 20<sup>th</sup> century capitalism (Livingston 1994, Ross 1991). The pragmatist perspective contrasted with contemporary European thought, which was primarily concerned with the darker sides of modernization processes, seeking to puncture the myth of progress by showing how large-scale processes of structural change worked to undermine the ability of people to lead authentic and autonomous lives in the context of a plurality of institutions.<sup>2</sup> Late 19<sup>th</sup> century and early 20<sup>th</sup> century European thought tended to view the rise of capitalism and modernity primarily as a process of disembedding driven by an economic logic that, once given free rein by the breakdown of feudal institutions, undermined ambitions for innovative agency and overwhelmed mechanisms for

<sup>2</sup> Marx viewed capitalist development in terms of the exploitation of the bulk of the population by the few (who in any case were themselves also subject to the effects of capitalist alienation), Freud uncovered some of the psychological undercurrents and dis-

contents of bourgeois civilization, and even Weber, who was by no means oblivious to the manifold benefits brought by modernity, saw rationalization as bringing in its wake a tragic growth of cage-like, anonymous social control.

exercising purposeful control over the dynamics of social life. Such *fin-de-siècle* intellectual pessimism never really caught on in the US. If the prospect of social upheaval and conflict was never as remote as suggested by consensual readings of American history, the liberal strain in the fabric of American society was strong enough to facilitate the emergence of perspectives that saw modernization as potentially *enriching* the institutional texture of social life, *enhancing* people's control over their environment and *furthering* their ability to implement their designs for life. Because America had never been feudal, the idea that capitalist expansion resulted from the dissolution of feudalism's institutional fetters was implausible. Pragmatists not only stressed the role of concrete actors and specific institutions in driving progress but also saw such processes as potentially leveraging the enabling qualities of institutions and so as advancing human freedom and capacities (Livingston 1994, 2001, da Silva 2007, pp. 62-63), *i.e.* the ability of human actors to purposely control and manipulate the dynamics of social life rather than being unwittingly governed by them.

Of course, the American pragmatist tradition has often been seen as a manifestation of Americans' naïve belief in the powers of self-creation – the philosophical counterpart to the rags-to-riches stories that have such a prominent place in American popular culture and disguise the very real constraints and obstacles associated with a capitalist organization of society (*e.g.* Lloyd 1997). It is probably fair to say that pragmatists at times underestimated the selectivity and bias embedded in public institutions (Garnar 2006) – for instance, in their overly optimistic assessment of the potential of the reform efforts of the Progressive Era (Feffer 1993). Yet what was foreshadowed in such notions was *the prospect of gaining a grip on complex social processes that has hardly remained illusory*. Even if it has assumed a decidedly capitalist rather than socialist guise, *from a historical point of view the capacity of the modern American state's institutional complex to steer and regulate social processes is much more remarkable than the fact that such efforts always have been and will continue to be plagued by myriad problems, contradictions and unintended consequences*. The infrastructural power of the modern American state – its capacity “to implement logistically political decisions throughout the realm” (Mann 1984, p. 114) – is without historical precedent.

This suggests that it is worth taking seriously what pragmatist thinkers perceived during the late 19<sup>th</sup> and early 20<sup>th</sup> centuries: that the incorporation of new swathes of social interaction into the

organizational framework of modernity did not resemble a tragic “caging” of social life leading to its disenchantment and mechanization, but was rather a process driven by the proliferation of a variety of institutional forms and instruments through which people could engage in new, hitherto unimagined kinds of interaction. In other words, rather than leading to the abstraction of life, a flattening and homogenization of the institutional landscape or the destruction of sociality, modernization processes were seen to be based on and calling forth a great deal of creativity that propelled the emergence of new, more expansionary forms of interconnectedness. Dewey (1927, 1930) in particular saw the processes of economic and social reorganization that took place during his lifetime as giving rise to new kinds of actors who in principle could access a greater variety of organizational means to express their standpoint and pursue their interests than ever before. The heightened individualism produced by capitalist development was “really a movement toward multiplying all kinds and varieties of associations” (Dewey [1920] 1957, p. 203).

Dewey’s point is extremely rich in implications, as it opens up a new perspective on what it means for social life to become organized and institutionalized. Just as a terrain that has been properly mapped can be more easily navigated, so the structuration of social life through the construction of a grid of institutional markers gives people instruments to associate in new ways, construct new ways of meeting and devise innovative strategies. By multiplying the number of publicly recognized signposts available to actors, institutionalization provides actors with an expanded number of angles from which to assess their position in society and their relation to other actors, so allowing for more nuanced and complex interpretations of the social world and creating the conditions for more effective strategies and new patterns of interaction. Thus, in the pragmatist worldview, the interconnectedness and systemic qualities of modern life were seen to often boost, rather than undermine, the capacity of agents to control, maneuver and manipulate this increasingly networked field of interactions. In other words, they perceived with great acuity the enabling qualities of institutional structures and the ways in which they fostered rather than constrained strategic and creative capacities (da Silva 2007, p. 63).

It is important to appreciate the radical nature of the idea that structuration is not a process whereby public rules come to pre-empt the subjective meaning of practices but, on the contrary, provide an at least potentially richer foundation for strategic social action. For the

notion of practice as performative and ritualistic in nature is a recurrent theme in the history of social theory at large. Hermeneutically oriented authors have long tried to rescue subjectivity and human action from positivism's tendency to reduce all phenomena to brute facts by positing its inherently meaningful and representational character (*e.g.* Husserl [1931] 1999, Schutz 1967, Winch 1958) and emphasizing its necessary embeddedness in a background layer of common norms, intersubjective experiential meaning and tacit rules. Such reluctance to clearly distinguish between the properties of subjective agency and objective structuration has always entailed a strong emphasis on the conventional and habitual character of agency: institutionalization is conceived as occupying a social space that is no longer available for strategic deliberation and creative reconstruction. Modern authors like Giddens (1979, 1984) and Bourdieu (1977), who are acutely aware of the problems inherent in such idealist perspectives, have emphasized the centrality of practice and its primacy vis-à-vis the realm of norms, symbols and discourse. Yet even they tend to focus strongly on the scripted, iterative and habitual qualities of human action (Beckert 2002). That is not to say that they do not allow for the possibility of creative and transformative agency, but rather that their conceptual apparatuses are predominantly geared towards understanding the reproductive aspects of agency and do little to clarify how "practical schemas of action [...] can be challenged, reconsidered, and reformulated" (Emirbayer and Mische 1998, p. 983).

