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Introduction: Neglecting, Rediscovering and Thinking Again about Power in Finance

The articles in this special issue survey comparatively the shape of power and finance. The introduction sketches the history of the study of the political role of financial markets and examines the reasons for the comparative neglect of the subject by the discipline of political science.

For every epoch and for every social structure, we must work out an answer to the question of the power of the elite. (Wright Mills 1956: 23)

THIS SPECIAL ISSUE OF *GOVERNMENT AND OPPOSITION* IS THE RESULT OF A NUMBER of collaborations and has several aims. The articles are developments of drafts given at a specially convened seminar by the invited authors. That seminar was held with the support, financial and otherwise, of two institutions: the Sheffield Political Economy Research Institute (SPERI) at the University of Sheffield, which hosted the seminar, and the Centre for Research on Socio-Cultural Change (CRESC) at the University of Manchester, which is also the source of one of the articles (Johal et al. 2014) in this issue. The collaboration between these two institutions reflects the importance of the study of the power of finance within the well-established tradition of social inquiry known as political economy. The third partner in the collaboration is, of course, *Government and Opposition* itself. This further partnership hints at what is perhaps the major concern of this special issue, for the journal, as a distinguished journal of comparative politics, provides a connection to mainstream political science.

A major impetus behind this special issue is the belief of the two editors that, while there is an established concern in political

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economy with the power of finance, it has been a neglected, indeed concealed, concern until very recently in mainstream political science. Most of the remainder of this introduction examines the reasons for this neglect. Since one of the main aims of the special issue has been to help remedy that neglect, our selection of contributors and subjects, and the guidance that we gave as editors, was shaped by four considerations. First, after the explosion of the 'great financial crisis' in 2007–8, the question of the power of finance did indeed force itself on to practical public policy agendas and on to the agenda of mainstream political science. But we never set out to produce a special issue on the financial crisis (several have already appeared). The great crisis certainly looms like a threatening cloud over virtually everything written in this issue, but we wanted our authors to step back from immediate historical events to reflect more widely on the character of financial power. Second, while Anglo-America (or perhaps better the European Union and the US) was the epicentre of the great crisis, because it is the epicentre of financial power, we thought it important to widen the geographical scope of the discussion beyond the usual suspects: thus the articles by Datz (2014) and by Zhang (2014) in this special issue are particularly important. Third, the 'brief' we gave our authors was both simpler and yet more ambitious than a focus on financial crisis: it was, quite simply, to explain the workings of financial power in their nominated 'domains'. Finally, while a major purpose of the issue is to 'recapture' the study of financial power for political science, we wanted also to recognize the diversity of traditions and preoccupations that already mark the study of financial power, especially in political economy. Thus, the articles by Woll (2014) and by Pagoulatos (2014) explore issues of power by examining in detail the impact of the great crisis on important European systems. Bell and Hindmoor (2014) make perhaps the most explicit effort to connect the study of financial power to the established language of political science analysis. Johal et al. (2014), starting with the orthodox language of power analysis in political science, seek to extend that, in the British context, to the broader conceptions of power associated with the work of Foucault. In their turn, Panitch and Gindin (2014) connect the special issue to a distinguished tradition of radical international political economy. Finally, Nesvetailova's article (2014) introduces into the issue a new conceptual language for analysing power and money that is growing in importance in the theoretical analysis of international political economy.

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FINANCIAL MARKETS, FINANCIAL POWER AND POLITICAL SCIENCE

The shaping power of financial markets was a major preoccupation of what might be called the radical tradition of political economy. Indeed, in the work of Hilferding (1919/2007), of Lenin (1917/2010) and of Hobson (1902/2005) the power of finance is not only critical; its varying forms actually shape the kind of political-economic arrangements that are possible under advanced capitalism. Yet recognition of the power of finance is not confined to this radical tradition: it is also a major preoccupation of the work of Keynes and of Schumpeter. The rediscovery of these preoccupations lies behind the flowering of international political economy in the last three decades. The simultaneously destructive and innovative power of finance, such a major concern for Keynes, is plainly also an inspiration for one of the classics of the modern international political economy literature, namely, Susan Strange's *States and Markets*, the first edition of which appeared in 1988. Indeed, in her later critique of 'casino capitalism', Strange (1997) explicitly echoed the judgement of Keynes on the role of financial markets in the UK. Importantly, her work also inspired a torrent of subsequent research which has been central to contemporary international political economy (Germain 1997; Helleiner 1994; Langley 2002; Pauly 1997; Porter 1993).

