The Crisis: The Unmaking of the Economy?

Adam Tooze, Columbia

June 2016

PRELIMARY ROUGH DRAFT.
FOR DISCUSSION AT LONDON FOUCAULT WORKING-GROUP
NOT FOR CITATION OR CIRCULATION WITHOUT AUTHOR'S PERMISSION

Over the last nine years we have lived through an economic crisis of historic proportions. But it was more than that. It was not just an economic crisis. It was a crisis of "the economy" - a discursive object, a set of institutions, ideas and practices that have been fundamental to the organization of society, politics and government since the late nineteenth century. At least, this is the working hypothesis of this paper. The discursive object of the national economy was always unstable. It has always been riven by constitutive tensions. The crisis has heightened those tensions to such a pitch that it seems worth posing the question: Are we witnessing a terminal crisis, the "end of the economy"?

For the economy to have an ending, it must have a history. That it does have a history, is not obvious. For many, "the economic" and "the economy" are timeless. Every human society must have an economic system. Every human society must solve the problem of reconciling manifold desires with limited resources. And there are certain mechanisms present in all societies to perform these basic functions.

To put the issue in these terms transparently performs ideological as well as analytical work. It legitimates present day arrangements as anthropological constants. Asserting the opposite, insisting that "the economy" has a history is, not for nothing, a claim associated with a variety of important critical traditions. Personally, it is a research program to which I first expressed my adherence almost twenty years ago.[1] It is why I am a historian not an economist. Coming out of the 1970s and 1980s we wrote and thought under the impact of neoliberalism. If there was "no such thing as society", so the thought went, then perhaps there was no such thing as "the economy" (or "the state), either. Today, the aftermath of the cataclysmic crisis of neoliberalism offers a welcome moment to take stock.

Undoing the reification of the economy is a project on which many critical traditions converge. Marxism was the inspiration for many generations. Polanyi's historical anthropology of market society has been influential. Science and Technology Studies offers entry points by way of histories of calculation and new histories of commodities, infrastructure and the forces of production. From the 1970s French sociology and anthropology opened up the exploration of the construction of economic categories such as unemployment or GDP. Laclau and

---

[1] J.A. Tooze, "Official statistics and economic governance in interwar Germany" (PhD thesis, London University 1996).

Mouffe's anti-foundationalism offered another vantage point. But, across many camps Michel Foucault has been a key influence and inspiration.

There are many Foucauldian schools. Personally, my greatest debt was to what might be termed the "London Foucauldianism" of the early 1990s. Burchell, Gordon and Miller's *Foucault Effect* provided one of the earliest English-language introductions to the late Foucault.[2] Miller and Rose assembled a heady French cocktail of late Foucault, Latour, Callon and Thevenot and showed how it might be put to work to analyse the government of economic life.[3] They helped to prepare an audience for the publication of the College de France lectures in their entirety. Meanwhile, the critique of the economy in a Foucauldian vein was taken in a new direction by Timothy Mitchell. With a series of essays and the landmark *Rule of Experts* he achieved a dramatic impact.[4] Mitchell's is a richly theorized account both of the making and the unmaking of "the economy" that merits attention beyond its spectacular headline claims. First, however, it is worth elucidating the basic grid provided by Foucault's thought.

Many Foucaults:

There are at least three moments in Foucault's thought that bear centrally on the history of the economy. Working backwards in time, the obvious starting point is Foucault's discussion of the neoliberalism in Europe and the US between the 1930s and the 1970s.[5] He shows how the biopolitics of the economy became omnivorous. In the burned out wreck of the German state after 1945 an economic miracle occupied the place of the legitimate sovereign. In international terms, West Germany's reconstruction took place within the context of a reorganization of the community of European states. The international system of European sovereignty dating back to the 17th century was now reimagined as a Community of Coal and Steel. And in the 1960s, from America came an even more radical vision in which by means of conceptions such as human capital, our subjectivity was fully subsumed within economic processes. Foucault thus provided one of the earliest mappings of the scale of transformation within politics, society and international relations that would be brought about by of neoliberalism.