As counselled by realist authors, our starting point should be a meaningful distinction between actors and the world of objects that they face. This does not refer to an ontological separation inherent in the world itself, but is an analytical distinction that is warranted because it corresponds to the distinctive nature of the subject's perspective, *i.e.* the lived reality of resistance, negativity and contradiction that agents experience as they engage the world. The world of social objects and institutions, while every inch a social construction, confronts actors as an external, objective world that is handed down from past generations and is governed by mechanisms and rules of its own (Berger and Luckmann 1966, p. 61). Nor is this to return to the assumption of a pre-constituted, self-sufficient subject with an autonomously generated identity; rather, it is to stress the pragmatic and strategic aspects of social constitution over its performative and iterative dimensions. Pragmatism too views social actors and their identities, interests and capacities as profoundly socially constructed (*e.g.* Mead 1934, p. 255, Beckert 2002, p. 252); but, unlike more idealist

perspectives, it conceptualizes actors' relationships to institutions as primarily *instrumental* in nature. Actors do not so much perform positions in a structure but rather pragmatically use the grid of institutional markers available to them: they rely on and employ publicly available norms and rules to improve their conceptual and practical grip on the world, in the process constructing their identities as social actors (Lee 1997, Moorjani 2000). The temptation held out by specific institutions is that they allow subjects to solve problems and contradictions that they experience living in the world of objective mechanisms; they then shape their capacities through those institutional forms and so constitute themselves as social actors who can draw on a practical rationality in the conduct of daily life (Berger and Luckmann 1966, Joas 1993). While such a perspective views actors as socially constructed, it nonetheless sees decision-making and strategizing at the level of agency as the moving element in the interplay of actors and institutions (Scharpf 1997, Clark and Tracey 2004). "While doers may be constructed through the deed, they are in an important sense the agents of their own, and others' construction" (Dunn 1997, p. 695).

Reflexivity is a permanent feature of social action (Hodgson 2004): people monitor the effectiveness of their strategies on an ongoing basis in order to determine if they should revisit their habitual reliance on particular kinds of rules and norms. It is therefore useful to make a distinction between the *ability to act* and the *drive to act*, *i.e.* between *agential capacity* and the *impulse behind agency*: whereas the competence of actors is often best understood as feeding off and existing in a positive relationship with the norms and conventions of social life, the very urge to act often stems precisely from a lack of such correspondence and a much more negative and antagonistic relationship to their social context. What drives people to act and propels change is not their comfortable embeddedness in existing structures of inter-subjective meanings, but precisely the fact that the customary ways of doing things generate problematic and contradictory experiences, situations that are felt as lacking "sense". While the more or less coherent actors that populate social life are very much constructed through existing norms, the force of agency, understood in a more fundamental sense, always possesses a negative force that is not captured in those institutional representations. Yet, whenever we seek to challenge the effects of existing institutions we have no choice but to rely on the capacities that we have developed in that very context. Mead expressed this idea in terms of the interaction of "me" and "I" in

constituting the self, the former representing the socialized, habitual individual and the latter the moment of reaction and innovation. While these were different aspect of personhood, it was impossible to separate them: “The ‘me’ may be regarded as giving the form of the ‘I’. The novelty comes in the action of the ‘I’, but the structure, the form of the self is one which is conventional” (Mead 1934, p. 209).

Creativity and habit, novelty and convention, are thus closely intertwined: the capacity to find more effective ways to act in the world develops *through* routinization and habituation (Dalton 2004, pp. 604-605, Berger and Luckmann 1966, p. 53). Peirce in particular viewed habits as the bedrock of reflexivity: he understood them as permitting a provisional resolution of the tension between the person and her/his world and so affording a temporary resting place from which to survey the landscape, become aware of new tensions and doubts, work towards the adoption of new beliefs and the application of new habits, and so reach a higher plane of awareness (Peirce [1877] 1992, p. 129). That is, Peirce thought of habitual beliefs as instruments that enabled actors to explore their relationship to the world, shortcuts to maneuver and so rise above the bewildering complexity of their immediate experience.

Thus, in contrast to more dichotomous conceptions of agency (as alternately habitual or strategic), a pragmatist approach emphasizes the mundane modalities of ongoing, situated learning and contextualized problem-solving. Such practical creativity consists in the flexible ability to engage in the “bricolage-like” process of re-combining existing concepts in such a way as to open up new perspectives (Engelen *et al.* 2010); it resides not in the ability to defy and act outside existing structures, but is rather built on our ability to work with institutional markers and to interpret and manipulate the rules that structure our environment. In this way, a pragmatist understanding of structuration allows for a more precise understanding of its enabling qualities (Dunn 1997, p. 694): *strategic, problem-solving action is achieved not by keeping the effects of institutionalization at bay, but precisely through an engagement of its structuring properties.*

Central to this conceptualization of the interaction between agency and institutions is its relational, inter-subjective character (Bernstein 1983). Actors only relate to institutional structures in the process of defining their relationships to relating to other actors, and the process of social construction is therefore triadic in nature, involving not so much agent-structure relations but rather agent-agent relations that are necessarily mediated by norms and conventions (Wiley 1994,

Muller 1996). Mead (1934, pp. 154-155) viewed the crystallization of identities and capacities as occurring not through the interpellative effects exerted by structures but rather through subjects' "role taking", *i.e.* the possibility of using institutional forms in order to adopt the viewpoint of others and so to arrive at a conception of the "generalized other" which gives us a handle on what others are likely to do next and how our own actions will be interpreted by them (see also Dodds *et al.* 1997). It is through such inter-subjective investments and interactive identifications that we reflexively shape our identities and agential capacities (Dunn 1997, p. 693). Indeed, for Dewey the enabling character of human conventions and the constructive character of habits were fully premised on their continuous application in human interaction: "Apart from communication, habit-forming wears grooves; behavior is confined to channels established by prior behavior. [...] But this holds only of *a* habit, a habit in isolation, a non-communicating habit. Communication not only increases the number and variety of habits, but tends to link them subtly together, and eventually to subject habit-forming in a particular case to the habit of recognizing that new modes of association will exact a new use of it" (Dewey [1925] 1998, p. 147).

