Benjamin LEMOINE, *L'Ordre de la dette : enquête sur les infortunes de l'État et la prospérité du marché* (Paris, La découverte, 2016)

Public debt is on the rise. In Western economies, sovereign debt has reached levels previously unseen in times of peace. Benjamin Lemoine proposes to trace the roots of persistent high public debt levels in France by recounting key innovations in debt instrumentation that made modern debt financing possible. Working in the science, technology and society (STS) tradition, Lemoine concentrates on issues of market infrastructure, instrumentation and devices. This emphasis on the practical and technical side of the debt equation is much-warranted because it moves past the mainstream budgetary perspective that narrowly attributes high levels of indebtedness to state profligacy. What matters most according to Lemoine is not *how much* or *for what reasons* the state borrows but *how*. The book's main thread is what Lemoine calls the "great reversal," namely the shift from a politically-administered to a market-based system of state financing. The historical sequence under study covers roughly half a century of French debt debates from the 1950s to the post-subprime crisis period.

The book is divided into two sections, each organized into several chapters. The first section opens with a puzzle: why would French bureaucrats ever want to relinquish the post-war administered system of state financing? This ingenious system known as the "Treasury Circuit" had undeniable and awe-inspiring benefits: the law required banks to keep a portion of their resources with the Treasury; in turn, the Circuit turned the banks' short-term deposits and other mandatory contributions into public resources with the result that France could finance public expenditures without deficit spending and sovereign bond issuance. The circular machinery that was the Treasury Circuit automatically generated funds for the state without the need for much action. The centralization of credit from banks also provided maximal security to treasury management: deposit rates were fixed by the Treasury according to in-house perceptions of France's financing needs. Why would France relinquish this embedded regime for a market-based system where the cost of debt varied with interest rates set by the market? It is a curious thing for bureaucrats to celebrate a market-based system whose features unambiguously implied greater dependency on financial markets.

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Lemoine's work has the attractive quality of generating questions about the history of sovereign debt that we often take for granted. Few scholars have bothered to look at bureaucratic controversies about debt instrumentation, and most studies ascribe a character of inevitability to the rise of market-based debt financing. Previous studies of the Treasury Circuit tended to portray the French state as a provincial entity besieged by enormous institutional pressures to conform to neoliberal dogmas.[1] In Chapters 1 and 2, Lemoine draws on new empirical evidence to complicate historical diffusionist models and show how much the rise of a market-based regime of debt financing owed to contingent bureaucratic conflicts and administrative struggles within the French administration. In the 1950s, a coalition of free-market economists led by Jacques Rueff (a member of the liberal Mont Pelerin Society and a close adviser to Charles de Gaulle) launched an early attack against the status quo. In the name of anti-dirigism, Rueff opposed the strictures of administered state financing and preferred the state as borrower rather than collector. French intellectuals and political elites had sympathy for the British market-based model, which they viewed as the epitome of modernity, and aversion for the Treasury Circuit, which they likened to archaism. Lemoine also emphasizes strategic motivations, beyond epistemic and cultural explanations. Many French bureaucrats saw in a market-based regime the promise of a greater control over inflationary pressures, with debt working as a disciplinary tactic to align France to neoliberal dogmas. In spite of a natural and irreversible process, Lemoine argues that the great reversal was an incremental process marked by a considerable degree of contingency and recurring frictions within bureaucratic factions and camps. The process began in 1962 with the nomination of Valéry Giscard d'Estaing as Minister of Finance and was completed in 1985 with France's issuance of the first OAT (*Obligation Assimilable au Trésor*; equivalent to German *Bunds* or US *Treasuries*). Lemoine is quick to point that the dismantling of the Treasury Circuit was effective under a socialist administration (during François Mitterrand's first presidential term). Bi-partisan political consensus on market-based debt instrumentation has persisted until today, although cracks began to appear after the subprime crisis.

In Chapter 3, Lemoine examines debt financing instruments as socio-technical devices that reordered power relationships between

[1] Loriaux Michael, 1991, *France after Hegemony: International Change and Financial Reform* (Cornell University Press); Patat Jean Pierre and Michel Lutfalla, 1990, *Monetary History of France in the Twentieth Century* (Palgrave Macmillan).