For Foucault, this liberal govermentality of the late 20th century had a deep history. He did not have much to say about the great nineteenth-century era of free trade, the gold standard, or its crisis of the early 20th century. Instead, at least in the College de France lectures, his history of liberalism was founded in a reading of the mid-18th century and the travails of French absolutism.[6] His focus was not so much

2 *The Foucault Effect: Studies in Governmentality* , edited by Graham. Burchell, Colin Gordon, and Peter Miller (Chicago: University of Chicago. Press, 1991).

3 P. Miller and N. Rose, "governing economic life", *Economy and Society* Volume 19, Issue 1, 1990

4 Timothy Mitchell, *Rule of Experts: Egypt, Techno-Politics, Modernity* (Berkeley, CA: The University of California Press, 2002).

5 Michel Foucault, *The Birth of Biopolitics: Lectures at the Collège de France 1978 – 1979*, trans. Graham Burchell (New York: Picador, 2008).

6 Michel Foucault (2007) *Security, Territory, Population: Lectures at the Collège de France, 1977-78*, trans. G. Burchell. Basingstoke and New York: Palgrave Macmillan.

on the Scots, Adam Smith, Ferguson etc. but on the Physiocrats and the radical project of government that they proposed. It was out of the fiscal and economic crisis of French absolutism and its overweening schemes of sovereignty and police that emerged the new vision of governing at a distance by means of the artful manipulation of the key variables of population and the economy. Whereas the regime of discipline and police focused on the individual, the distinctive feature of governmentality was that it worked by means of aggregates and their internal laws. These objects of power were not pregiven. They had to be made up through practice of power/knowledge such as demographic registration and statistics. Those statistics in turn relied on an infrastructure of power built up under absolutism. Foucault was careful to differentiate different types of instrument. The panopticon was not a tool of governmentality, any more than the great confinement was.[7] But it was not alien to it, excluded or superceded by it. It existed side by side and one in part subsumed the other. Police, the pastorate and the biopolitical logic of governmentality would function as a complementary network. It was this analytic with its focus on the practices of government that Miller and Rose put to work so productively in their Foucauldian take on the "government of economic life". Quite how the nascent liberalism of the period 1750-1770 relates to that of the 20th century, was not spelled out at length in the College de France lectures. But there is a strong suggestion of continuity across the last 250 years. If we entered an era of liberal governmentality in the 18th century, there seems little reason to think that we ever left it.

Quite apart from his specific historical narrative, the analytic of power that Foucault brought to bear on the question of governmentality has been hugely influential. One might rewrite one of his famous challenges as follows ***(alterations and insertions in bold)***: "choosing to talk about or to start from governmental practice", from the practices of power, "is obviously and explicitly a way of not taking as a primary, original, and already given object, notions such as ***the economy,*** the sovereign, sovereignty, the people, subjects, the state, and civil society, that is to say, all those universals employed by sociological analysis, historical analysis, ***political economy*** and political philosophy in order to account for real governmental practice. For my part, I would like to do exactly the opposite and, starting from this practice as it is given, but at the same time as it reflects on itself and is rationalized, show how certain things**—** ***economy and state***, state and society, sovereign and subjects, etcetera —were actually able to be formed, and the status of which should obviously be questioned. In other words, instead of deducing concrete phenomena from universals, or instead of starting with universals as an obligatory grid of intelligibility for certain concrete practices, I would like to start with these concrete practices and, as it were, pass these universals through the grid of these practices." Whereas, "Historicism starts from the universal and, as it were, puts it through the grinder of history ***– the manner in which a historically aware economic sociology proceeds, by asking about the manifestations and functions of "the economic" across time" –*** the approach Foucault proposes is "exactly the opposite. I start from the theoretical and methodological decision that consists in

---

7 *Security, Territory and Population*, Lecture 25 January 1978

saying: Let's suppose that universals ***such as the economy as a transhistoric problematic***, do not exist. And then I put the question to history and historians: How can you write history if you do not accept a priori the existence of things like ***the economy,*** the state, society, the sovereign, and subjects?[8]