### *III. Practices and power*

However, if pragmatists were strongly critical of formalist perspectives on social life, it was perhaps in somewhat one-sided, overly optimistic assessments of the effects of human interaction that their own idealism resided. While Dewey's argument is crucial for its insistence on communication as a necessary condition for the emergence of strategic capacities, it does not really direct us towards an analysis of how such interaction might also be responsible for the rigidity of our behavioural dispositions. Of course, Dewey was well aware that social life often is highly mechanistic and routine-driven, sometimes even in the face of massive exploitation and injustice; indeed, this was a central concern of his social and political writings. Yet he devoted most of his attention to the growing potential basis for new, progressive forms of political agency, and comparatively little to analyzing the forces that prevented such from materializing. Even after he had become rather skeptical about the democratic potential of the existing machinery of government, he continued to consider the

obstacles to a democratization of strategic capacities from a somewhat utopian vantage point, explaining them negatively in terms of the unrealized potential of modernization and the absence of appropriate channels for communication and knowledge dissemination. He was less concerned to explore the actual institutional mechanisms that prevented the public from recognizing its shared problems and rising above its docility and unproductive habits (Westbrook 1991, pp. 316-317).

Thus, pragmatism did not sufficiently emphasize power and inequality as central aspects of the processes through which strategic capacities are constructed. Taken by itself this point may be familiar enough, but my interest in raising it is not so much to move “beyond” pragmatism but rather to take a step “back” into the heart of the pragmatist perspective in order to tease out more fully its implications for our understanding of social power and control. For it is precisely pragmatism’s focus on the instrumental character of actors’ relationship to institutional-discursive forms and the triadic nature of social construction that opens up key insights into the operation of social power: it permits us to see that the absence of strategic flexibility does not derive from the interpellative power or performative solidity of institutional symbols, but is rather reflective of power differentials embedded in the social relations between actors. That is, adopting a pragmatist stance forces us to theorize power in terms of the modalities of agency. The rigidification of some actors’ conduct and the leveraging and empowerment of others’ agency represent obverse sides of the same process of social construction: the contraction of the elbow room available to some always finds its counterpart in others’ enhanced capacity to shape and manipulate the dynamics of social life (Knafo 2008, p. 15). Any set of institutionalized, routine practices has relations of power and inequality built around it: the constitution of agentic capacities is a differential, uneven and asymmetrical process. While the deployment of institutional resources enables people to accomplish specific objectives and therefore never just operates as a negative constraint, some actors can avail themselves of capacities that give them access to a much wider menu of opportunities. Some identities and interests will be experienced as less confining and more empowering than others – not just generating fewer problematic experiences but also conferring more flexible capacities for dealing with such experiences by exploring avenues for innovative practices.

Such inequality of capacities is never fully expressed in the abstractness of social forms themselves. Institutions set standards and qualitatively define what counts as a meaningful, legitimate social act



that can be recognized and engaged by others: as formal criteria of validity, they do not exhaust the nature of sociality or accurately depict the nature of the relations that are built around them. Precisely because subjects' engagement with institutional forms is practical and instrumental, motivated by the aim to create a particular relationship of control to other people and so to favourably position their own projects, the dynamics of interaction are never contained within the sanitized, idealized forms in which society presents itself to them (Holzman 1996). In that sense, institutions are always to some degree *mis*-representations of social reality. When people enter into social relations, they get more than they asked for or are aware of, as their and others' practices generate unintended consequences and unacknowledged interdependencies. The conceptualization of the "generalized other" through publicly available signs entails a degree of generality that facilitates social action (by compressing an infinite amount of information into a limited number of behavioural shortcuts), but by the same token it necessarily abstracts from some salient dimensions of social processes. Thus, the efficacy of rules and norms is not limited to their degree of correspondence to actual social practices (Taylor 1999, Bourdieu 1991): it is precisely by providing abstract structures and idealized symbols which *both* inform us *and* partly mislead us about the character of existing relationships that they constitute social order. The process whereby subjects draw on social symbols and codes to make sense of the world always involves elements of misrepresentation and misrecognition that divert attention away from patterns of control and so serves to normalize and stabilize social life (Voloshinov 1986, Eagleton 1991). In this sense, institutions are necessarily ideological in nature. The way they structure our understanding of social reality shapes mechanisms of control, while the capacities for wielding these mechanisms are distributed differentially over different positions and identities (Bourdieu 1992). The idea that the stabilization and legitimation of social norms serves to obscure and legitimate the operation of social power is at the core of Žižek's (1989) critique of strongly constructivist understandings of subject formation: the (re)production of coherent social actors, who rely on established norms to interpret their position in the world and to shape their identities, does not so much express the coherent efficacy of discursive structures but rather precisely conceals the ever-present contradictions and tensions in the way people experience social life, the negativity that characterizes their relationship to the world. The authority of discursive structures derives from their usefulness in diverting people's attention from their lived

contradictions (Fromm 1941) and so effecting what Bloch called a “premature harmonization” of social relations (Bloch 1986, quoted in Panitch and Gindin 2000, p. 4).

Thus, it is precisely as part of a social relationship that behaviour may become “confined to channels established by prior behavior”. The discussion of the limits of performance as a metaphor for social construction has not been meant to deny that human behaviour is often rigid and routine-driven, but, through the development of pragmatist insights, to re-conceptualize this as a quality of human relations that is intricately bound up with the construction of relationships of power. Flexible capacities for controlling and effectively maneuvering the dynamics of social life are built through the same processes that work to confine the behaviour of others more tightly within institutional norms. Institutionalization involves the positioning of certain actors in such a way as to enhance their control over the behaviour of others and as such it is marked by a certain degree of “strategic selectivity” (Jessop 1990, p. 9). What institutionalization does is to facilitate the operation of power on a more systematic, structural basis than would ever be possible if power were only ever exercised directly, through the imposition of one agent’s will on another. By representing as universal and impartial principles and rules that privilege the agency of some over that of others, they transform power from a personal and direct relationship into a structural, indirect relationship (Roy 1997). We tend to be aware of power only when it is exercised on us more or less directly; power relations constructed through and mediated by institutions are more opaque as their nature or existence is rarely advertised by those institutions themselves (Lukes 1974).