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the French state and the markets. Sovereign bond markets radically altered the balance of rights and duties between public and private actors that prevailed under an administered regime. Under the new regime, rather than being something that measured and quantified the state became the target of quantification. Very much like a firm or a household, building creditworthiness (i.e. showing capacity and willingness to repay its debt in time and in full) became a borrowing prerequisite for the French state. In sovereign debt markets, certifying agencies like credit rating agencies perform the key function of measuring reputational capital without which a state cannot issue sovereign bonds or only at a penalty rate. Lemoine also focuses on the disciplinary outcomes of sovereign debt markets on public policy. French politicians learned that to sell sovereign bonds required demonstrations of compliance vis-à-vis international conventions of budgetary rectitude. France's capacity to borrow at low cost hinged significantly on the state's willingness not to constrain finance. This is not a particularly original story: previous studies on the neoliberal turn have often highlighted the fact that market dependence makes states adopt market-friendly policies. A less well-known and, therefore, more interesting development concerns the reorganization of micro-level professional practices. Lemoine has great pages on the growing professional uneasiness among French bureaucrats-turned-salespeople travelling the world to sell French debt to powerful clients in the US or Saudi Arabia [102-103, 119-120]. Another empirical highlight is Lemoine's emphasis on national debt agencies. As a pledge given to remove debt management from political discretion, states like England and Germany decided to relocate their debt agencies outside their financial ministries' premises. France is an ambiguous case here because the decoupling between debt agency and financial ministry was never complete, something that paradoxically gave France leverage over Germany by making its debt more attractive to foreign investors [136-145].

The second half of the book attends to the question of how the great reversal became controversial further down the road. During the 1990s, the conversation on debt was restricted to technical debates about how to account for debt levels. Within the context of European construction, the debt debate was chiefly a debate about commensuration and how to align competing European accounting systems. In Chapter 4, perhaps the book's most compelling section, Lemoine presents an innovative argument about how normative and contingent choices about society became lodged into European debates about

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quantification and commensuration. This chapter lives up to the legacy of the late Alain Desrosières, one of Lemoine's mentors. In Chapters 5 and 6, we learn how the matter of public debt left accounting circles to enter national political debates in the 1990s and 2000s. As debt entered the political front stage, the contingent choices which had once justified market-based instruments of debt financing were left outside of the conversation, a sign that technical decisions made in the 1960s-1980s had been naturalized. Lemoine draws at length on the Pébereau Report of 2005, the centerpiece of the mainstream budgetary view that institutionalized debt was a spending problem while, at the same time, ignoring the enormous costs associated with the discontinuation of the Treasury Circuit. Yet, Lemoine shies away from suggesting a return to the post-war system of state financing. Instead, the book concludes with a discussion of alternative debt accounting models. Lemoine recalls that accounting norms are consequential and controversial because how people quantify debt shapes possible political horizons.

L'ordre de la dette is a convincing and well-articulated book on an important subject. Through extensive empirical fieldwork research, Lemoine captures granular yet essential developments concerning how bureaucrats think about debt instrumentation. Yet, the book has certain faults in parallel to its qualities. While Lemoine's meticulous empirical focus generates many savory anecdotes about French bureaucrats, to the international reader, and to anyone interested in the global dimensions of the sovereign debt regime, the book will no doubt have a very "French" flavor. References to foreign cases are made only *en passant*. Lemoine introduces England's market-based system as a counter-model but it does not allow us to quite understand why England never attempted to build an administered regime. Inversely, Lemoine's almost complete silence on the US is troublesome given that the Banking Act of 1933 institutionalized a variant of the Treasury Circuit.[2] What is clearly missing is a chapter positioning France's financing mechanisms against those of comparable Western economies or at least an acknowledgment of the global political developments surrounding sovereign debt which certainly had something to do with France's decision to adopt a more orthodox market-based regime of debt financing. Lemoine's analysis of internal struggles and competition between administrative camps provides

[2] Meltzer Allan H, 2003, *A History of the Federal Reserve,* Vol. 1 1913-1951 (University of Chicago Press: 579-724); Loriaux Michael, 1991, *France after Hegemony: International Change and Financial Reform* (Cornell University Press: 150-151).