These various works, and for that matter many others that could have been mentioned, are ample demonstration that political economy, in both its 'classic' and 'modern' forms, has been anything but neglectful of the power of finance. Yet there is an odd omission here: what we have called mainstream political science has not given the subject much attention or treated it with great seriousness. There is a double oddity, for not only does this seem to neglect domains of very great substantive significance for the government of advanced capitalist societies, but it has happened despite the fact that modern mainstream political science has been almost obsessively preoccupied with the problem of defining and measuring power. Indeed, the evolution of the 'power debate' since the first exchanges between Dahl and the elitists at the end of the 1950s closely follows the contours of the development of the modern science of politics. At any rate, for political science the great financial crisis of 2007–8 was as unexpected an event as it proved to be for mainstream financial economics (Engelen et al. 2011).

There seem to have been two main reasons for this disciplinary 'blindness', and they throw light both on the character of modern

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political science and on the nature of financial power. The two are: the substantive concerns of the discipline; and the way financial elites have represented their political role. The clue to the first of these lies in the different intellectual histories of political economy and of political science in recent decades. The resurgence of political economy, mostly in the form of so-called international political economy, was an explicitly cross-disciplinary enterprise: an attempt to recapture the economy as a domain for analysis in political language. By contrast, political science has been dominated by a mission that pointed in the opposite direction – that of establishing a distinctive disciplinary identity for itself. Political science as a self-conscious discipline is largely a creation of the decades since the Second World War. In other words, it grew up in the shadow of already well-established social science and humanities disciplines – of economics in particular, but also of history, anthropology and law. Its key task, as it saw it, was to establish a demarcated institutional and intellectual terrain which would mark 'its' territory, notably against the prestigious and often intellectually expansive discipline of economics. The strategy that was largely adopted is neatly encapsulated in the recent overview of its history written by Goodin (2009), and in particular his characterization of emergent political science as 'the discipline of the state'. By establishing the state as the key focus of political science, the discipline successfully established a distinctive terrain not only from that of economics, but also from other rivalrous disciplines, such as anthropology, which had an early established interest in the wider political process in state and extra-state settings (Bailey 1970; Lewellen 1994).

This was an immensely successful disciplinary project, as the rise of political science as a major teaching and research force in the US, and to a lesser extent in Europe, shows. But it came at a significant cost. Political science as 'the discipline of the state' necessarily focused on institutions and processes at the heart of states and, as the success of a journal such as *Government and Opposition* shows, on the comparative study of those institutions and processes. The acceptance of a division of labour with economics, by defining economic activity as a domain to be studied by a sister discipline, had the effect of 'depoliticizing' the economy – a process intensified by the highly technical turn taken by economic science itself. The 'reinvention' of international political economy in the 1970s was an attempt to recreate a cross-disciplinary world where economic activity generally was

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recognized to have political dimensions. The very success of that attempt paradoxically weakened the capacity of political science to recognize the politics of economic life, still less the politics of financial life, for 'IPE', as this new sub-field soon came to be known, quickly and purposively developed its own intellectual and institutional world – in journals and conferences – separate from the world of disciplinary political science. Moreover, international political economy acquired its own blindnesses. For many within its embrace it was the legatee of the great tradition of radical political economy – a tradition which emphasized the importance of great structural, historical forces – and it largely continued to work and research at this broad, and at times excessively sweeping, level (for a critique, see Phillips 2005). Accordingly, it showed comparatively little interest in 'politics' more narrowly understood – in the everyday struggles and strategies surrounding decision-making in and around states – which was of course the very meat of disciplinary political science. In sum, with economics asserting a monopoly in the study of economic life and international political economy largely content with overarching analyses of global trends, political science was able, on the whole successfully, to assert and claim its own monopoly, so to speak, of the study of the state, and to do it, as we have seen, in its own distinctive way.