The routinization of social life under the auspices of particular principles and standards forms the bedrock on which the leverage and room for manoeuvre of dominant actors is built and is what drives the proliferation of networks of relations serving as the vehicle of their power. It should be noted here that strategic readjustment is an inherently paradoxical affair, as it involves adjusting our relationship to the social world while relying on nothing but the capacities and resources offered by existing institutions (*i.e.* in Mead’s terms, the attempt of the “I” to reconstruct the self has little choice but to work with the materials provided by the socially constructed “me”). As a consequence, the emergence of new insights and innovative practices is often preceded by moments of deepened confusion. The ability to work through such uncertainty, to manage the risk that it entails and to arrive at new, strategically useful heuristic devices, is *itself* a capacity

that is unevenly distributed. For actors who have been systematically disempowered, the state of confusion which looms if they are to reconsider their reliance on particular routine practices often becomes too daunting to face, and they will instead rationalize their experience through a default reaffirmation of their identification with existing institutions.<sup>3</sup> It is such constancy and diminishing capacities for strategic manoeuvring on which dominant actors' privileged position, agential leverage and widening room of manoeuvre are constructed. Thus, relations of power and authority often solidify not primarily through subjects' positive identification with misleading ideas but rather through the ways in which they dissuade actors from inquiring into the sources of their discontent, so securing continued practical investment of prevailing norms.

This framework helps us to understand the dynamics of social construction. Because institutionalization involves misrepresentation, subjects' negative relationship to their environment forever re-emerges out of the process of social construction itself: as we enter into particular institutional arrangements, actors become immersed in social relations that never fully conform to what they are led to believe about them. The ideal, abstract coherence of institutions conflicts with the reality of frustrated ambitions and this will translate in a contradictory and problematic experience of social life. This is often the case not only for subordinate actors but also for dominant actors, who, even if they have more systemic oversight and enjoy considerable

<sup>3</sup> As social psychologists have pointed out, the systematic frustration of people's impulses to learn more about and improve their situation leads them to take ever dimmer views of their options and problem-solving abilities (PEARLIN and SCHOOLER 1978, CAPLAN and SCHOOLER 2007): feeling overwhelmed by circumstances, they will shift away from problem-solving informed by considered assessments of their situation towards coping strategies seeking to dampen the immediate force of their negative emotions by anxiety-driven recourse to the most readily available sources of comfort and relief, *i.e.* the refusal to acknowledge experiences which have no place in their existing frame of reference based on institutionalized norms. To invoke HEGEL'S (1977) master-slave dialectic: when the slave ceases to think about her/his predicament in terms of oppression and power, the power of the master is as solid as it can ever be. The master needs the slave

and therefore will never be able to effect an actual eradication of her/his subjectivity and agency; but s/he might block the slave's ability to interact and communicate in new ways, to engage in conceptual "bricolage" and come to understand the full extent of their relatedness. At the limit, a form of "learned helplessness" may come to prevail – not an original lack of creative capacity but rather a learned misperception of one's options that is so deep and systematic as to be debilitating. At the risk of overemphasizing the point, it is important to realize that such helplessness, while undermining people's creative abilities, is in fact learned, *i.e.* it represents a particular kind of "capacity": as the natural proclivity of human beings is to attend to and deal with the causes of their discontent, learning to override and ignore this impulse and allowing one's energies to be diverted requires long and intense training.

strategic latitude in devising more effective strategies, are not above the illusions, misrecognitions and expectations fostered by institutional-discursive symbols and narratives. Indeed, precisely because of their greater leverage, flexibility and actor capacity, dominant actors tend to be the main drivers of institutional reform.<sup>4</sup> This capacity becomes crucial when the ability of existing institutions to secure hegemonic socialization comes under pressure; in such situations, dominant actors often can avail themselves of considerable latitude in formulating strategic responses for reform aimed at fortifying the principles at stake through new and broader institutional frameworks, so preserving some of the key mechanisms through which existing inequalities are produced and harmonized. But it is not only more or less conscious resistance that drives the construction of the edifice of cross-cutting institutional networks that is modern society: even when subordinate actors' behaviour is mostly reproductive, ongoing institutional reform remains imperative. For while the suppression of lived contradictions results in behaviour that is outwardly compliant, it builds internal tensions that often manifest themselves as an inability to carry on with things, to employ even their bodily embedded practical know-how that should allow them to perform the basic routines of social life.<sup>5</sup> Since the pathologies of social life become stronger as subjects become disciplined and civilized (Foucault 1988, 1995), modern society is characterized by the progressive proliferation of a battery of formal and informal institutions that serve to manage the contradictions produced by hegemonic socialization – agencies that Berger and Luckmann (1966, p. 112) refer to as “specialists of universe-maintenance”.<sup>6</sup>

<sup>4</sup> This emphasis on the transformative capacities of elite actors provides a corrective to the tendency, found especially in Marxist class theory, to attribute to elites a natural interest in reproduction and to couch power struggles in terms of the clash between forces seeking to maintain the status quo and those seeking change.

<sup>5</sup> This means that there are limits to the use that power has for people's inability to help themselves. When Hegel's slave becomes homeless and addicted to drugs, s/he becomes so incapacitated that s/he is no longer even capable of functioning as a well-disciplined citizen-subject. When the slave's feelings of helplessness lead her/him to turn her/his powers of agency against herself, s/he not only becomes useless to the

master but, by breaking the chain of social signification, undermines the latter's very socially constructed status as master.

<sup>6</sup> For instance, while we can meaningfully say that in the US the institution of private property has been reproduced in a more or less stable fashion throughout the 20<sup>th</sup> century, from a different vantage point we would view this not as a process of reproduction but rather as a process of continuous transformation and dynamic adjustment of this basic principle to changing circumstances through the ongoing expansion and transformation of police powers, definitions of property rights, the role of prisons and social services, and a host of other institutions which have a direct or indirect bearing on the ways in which this principle is embedded in social relations.

Thus, the process of social construction is a dynamic process of institutional adaptation through which dominant actors build their agentic capacities *vis-à-vis* subordinate actors. The relation between action and institutionalization does not resemble a gradual accretion of performative meanings but is rather characterized by a great deal of complexity and dynamic adjustment. Hegemonic socialization does not derive from any original, inherent authority of institutional forms and symbols, but rather involves a build-up of ideologically charged representations that leverage and constrain actor capacities in particular ways, *i.e.* it reflects a complexly mediated social relationship whose internal dynamics drive the creation of ever more elaborate institutional networks. Indeed, complex mediation is of the essence to the functioning of institutions, as they derive their constitutive powers precisely from it: the more layered and complexly mediated social life is, the more resilient the ideological characteristics of prevailing institutions.