The influence of the College de France lectures in recent years and in particular *Security Territory and Population* and the *Birth of Biopolitics*, has overshadowed the fact that this was not Foucault's first engagement with questions of the economy. Ten years earlier in the *Order of Things*, Foucault had already provided a truly astonishing account of the emergence of modern economics and its distinctive notion of the economy. Interestingly, the historical narrative of this account and its main target is quite different from that of the College de France lectures. What is at stake in his earlier work is the shift from the classical to the modern episteme. This occurred not in the mid 18th century in the context of the crisis of absolutism, but fifty years later, at the turn from the 18th to the 19th century. It was, as Foucault described in *Order of Things,* a sudden transformation that swept across several fields of knowledge. "Within a few years (around 1800), the tradition of general grammar was replaced by an essentially historical philology; natural classifications were ordered according to the analyses of comparative anatomy; and a political economy was founded whose main themes were labour and production."[9] In the field of economics the analysis of wealth derived from exchange was displaced by an analysis centered on labour and production. This was founded on a radical new anthropology and a new metaphysics: "The new positivity of the sciences of life, language, and economics is in correspondence with the founding of a transcendental philosophy. Labour, life, and language appear as so many 'transcendentals' which make possible the objective knowledge of living beings, of the laws of production, and of the forms of language. In their being, they are outside knowledge, but by that very fact they are conditions of knowledge".[10]

For Foucault, 18th century labour theories of value such as those of Adam Smith, remained within the classical episteme. It was Ricardo in the early 19th century who cemented the fundamental new anthropology of economics. Ricardo's economics was, "not the first to give labour an important place in the economic process; but it explodes the unity of that notion, and singles out in a radical fashion, for the first time, the worker's energy, toil, and time that are bought and sold, and the activity that is at the origin of the value of things."[11]

Conceived in these terms, political economy made a major contribution to the reconfiguration of historicity that took place in such a sweeping form in the early 19th century: "All labour gives a result which, in one form or another, is applied to a further labour whose cost it defines; and this new labour participates in turn in the creation of a value, etc. This accumulation in series breaks for the first time with the reciprocal determinations that were the sole active factors in the Classical analysis of wealth. It introduces, by its very existence, the possibility of a continuous

---

8 *The Birth of Biopolitics*, 2-3. Lecture of 10 January 1979.

9 Preface to English edition xii *Order of Things*.

10 *The Order of Things* 265

11 *The Order of Things*, 276.

historical time[12]. "… the time of economics was … the interior time of an organic structure which grows in accordance with its own necessity and develops in accordance with autochthonous laws – the time of capital and production."[13]

This dramatic conception of economic development, as connected to the struggle with human finitude and the conception of history that is based on it, was one of the pillars of the modern episteme. For Foucault, of the radical thinkers of the nineteenth century, it was Nietzsche who "marks the threshold beyond which contemporary philosophy can begin thinking again".[14] Marx, by contrast remained entirely enframed within the episteme. One of the most dramatic interventions of *Order of Things* was to subject the critical pretensions of Marxism to a withering and dismissive historicization. The most remarkable passage, deserves to be savored in its full acidity:

"the alternatives offered by Ricardo's 'pessimism' and Marx's revolutionary promise are probably of little importance. Such a system of options represents nothing more than the two possible ways of examining the relations of anthropology and History as they are established by economics through the notions of scarcity and labour. For Ricardo, History fills the void produced by anthropological finitude and expressed in a perpetual scarcity, until the moment when a point of definitive stabilization is attained; according to the Marxist interpretation, History, by dispossessing man of his labour, causes the positive form of his finitude to spring into relief – his material truth is finally liberated. …. At the deepest level of Western knowledge, Marxism introduced no real discontinuity; it found its place without difficulty, as a full, quiet, comfortable and, goodness knows, satisfying form for a time (its own), within an epistemological arrangement that welcomed it gladly (since it was this arrangement that was in fact making room for it) and that it, in return, had no intention of disturbing and, above all, no power to modify, even one jot, since it rested entirely upon it. Marxism exists in nineteenth-century thought like a fish in water: that is, it is unable to breathe anywhere else. Though it is in opposition to the 'bourgeois' theories of economics, and though this opposition leads it to use the project of a radical reversal of History as a weapon against them, that conflict and that project nevertheless have as their condition of possibility, not the reworking of all History, but an event that any archaeology can situate with precision, and that prescribed simultaneously, and according to the same mode, both nineteenth-century bourgeois economics and nineteenth-century revolutionary economics. Their controversies may have stirred up a few waves and caused a few surface ripples; but they are no more than storms in a children's paddling pool."[15]

Since the 1990s a gigantic effort has gone into grafting Foucault's later account of neoliberalism onto other critical traditions, including that of Marxism.[16] That effort must be judged on its own merits. But, it should not obscure the fact that

---

12 *The order of things*, 278.