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only half the story as to how and why France moved to a more market-based system. Early in the book, Lemoine claims that the macroscopic order does not have any "tangible" existence beyond the alignment of practical techniques and instruments [26]. Yet, a pragmatic focus on techniques and instrumentation is not incompatible with an analysis that accounts for the global field of competing debt instruments and their modalities of diffusion. Key protagonists involved in the great reversal quoted by Lemoine have themselves acknowledged that exposure to foreign developments (e.g. economic ideas and bureaucratic practices from the US and England) provided an impetus for French reforms [111, 122, 146]. France's appeal to the IMF for assistance in 1957 is not discussed in the book. This is surprising given that subsequent reforms in the Treasury Circuit followed IMF calls for liberalization. Overall, by over-emphasizing the internal struggles and logics of competition within the French administration, Lemoine tends to overlook important global mechanisms of institutional diffusion and imitation. While a single case, empirical study is an entirely legitimate research endeavor, the book would have benefited from a comprehensive literature review discussing comparative macro-institutional research on French neoliberalism.[3]

Finally, I disagree with the claim made repeatedly in the book that a market-based regime of debt financing would have made the state a borrower like others—"others" here referring to "normal" borrowers like firms and households. This argument is perfectly understandable if one focuses, as Lemoine does, on the point of entry into sovereign debt markets. In order to borrow, France is dependent on market opinion regarding its creditworthiness. Private intermediaries like credit rating agencies that once rated corporations or individuals are now in the business of evaluating sovereign bonds. Yet, sovereign borrowers are still a far cry from private and individual borrowers. While corporations can reorganize in the shadow of corporate insolvency law, nothing comparable to an international bankruptcy code exists for the resolution of sovereign debt crises.[4] This points to a structural problem: absent

[3] Fourcade Marion, 2009, *Economists and Societies: Discipline and Profession in the United States, Britain, and France, 1890s to 1990s* (Princeton University Press); Loriaux Michael, Meredith Woo-Cumings, Kent E. Calder, Sylvia Maxfield and Sofia A. Pérez, eds. 1997, *Capital Ungoverned: Liberalizing Finance in Interventionist States* (Cornell University Press); Prasad Monica, 2005, "Why Is France So French? Culture, Institutions, and Neoliberalism, 1974-1981", *American Journal of Sociology* 111 (2): 357-407; Prasad Monica, 2006, *The Politics of Free Markets: The Rise of Neoliberal Economic Policies in Britain, France, Germany, and the United States* (Cambridge University Press).

[4] Halliday Terence C. and Carruthers Bruce G., 2009, *Bankrupt: Global Lawmaking and Systemic Financial Crisis* (Stanford University Press).

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a transnational framework of sovereign debt resolution, sovereign debt disputes produce considerable disruptions, with distributional effects for global finance and the well-being of citizenry. The major issue affecting the neoliberal debt regime is the problem of exit. Today, financiers have an incentive to lend to poorly-run states because they anticipate that legal clauses inserted in bond contracts will all but guarantee full repayment, even if that means great sacrifices imposed on their citizens. Sociologists with a background in international law will disagree with Lemoine when he argues that the neoliberal regime threatens the existence of states which, just like firms, could disappear [28]. This is to misjudge the fact that creditors have invented legal techniques to keep countries in the lending game and extract repayment at any cost, even in contexts of insolvency. Had Greece been a US firm, it could have filed ~~a~~ for bankruptcy under Chapter 11 of the US bankruptcy code. Instead, the Greek state is now held liable for debt that it cannot repay. Sovereign borrowers cumulate the worst of both worlds in the neoliberal sovereign debt regime: the state borrows like a household or a firm, meaning that it has to undergo the reputational burden of building up credit; but unlike households or firms, states are held under the principle of *pacta sunt servanda* ("agreements must be kept"), making debt restructuring very difficult. Returning to the title of the book, a more critical take on the "misfortunes" of the state in the neoliberal debt regime would have required a discussion of how states can effectively circumvent vulture funds and never-ending austerity. As recent studies have made clear, sovereign debt continuity—the notion that a country must repay debt at any cost—is a controversial norm with little historical validity.[5]

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[5] Lienau Odette, 2014, *Rethinking Sovereign Debt* (Harvard University Press).

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