#### *IV. The integral State*

This state of affairs, while very much a human construction, confronts subjects as an external reality. Its objective status is illustrated by the fact that we can meaningfully talk about organizational and corporate actors. For instance, there is no way to avoid talking about “the state” in a way that suggests it has agency and identity. Those qualities are socially constructed, to be sure, but so is everything else; there are, after all, no natural or pre-social identities. What is a coherent actor or institution at one level will appear as a deeply ideological category whose internal constitution needs to be analyzed when we shift towards a different level of analysis. What this amounts to is a picture of society as a pyramidal network of social constructions, where interaction channeled through the ideological abstractions of everyday life results in the creation of networks of power which form the basis of the further construction of actor capacities and the legitimation of higher-level institutions (Abrams 1977). The leveraging of the agency of some over that of others thus expresses itself as a process whereby institutions acquire a certain degree of coherence and identity. The formal state, rather than being a substantive entity in and of itself with merely external connections to the social realm, sits at the apex of – and derives its capacities from – these complex networks of power (Bratsis 2006). Statehood, as the

public sanctioning of relations of control, can be found at all levels of social life. We need a conception of what Gramsci called the “integral state”, *i.e.* an understanding of the constitution of power relations that does not limit its view to the institutions of the formal state but examines its internal connections to social processes situated at different levels (Gramsci 1971). Among contemporary authors, Underhill’s (2000) notion of the “state-market condominium” and Hobson’s (2000) notion of the “constitutive state” express very similar understandings of the nature of political authority and statehood.

This means on the one hand that the state, far from being overwhelmed by the proliferation of social networks of structural power, is critically dependent on these. State capacity is often highest when it is organically connected to an infrastructure of lower-level institutions and norms (Hobson 2000, Mann 1993). Viewing political authority as produced by institutional linkages to be found at all levels of human interaction allows us to analyze how state capacity may be promoted rather than diminished by processes of institutionalization outside the formal state, and so to conceptualize the infrastructural dimensions of state power. On the other hand, the complex networks of rules and norms that underlie such legitimacy are often sources of complication for state policies. As with all strategic readjustments, enhanced capacity is often preceded by deepened contradiction, a confusion as to how to maneuver the new and widened range of institutional forms. State personnel do not enjoy a view of society as it really is, stripped of its mystifying aspects; like all other levels of the political, the formal state is constitutionally implicated in the premature harmonization of society’s core contradictions. Thus, while the state derives a great deal of authority from its ideological qualities, it still is itself embroiled in these opaque and complex networks. Like all actors, the state may exercise power without being aware of it, or without knowing how to wield it effectively. The creation of networks of structural power relations lays the foundations for, but does not automatically translate into, a higher degree of state capacity. The growth of the integral state is therefore an inherently contradictory process.

In modern, capitalist society these processes accelerate and intensify, and the contradictions associated with them become more pronounced. Since the capitalist state is organized on constitutional principles that delimit the direct reach of political authority, its institutions become more formal and abstract in nature than ever before, allowing them to project a neutrality that previous polities lacked (Wood 1995). While the CEOs of multinational corporations

and American presidents cannot have someone's head on a platter with impunity, their ability to influence the conditions under which people design their lives nonetheless goes well beyond anything a Roman emperor could have dreamed of. Their agency has become leveraged to an extraordinary degree. In other words, the constitutional nature of the modern state means that it is much more capable of legitimating social relations of power: it opens up a space for the construction and informal institutionalization of networks of power relations that operate under the cover of its official impartiality. It is precisely through the demarcation, protection and continuous reconstruction of a private sphere that the institutions of the integral state penetrate into the innermost regions of social interaction. So, even though formally state and society become separated, in a more substantive sense society becomes shot through with norms, rules and institutions (Miller 2002, Mitchell 2005): the integral state expands dramatically. Modern, capitalist society is more densely institutionalized than any previous kind of society (Mann 1984, p. 113). But precisely because modern structural power is constituted through the limits on the direct exercise of power, its management poses greater challenges as it requires subtler capacities that permit the indirect navigation and mediated manipulation of complex networks of social connections.

We are now coming full circle. The starting-point of this article was to argue that, even if one of contemporary political economy's central aims is to go beyond the language of market and states, it has not opened up these boxes in a way that permits us to see the full extent of their constructedness and relatedness. The defensiveness vis-à-vis both neoliberal and Marxist economic determinism has resulted in an inability to move convincingly beyond the parameters of existing narratives of neoliberal capitalism and to freely conceptualize such phenomena as the growth of US state power. This is reflected in the prominence of the Polanyian notion of disembedding as a metaphor for economic expansion. In an analytical framework organized around the tendency of markets to break out of their social and political context and undermine human control, the expansionary tendency of the capitalist economy is not viewed as itself an institutional construction but rather as driven by a pre- or extra-institutional logic (Gemici 2008). Krippner (2002) has similarly argued that the idea of markets as "embedded" in institutional contexts fosters the idea that underneath the many layers of sociality there still operates a hard kernel of economic logic that resists explanation in social terms (Beckert 2003, Jones 2008). In other words, Polanyian metaphors of

embeddedness and disembedding allow for the persistence of an economistic understanding of the market as a sphere governed by natural propensities and not produced through the norms, conventions and rules provided by institutions. Accordingly, the expansion of markets is primarily seen as occurring through the destruction of social bonds, norms and institutional connections, *i.e.* a fragmentation or “emptying out” of social relations. This, however, reflects a failure to fully deconstruct the ideological appearances of modern capitalism, *i.e.* a residual attachment to the semblance of self-sufficient coherence that is epitomized in economic theory’s conception of markets as neutral, pre-social mechanisms that will emerge and take over whenever they are not actively prevented from doing so.

The conceptual framework advanced here seeks to go beyond such economism by stressing that the expansion of markets does not involve the destruction of social connections, but occurs precisely through the creation of institutional linkages and inter-subjective forms that allow actors to connect in new ways, produce new identities and capacities, and to establish new mechanisms of control and wider networks of social power. The marketization of social life does not occur through the destruction of sociality, but through the *creation* of relations between previously unconnected actors. Thus, the systemic logic and expansionary qualities of capitalist markets only emerge through processes of institutionalization that establish the conditions for more far-reaching, infrastructural forms of control over the dynamics of social interaction. This means that, while at any given moment processes of capitalist expansion may produce numerous problems for the state, right through the history of such contradictions runs a deeply symbiotic relationship. Like any relationship of control, infrastructural power grows through the creation of new connections that inevitably generate their own tensions and problems which have to be manoeuvred, negotiated and managed. Such contradictions are not best approached in terms of the clash of a pre-social logic with its institutional surroundings but should be seen as internal to the processes whereby our practices become institutionalized and modalities of control are constructed.