Political science's neglect of finance was reinforced by the way financial elites, especially in the advanced liberal democracies, sought to represent themselves politically. As great centres of economic activity, the markets were potentially the subject of the attention and scrutiny of democratic political actors – indeed, after great crises such as the Wall Street crash, they were the subject of reformist, regulatory interventions by states. But, for the most part, finance presented itself as working beyond the domain of 'politics', and especially of 'the state'. It pictured itself as a technical world which could only be comprehended by the technically qualified or those qualified by practical experience of financial markets – which meant financial elites themselves. That was true even in the years leading up to the great financial crisis. The years of what is sometimes called 'the Great Moderation' – the 15-year period of growth in leading capitalist nations up to 2007 – were also years of the extraordinary cult of the financial markets: a period when the technical wizardry of market actors and regulators, supposedly operating a world beyond the mental capacities of either normal citizens or democratic politicians, removed decision-making to an arcane, technical environment (Engelen et al. 2011). It was no coincidence that this was also the

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period of the cult of 'light touch' regulation; in other words, of the widely accepted belief that politics, in the guise of regulatory institutions, should play only a minimal role in the workings of the markets.

REDISCOVERING AND DISCOVERING FINANCIAL POWER

The great financial crisis of 2007–8, as has been widely documented, dramatically reshaped the political economy of, especially, the advanced capitalist world. But it also, in part as a result, helped reshape the political economy and the political science of financial markets. For political economy, at least it could be said that it was more of a reminder of past lessons, a rediscovery perhaps of the political importance of finance. But, for political science, the crisis was a genuine shock. It had taken the view that the financial elites understood what they were managing and that the leading advanced capitalist states had the global system under control. From this perspective, revelation of the raw power of financial markets amounted almost to a fresh discovery.

Let us briefly elaborate on these different disciplinary reactions. As far as political economy is concerned, the crisis had been something that was coming: a product of structural forces out of control. Of course, nobody predicted the precise timing or shape of the crisis, and few international political economists were carrying out research on the US sub-prime housing market before 2007–8 (but see Langley 2008). But, that said, it was a commonplace of the intellectual conversation within international political economy that the scale, speed and complexity of global financial exchanges had reached a level that had gone beyond the capacity of leading national states to manage. There was also much debate, and not a lot of resulting confidence, about whether or not global financial institutions, such as the Group of Seven finance ministers, the International Monetary Fund and the Bank of International Settlements, had the technical capacity, and even less the critical mind-set, to think through and enact better structures of control. The pre-crash conversation in international political economy thus talked of 'wild globalization' and frequently asserted the 'inevitability' that at some unspecified moment 'global finance' would overwhelm the global economy as a whole. But, as a sub-field, it was characterized by that general disdain for detailed analysis of what was happening on the ground in

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different places that we mentioned earlier and thus swept too broadly over what was building up in the Anglo-American world to be able to claim more than a generalized grasp of the mechanics of the pre-crisis. At least, though, political economy analysis had some intellectual resources to fall back on when the crisis did break.

As far as political science is concerned, the key issue is that the crisis forced upon it the urgent need to discover and understand markets. Two influences are at work. One concerns the internal intellectual life of the discipline. Political science was not only afflicted with a kind of blindness because of its self-image as 'the discipline of the state'. It also struggled for long to develop a conception of power which could help explain what was going on in markets, let alone in financial markets. Helpfully, however, as Johal et al. (2014) show at the beginning of their contribution to this special issue, the long debate on power had already begun greatly to widen the conceptions of power available to political scientists. In particular, the quasi-Gramscian notions of hegemonic power imported into the discipline via Lukes's elaboration of the 'third face' of power opened the way to a more sensitive awareness of the power possibilities of operations in markets. The crisis itself also reshaped political science sensitivities in a more direct and brutal way: it demystified the ideologies that had represented what was occurring in markets as the domain of the apolitical and the technical, shattering the cult of 'light touch regulation'. Albeit only by virtue of the unfolding of the crisis, it suddenly became clear to everyone that states were necessarily involved in financial operations. Analyses of the causes of the crash were thus necessarily 'political', because they soon fixed on the kinds of political alliances that had underpinned the regulatory regime which so spectacularly came to grief in 2007–8. What is more, the consequences of the crash soon became clear for the very institution that was at the centre of the disciplinary preoccupations of political science – namely, the state – as public budgets quickly ballooned into deficit in direct relation to the costs of rescuing the financial system. In short, the great crisis, by demystifying the ideology which had represented the operations of financial markets as a domain of the technical and the non-political, opened them up to the scrutiny not only of practising politicians, but also to the discipline of political science itself.