13 *The order of things*, 245.

14 *The Order of Things*, 373.

15 *Order of things*, 284-5.

16 Most spectacularly, Michael Hardt and Antonio Negri's *Empire* (Harvard University Press, 2000).

Foucault's project in the mid 1960s was emphatically post-, not to say anti-Marxian. With the *Order of Things*, Foucault consigned to the dustbin of history both the philosophical anthropology that underpinned Sartrean Marxism and Althusser's effort to rescue a scientific Marxism for the 20th century. Not surprisingly, this roused Sartre's indignation. He denounced the *Order of Things* as the "latest barrier that the bourgeoisie can once again erect against Marxism".[17] Foucault's flippant response was that if it was him that the bourgeoisie was relying on, their cause was lost for certain.

The point that needs to be made here is twofold. First, that one of the main aims of Foucault's archaeology of knowledge in the 1960s was to pose a fundamental challenge not just to mainstream social science, but precisely to those traditions of critical theory that took the critique of capitalism and bourgeois political economy as their foundation. Second, that there are a series of unresolved tensions between the account of the emergence of "the economy" in *Order of Things* and that given in the College de France lectures. These concern specific points of intellectual history and in particular the status of the 18th century physiocrats who are central to the Lectures as compared to the early 19th century British classical economists who are key to *Order of Things*. But they also relate to deeper questions as to the relationship between the archaeology of the economy as an object of knowledge offered in *Order of Things* and the genealogical approach to "the economy" as an object of government Foucault developed in the Lectures. Foucault was clearly aware of the tension and in the climax to his lecture on 25 February 1978 took time to attempt to tie the two narratives together.

If one were looking, Foucault argued, for the "operator (opérateur) of Transformation" that would account for the transition documented in *Order of Things*, from "natural history to biology, from the analysis of wealth to political economy, and from general grammar to historical philology, if we look for the operator that upset all these systems of knowledge, and directed knowledge to the sciences of life, of labor and production, and of language" it would be the concept and discursive object of "population" that had emerged over the course of the 18th century as the focal point of a new regime of government. The analysis of power that he was giving in the Lectures was the genealogical precursor to the transformation in the field of knowledge he documented so brilliantly in the *Order of Things*. Foucault was clearly worried that in making this connection he would be accused of falling back into an instrumental theory of ideology, so he immediately added that his effort to bridge his two histories did not "amount to saying that, finally understanding the importance of the population, the ruling classes set naturalists to work in this area, who mutated into biologists as a result, grammarians who were consequently transformed into philologists, and financiers who became economists. It did not take place like this, but in the following form: A constant interplay between techniques of power and their object gradually carves out in reality, as a field of reality, population and its specific phenomena. A whole series of objects were made visible for possible forms of knowledge on the basis of the constitution of the population as the correlate of techniques of power. In turn, because these

[17] "Replies to structuralism. An interview with J.P. Sartre", *L'Arc* No. 30.

forms of knowledge constantly carve out new objects, the population could be formed, continue, and remain as the privileged correlate of modern mechanisms of power." So, if it was "true that man could not exist, and that only the juridical notion of the subject of right could exist when the problem of power was formulated within the theory of sovereignty, on the other hand, when population becomes the vis-à-vis of government, of the art of government, rather than of sovereignty, then I think we can say that man is to population what the subject of right was to the sovereign." Aware of the feat of synthesis he had performed, Foucault closed the lecture with an ironic aside: "There you are, all wrapped up and loose ends tied."[18]

Mitchell and the making of the economy

Amongst the scholars who have taken up Foucault's challenge to rethink modern power Timothy Mitchell is amongst the most productive. His work is as much a critical commentary on Foucault's work as it is a simple extension of it.