#### *V. Neoliberal practices*

The importance of moving beyond the conception of capitalist development as involving the growth of impersonal necessity and the



loss of control can be usefully illustrated with reference to events of recent years. When the subprime crisis hit, many political economists were quick to locate the cause of the crisis in the mountains of public and private debt that the US had built up during the previous decades (Gamble 2009, Wray 2009, Crotty 2009, Baker 2009, Altvater 2009, Brenner 2009). The economic imperatives and market constraints that the US had blithely ignored for so long were now seen as asserting themselves with all the force they had gathered in the meantime: not supported by “real” economic fundamentals like income streams or productive capacity, America’s financial house of cards crumbled in the most dramatic fashion possible. The American state’s response to the bursting of the bubble – interpreted as a desperate and incoherent attempt to salvage its unsustainable ways by throwing several trillion dollars at the very actors who bore most responsibility for the drama – was seen as providing yet further relief to the contours of decline. The only meaningful long-term solution, it was argued, was for the US to address its internal and external imbalances by tightening its belt.

This reading of the neoliberal era and the subprime crisis is too beholden to economism to be convincing. The disposition to treat in such a cavalier and disinterested fashion actor capacities that cry out for their own, *sui generis* explanation reflects a residual belief that a deep-seated economic logic serves as the ultimate structuring instance or anchor of human interaction. As much as contemporary political economy is concerned to distance itself from structuralist Marxism, an interpretation that places so much emphasis on actors’ ability to temporarily defy or ignore the dictates of economic reality only to be fully pulled back into its causal laws in the final hour, contains more than a hint of Althusserian “last instance” economic determinism. Crises, however, are better understood as the manifestation of contradictions within our interaction patterns than as a consequence of our practices having run up against some objective limit or external principle. Of course, in neoliberal capitalism crises are particularly deep and intense, but this is precisely a result of the highly complex ways in which our actions have become associated and the consequent production of a large number of unexpected interdependencies and diffuse effects. As such, there is nothing about crises that inherently eludes people’s ability to respond by reflexively reconstructing the patterns of their interaction when faced with the problematic consequences they generate. Indeed, neoliberal capitalism produces agencies whose interests and capacities are organically bound up with managing its instability, and with pursuing the kind

of institutional reforms that permit them to do so more effectively. And here it is crucial to appreciate that the dramatic financial expansion of the neoliberal era has not only been punctuated by a number of serious crises, but has also been accompanied by a tremendous growth in the regulatory capacities of the American state and a tremendous extension of its organizational reach: over the past decades, the extent and frequency of public involvement in the reorganization of the financial system, backed up by major financial resources, has not decreased but precisely increased dramatically.

There is something very one-sided and premature about the interpretation of the American government's rescue efforts as a last-ditch attempt to resuscitate a patient who is no longer breathing. From a less pre-committed perspective, what stands in need of explanation is precisely how the US state has been able to construct the kind of organizational capacity that permits it to access hundreds of billions of dollars at a moment's notice and effectively target them at those actors with whose interests its authority had become most deeply bound up. In an important sense, the policies undertaken over the past years should be understood in terms of the American state wielding infra-structural capacities that it has built up over the course of the neoliberal era. The leverage of the neoliberal American state should be viewed not as a temporary exception to or escape from an economic world that resembles the picture painted by economic theory; it is built precisely on processes that cannot be grasped through such a lens. The neoliberal imaginary of political retreat and market neutrality has been crucial not in constructing the world in its own image, but precisely in permitting a dynamic of institutional multiplication that served to network the various parts of American life in more complex and intricate ways and so made available to public authorities a greatly expanded range of organizational devices to influence patterns of economic interaction.

Thus, the neoliberal transformation of socio-economic life never involved the emergence of one-dimensional economic actors increasingly powerless to shape their world in the face of anonymous economic imperatives, but precisely (to use Dewey's phrase) "a movement toward multiplying all kinds and varieties of associations" that was instrumental in the creation of new modalities of control and agency. That the multiplicity of neoliberal associations should not be mistaken for a benevolent pluralism is especially evident in the role of financial innovation since the early 1980s. The proliferation of an unprecedented number of new financial techniques, products and

services drove the creation of financial networks that were characterized by an increasingly unequal distribution of actor capacities. The use of “securitization” techniques in particular – responsible for, among other things, the “asset-backed securities” that rose to infamy after the onset of the subprime crisis – resulted in a configuration that simultaneously loosened the constraints on financial elites and intensified those on the lower strata of the American population. On the one hand, banks’ development of such techniques permitted them to convert long-term obligations into liquid debt that they could sell on or just move off their books. This boosted their capacity for the flexible creation of credit and so their ability to leverage their asset base. On the other hand, a large and continuously growing share of this debt was assumed by working people who, simultaneously faced with stagnating wages and the ample availability of credit, increasingly treated access to credit as a source of income and no longer borrowed just to finance houses and large consumer items but also basic cost-of-living expenditures like grocery bills (Montgomerie 2007). In this way, the financial difficulties of America’s lower strata became a source of tremendous profits for Wall Street (Gowan 2009). In other words, financial elites’ growing room for maneuver and the tightening pecuniary constraints on large sections of the American population were obverse sides of the same process of financial growth. This process took on self-reinforcing qualities as relations of credit and debt penetrated deeper into the fabric of everyday life and pay-day lenders became a fixture of the urban landscape: high rates of interest meant that many people got caught in a cycle of tightening financial constraints, often borrowing more merely in order to keep up with the interest payments on their existing debt. In other words, they became immersed ever more deeply in networks of financial relations that operated to limit their ability to reconsider their reliance on existing habits and institutional channels.

This pattern of expansion did not undermine but rather promoted the infrastructural power of the American state. The growing depth and liquidity of securitized debt relations served to make American markets more attractive to both domestic and foreign investors and so generated a tremendous capacity for the financing of both internal and external deficits. As the US attracted massive inflows of capital and experienced little difficulty in financing external deficits or continuously re-financing (“rolling over”) the debt it incurred in doing so, its balance-of-payments constraint was greatly loosened. The Treasury found that its capacity to sell government debt greatly improved,

allowing it to finance historically unprecedented budget deficits with relative ease (Sarai 2009). This instantaneous access to virtually unlimited funds permitted the Treasury to respond to financial volatility and crises by staging massive interventions and bail-outs, in the process creating an informal “too-big-to-fail” regime that guaranteed public backing to key market actors (De Cecco, *s.d.*). The growing density of financial networks also served to enhance the ability of the Federal Reserve to regulate financial markets, as its measures were now quickly transmitted across an infrastructure of liquid and tightly integrated financial markets (Krippner 2007). The Fed’s key policy instrument (*i.e.* the federal funds rate) became leveraged to an unprecedented extent, allowing it to produce system-wide movements through the manipulation of variables in the small segment of the system over which it had direct control and so enabling it to solve market bottlenecks through infusions of liquidity. To be sure, the growth of effective financial authority was not by any means a smooth process; rather, it involved a contradiction-ridden process whereby public agencies learned to manipulate the new financial mechanisms more effectively. Nevertheless, over the course of the neoliberal era the Fed and the Treasury emerged as two of the most powerful actors in the world economy.