Nevertheless, both political science and political economy still face many difficulties in making sense of this newly discovered, or

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rediscovered, social world, even if they seek, as they should, to work rather better in harness than they have generally done in the past. There remain key problems in the study of financial power which we address briefly in the next section and hope to contribute to resolving, at least in part, by means of the insights offered later in the various contributions to this special issue.

PROBLEMS IN THE STUDY OF FINANCIAL POWER

It is one thing to discover, as political science has done, a neglected domain in the exercise of power; it is quite another satisfactorily to integrate it into the repertoire of the wider social sciences. Making sense of the power of financial markets faces what we might now do better to think of as 'the political science of political economy' with three big problems: the conceptualization of power itself; the conceptualization of markets; and the conceptualization of financial systems.

The long debate about power, we noted above, greatly expanded the pictures of power which political science could present beyond the narrow visions offered by the initial 'decisional' definition of power elaborated by Dahl and his intellectual allies in the late 1950s. Nevertheless, faced with systems as complex and as apparently often removed from the control of human agency as financial markets, there remain considerable difficulties in speaking about financial markets in the language of political science. The dominant traditions in political science have been agency centred, which means that, when the discipline turns to political power, it still finds it natural to use the language of agency. It is, after all, still 'the discipline of the state', and its natural habitat is still the examination of the political process – the daily struggles for advantage that take place in and around the institutions of the state. Opportunistic appropriations of the language used by those outside the conventional disciplinary boundaries – such as the use of Foucault's imagery in this issue in the article by Johal et al. (2014) – can help make sense of particular developments in particular systems. But this does not solve the wider problem of what conceptualization of power can make sense of a world where the key social processes lie beyond the boundaries of the state as conceived by the discipline – in the labyrinths of markets.

There is an obvious link between difficulties in the conceptualization of power and difficulties in the conceptualization of

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markets. The latter problem can be simply summed up: can there be a political science of markets, including financial markets? The emergence of political science as the 'discipline of the state' was not simply a matter of establishing an institutionally advantageous division of labour; it was also a matter of fitting the intellectual skills of the discipline to the analysis of a particular social domain, the state. These skills, to a substantial degree, came out of the discipline's antecedents, notably in law and in history: skills in the analysis of documentary evidence. Now it is plain that these can, in principle, be extended into other domains, such as financial markets. It is nevertheless striking that the most vivid recent accounts of financial markets and their pathologies have come, not from political scientists, but from those who could mobilize other skills: those who can fuse the techniques and instincts of the investigative journalist with the knowledge of the inside 'dopester' (Lewis 2006, 2010) or who can popularize the tools of the anthropologist (Tett 2010). There exists a very obvious solution to the problems created by the narrowing of disciplinary skills, and it consists in the creation of cross-disciplinary research teams to investigate power in markets. But, apart from the obvious problems of coordination in assembling and managing these teams, there is a further, more fundamental, problem: that of reconciling the conceptions of markets and of power that have developed separately in an academic world increasingly organized into disciplinary specialisms. It is easy to talk the talk of cross-disciplinarity; walking the walk is an altogether more difficult matter (Moran 2006).

Thus far we have focused on what might be called general issues of intellectual strategy: of thinking about how to use the language of power and how to analyse social processes in arenas as fluid as markets. But there is a third problem which has also to be solved: how to use a language of power in the study of financial markets. 'For every epoch and for every social structure, we must work out an answer to the question of the power of the elite', says Wright Mills in the quotation appended to the head of this introduction, taken from his classic study of elite power. But the social science study of financial markets has been almost too ready to provide an answer to this question, for it is heavily dominated by taxonomic exercises which seek to delineate different systemic configurations of the relationship between financial markets and the wider political economy. From Hilferding's pioneering classic study (1919/2007) to later more orthodox comparative studies, such as those of Zysman (1984),

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the overwhelming emphasis in the literature has been on the variability of market relationships, and the different ways these interact with policy and politics. The contributions to this special issue, focused as they are on individual systems or combinations of systems, continue this tradition. Whether there can be an overarching theory of the power of finance remains, it seems, an open question.

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