The growth of public capacities was not a neutral affair but tied in with a highly unequal distribution of actor capacities. The state’s protections and guarantees were not made available on the basis of merit or need, but redounded to those financial intermediaries that were most pivotal in shaping and controlling the dynamics of financial life and so functioned as the key constituents of the state’s infrastructural powers. Too-big-to-fail policies in particular are inherently asymmetrical in nature, since access to their benefits is conditional on the degree of market power that actors already enjoy: the interests that can count on public backing are those that have already become leveraged to such an extent that, if they were to collapse, they would bring entire segments of economic life down with them. In large part owing to the strong element of “moral hazard” that they entail, too-big-to-fail policies are often interpreted as a sign of how incoherent and irresponsible US policymaking has become. However, public bailouts have been a consistent feature of US financial policy since the early 1980s,<sup>7</sup> and it is crucial to see that the state’s willingness to selectively socialize risk has never just been a moral problem: the

<sup>7</sup> See PHILLIPS (2006, p. 287, figure 8) for a list of such events between 1980 and 2005.

ability of financial elites to externalize the risks associated with their strategies gave a major impetus to financial innovation and so to the market expansion from which the US state benefitted so much. From this perspective, the American state's response to the subprime crisis is most fruitfully seen as the (provisional) culmination of the configuration of public and private interests that had emerged during the neoliberal era, as involving the deployment of infrastructural capacities that it had built up over that time. That is, it was an intervention of massive proportions with highly inegalitarian effects that has been effective in preventing the financial system from collapsing and in setting it on a new path of growth.

Just as a break with the residual economism of present-day political economy is required for the development of an accurate understanding of the neoliberal era, so it is a precondition for grasping the contradictions that gave rise to the subprime crisis. The contradictions of our times cannot be accurately grasped by assessing the validity of policies and strategies against an abstract, externally defined standard, nor can the specific contradictions of neoliberal capitalism be theorized by emphasizing, in Polanyian fashion, how our political and personal aspirations clash with a logic of economic imperatives. Theoretical procedures that rely on such conceptual black boxes have the effect of diverting attention away from the problems, tensions and ambiguities that are most deeply embedded in the modalities of our practices. Thus, the subprime crisis needs to be understood as having emanated from contradictions fully *internal to* neoliberal practices and the webs of interdependence that they constitute (Konings 2009).

We require an analytical focus that can "reach in" especially because of the degree to which financial relations have penetrated into the heart of everyday life, into social spaces that had until relatively recently (say, the 1970s) remained outside the mechanisms of formalized credit and debt. If other neoliberal crises had still somewhat respected the institutional demarcations of capitalist society, such was not the case with the subprime crisis. When the crisis exposed an elaborate network of connections among Main Street, Wall Street, Washington and the wider world, for a few moments those categories lost their appearance of natural coherence and were revealed to be mediations of power, moments in relations of human control that in and of themselves involved precious few technically economic qualities. Indeed, the subprime crisis is a near-perfect illustration of how contradictions will emerge out of any relationship of domination, no

matter how elaborate, complex and sophisticated its institutional foundations. The mortgage market has always enjoyed an unrivalled degree of popular support and its long-standing expansion occurred through a largely unquestioned interweaving of new financial technologies with the most basic aspirations and everyday concerns of ordinary people (Immergluck 2009). But it was precisely this high degree of legitimacy that provided a cover for the emergence of particularly exploitative relationships. As banks and brokers adopted lending strategies that in earlier times had been the preserve of loan sharks, they went well beyond enlisting subordinate actors into hegemonic patterns of control and instead, by tightening the financial screws to the point of overstrain, undermined their ability to function as competent social actors with access to the requisite set of capacities. In the summer of 2007 it became clear that many Americans had for some time been unable to service the debts they had taken on, *i.e.* to function in the subordinate position they had entered into. The effects were quickly transmitted by the complex institutional linkages through which the subprime mortgage market was organized and so reverberated throughout the edifice of American finance.

### *VI. Pragmatist politics*

Before 2007, few scholars or commentators had imagined that the inability of underprivileged people to keep up with the payments on their subprime mortgages could ever have thrown a wrench into the wheels of high finance and economic life at large. Yet political economists have so far been concerned primarily to cast the crisis as a confirmation of what they had long argued. To a certain extent, such reluctance to revisit and rework our existing concepts in response to unexpected events is no doubt motivated by the wish to seize on the crisis as a moment to bring criticism of US policies onto the political agenda and so to push for a more responsible politics. Along with other progressively oriented intellectual strands, the discipline of political economy has tended to respond to neoliberal globalism by espousing European social democracy as a key point of orientation and source of inspiration. Such politics is closely associated with the understanding of economics and politics that this essay has criticized, *i.e.* of markets as advancing vehicles of necessity and the state as the ever-under-threat moment of political agency and human freedom.

However, the growth of integral statehood during the neoliberal era means that it is ever less meaningful to talk about the official and formal aspects of the public sphere in abstraction from their constitutive connections to the networks of power that pervade socio-economic life. That is, the room for progressive projects that are premised on an authentic moment of democratic sovereignty has contracted severely. As Unger observes, “the prestige of European social democracy has been contemporaneous with the hollowing out of its traditional programmatic core” (Unger 2007, p. 196).

Disruptions of existing patterns, routines and habits certainly do involve moments of political possibility. It is just that staying within the organizational structures of the state puts strict limits on our ability to exploit them, to make creative and progressive use of them. The state presents power in its coherent and ideal aspects: it aims to make power work, not to expose its contradictions. The infrastructural leverage and policy leeway of the state is therefore not available to any and all projects, like a set of material resources for the taking: it is biased, selective, shot through with the oppressive qualities of the networks on which it is built. Whereas dominant interests can access organizational mechanisms that (at least potentially) permit the effective implementation of political projects, the experience of oppression that motivates subordinate agency is likely to get lost through the engagement of such complex, ideology-ridden and intricately constructed institutional chains. Now more than ever before, failing to question the institutional demarcations through which capitalist society presents itself to us and taking at face value the state’s ideological projections means that we will allow our selves and political agency to become enlisted in the mechanisms of premature harmonization and legitimation.

It is here that the potential benefits of adopting a pragmatist vantage point are pronounced. The tragic narrative of modernity as characterized by growing economic necessity and a contracting horizon of political choice and agency prevents us from appreciating *both* the progressive moment *and* the contradictions at the core of modern socialization. Pragmatist insights make it possible to appreciate the progressive moment in capitalist development – *i.e.* to discern the new avenues for enhanced control, structural recombination and actor flexibility that are opened up by the insertion of practices into a capitalist order of institutional forms and connections – and so to move beyond a politics driven by nostalgia (Livingston 2001, Joas 2004). They certainly also imply an acknowledgement that social innovations and

new strategies will have to address problematic experiences and therefore will have to connect to the existing social architecture, the webs of financial relations and institutional connections as these has evolved historically. But this does not imply unprincipled accommodation to the existing order, any more than the wish to make one's family financially secure expresses a commitment to reactionary politics. Taking human practices seriously requires that we return, time and again, to the moment of negativity – *i.e.* the contradictory effects of our strategies and the sources of our problematic experiences – that is as foundational to the human experience as our positive identities and common norms. It is precisely such a thoroughgoing pragmatist stance that creates the possibility of moving beyond a social-democratic politics that enacts the modern tragedy it laments.

This means that critical social science should imply a commitment to “tarrying with the negative” (to use Žižek’s (1993) appropriation of Hegel’s famous phrase), *i.e.* the element of negation in the relationship between human practices and the edifice of socially constructed abstractions, rather than to its premature harmonization. A fuller exposure of the sources of our problematic experiences and a fuller awareness of the nature of our negative relationship to social life might enable us to establish new connections in a more critical and deliberate fashion, inflecting the direction and terms of the creation of new social connections and so redeploing the mechanisms of control created through the development of modern capitalism for more progressive ends (Knafo 2008, p. 26). While the specific patterns of power and control that characterize our social relations are critically dependent on their appearance of natural, self-sufficient coherence and their ability to avert scrutiny, the very fact of expanded social connectedness that has come with the development of modern capitalism is a genie that cannot be put back in the bottle, a historical fact that cannot be reversed (except, perhaps, through such catastrophic events as the world wars that permitted capitalism’s social-democratic “golden age”).

### *VII. Concluding remarks*

The fact that this primarily theoretical essay has drawn its illustrations only from the US case is in part dictated by considerations of space, but it also reflects the privileged relationship of American society to the specific modalities of power that have come to define the nature of modern capitalism. That is, networked power relations and



the highly leveraged forms of agency built on them are most advanced in the US, where they enjoy deep historical and social roots. A fuller account of modern power would therefore not only have to include consideration of its global dimensions, but would also have to trace its lineages further back in time. Structural power did not first emerge during the neoliberal era but is a key feature of American processes of economic modernization. It was already during the very first years of the 20<sup>th</sup> century that American banks pursued strategies to integrate ordinary people into the world of credit and debt. When Progressive lawyer Louis Brandeis ([1914] 1967) accused American bankers of using “other people’s money”, he was essentially complaining about the degree of economic leverage that bankers commanded.

Of course, Brandeis and his fellow Progressive-era reformers did not just lament the effects of growing interconnectedness. They were well aware that the institutional connections forged by capitalist development also created the potential for new and more effective forms of institutional control. In this respect, their ideas resembled quite closely those of the pragmatist philosophers. It has often been noted that pragmatist authors were fond of using economic and financial metaphors to make their philosophical points. This may in part be the result of the unconscious absorption of a new vocabulary that often occurs when people find themselves in a new social context. But perhaps the reason is not quite so trivial: it is worth entertaining the possibility that, even if they were not fully aware of this connection, pragmatists employed such metaphors because the processes of economic change of their time brought out with particular clarity some qualities of the social structure of human action. That is, America’s particular road to capitalist modernity allowed pragmatist thinkers to discern that the proliferation of modern institutional forms enabled people to develop new ways of controlling their environment and to engage in previously unimagined varieties of interaction. This essay has taken that insight and used it to begin work on a conceptualization of modern power that seeks to free itself from the influence of economism. While there is some truth to the claim that pragmatists tended to underestimate the obstacles to a more egalitarian distribution of modern actor capacities, we cannot hope to accurately grasp such constraints by stressing the structural determinations associated with a pre-social economic logic. The constraints on our agency need to be theorized as part of a constellation of actor capacities, and this requires that we set more rather than less store by pragmatism’s core insights into the nature of modern society.

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## Résumé

Présentement, l'économie politique a clairement pour objectif premier de se démarquer du déterminisme économique. Cependant la focalisation sur les contraintes de la globalisation, par exemple – que l'on songe au pouvoir infrastructurel au sens de Michael Mann de la finance américaine – empêche de construire une représentation des formes hautement sophistiquées dudit pouvoir financier.

Tourner le regard vers la constitution d'un lieu de pouvoir et, à cette fin, explorer les voies que propose la philosophie pragmatiste américaine pour mieux comprendre les caractéristiques institutionnelles et les processus qui rendent possible l'émergence d'un lieu de pouvoir, tel est l'objectif de l'article.

*Mots clés* : Pragmatisme ; Économie politique ; Agency ; Pouvoir ; État.

## Zusammenfassung

Zur Zeit hat die Wirtschaftspolitik eindeutig als erstes Ziel sich vom Wirtschaftsdeterminismus abzusetzen. Da jedoch hauptsächlich die Zwänge der Globalisierung im Vordergrund stehen – so die infrastrukturelle Macht, im Sinne von Michael Mann, der amerikanischen Finanzwelt – bleibt eine Darstellung der komplizierten Formen dieser Finanzmacht aus. Dieser Aufsatz will seinen Blick auf die Schaffung eines Machtzentrums richten und, zu diesem Zweck, die Wege erkunden, die die pragmatische amerikanische Philosophie vorschlägt, um die institutionellen Charakteristika und die Abläufe zu verstehen, die ein solches Machtzentrum möglich machen.

*Schlagwörter*: Pragmatismus; Wirtschaftspolitik; Agentur; Macht; Staat.