Mitchell is best known for the simple but radical claim that the economy as an object of government came into existence not in the 18th century as Foucault claims, but only in the 1930s.[19] Unfortunately, this is in some ways the least convincing element of his argument. The historical record suggests that though Mitchell is write to defer the emergence of the economy for at least a century, his dating to the 1930s is off by several decades. Furthermore, as I will argue an alternative, somewhat earlier dating would in fact fit better with his own argumentative framework, especially when it is extended beyond narrow bounds of the Anglosphere and its Egyptian colony. In any case, in developing and defending this extreme position, Mitchell has laid out a fascinating account of the historical emergence of the economy.

Taking up Foucault's approach to power in the 1980s, largely on the basis of *Discipline and Punish*, Mitchell was led to argue that Foucault's account was incomplete. By focusing on the dispersed operation of regimes of subjectification and discipline, Foucault provided an original critique of state-centered visions of power. But in *Discipline and Punish* in particular his work of disassembly was so complete that Foucault could no longer account for the effect that he was seeking to criticize, i.e. the very real presence of the state as an organizing abstraction. It is understanding this duality and its wider ramifications that was Mitchell's key project both in *Colonizing Egypt* and the *Rule of Experts*.[20]

---

18 In fact, there is an earlier effort to bridge the divide between *Order of Things* and the genealogies of power, in a few brief remarks in *Society Must be Defended*, lecture of 3 March 1976. Significantly, that lecture places the triptych of knowledges that frame *Order of Things* in relation not to late absolutist governmentality, but to the French revolution. Accounting for the movements in Foucault's thinking of history between *Society Must be Defended* and *Security Territory and Population* from the problem of conflict and revolution to the problem of government would overstretch the bounds of this working paper. For the significance of the break see the contributions by Tooze and Kessler to Foucault 13/13 http://blogs.law.columbia.edu/foucault1313/category/foucault-713/

19 Timothy Mitchell, "Fixing the Economy" *Cultural Studies* 12(1) 1998, p. 82-101.

20 *Colonising Egypt*. By Timothy Mitchell. Cambridge: Cambridge University. Press, 1988.

What Mitchell has sought to elucidate is how the principal mode of operation of modern power combines the double effect of individualization and abstraction. And the consequences of this abstracting process were fundamental. In an account of modernity that owed as much to Heidegger and Derrida as it did to the *Order of Things*, Mitchell argued that modernity had made real a system of metaphysics in which object and description, real and ideal were systematically counterposed, set against each other and then reintegrated. The modern state, capitalism and the systems of representation associated with them were instances of this wider process. To undercut this dualistic metaphysical scheme, required a methodology much like that advocated by Foucault, in the Lectures (unknown to Mitchell at the time that he wrote his first two books). One had to understand the state and capitalism not as given universals, but as things made up, fashioned and maintained in being through practices of power/knowledge.

These processes, however, were systematically self-obscuring. They operated through procedures of closure, simplification and differentiation. They enframed and excluded, creating an interior-exterior that was not marginal or incidental to the "basic process" of capitalism's evolution, or state power, but constitutive of them. "The economy" was one of the modes through which capitalism had fashioned for itself a distinct, self-contained space with a perimeter marked out as "non-economic". It was not, however, as Foucault suggested, an immediate correlate of population which 18th century physiocrats had put at the heart of governmental practice. Nor was it, as a simple-minded intellectual history of economics might imagine, the obvious subject matter of the discipline of economics since Ricardo. As Mitchell pointed out, though "during the past two centuries, the changing forms of capitalist economic discourse have defined this space in different ways", "the economy" was not the object of first choice. "The classical political economists from the late eighteenth to the mid-nineteenth century did not refer to an object called the economy. Writers like David Ricardo described a regular motion of production, exchange, and consumption … Later in the nineteenth century, Leon Walras and the new science of economics turned the market into a mathematical abstraction, while Marx replaced it with a much broader conception of material production and exchange."

What for Mitchell accounted for the emergence of "the economy", was the intersection of the history of capitalism with the history of the nation state. "The national economy" was an object in some senses alien to capitalism and yet, in the manner of an interior-exterior, constitutive of it. "The economy" emerged, alongside a variety of other practices and disciplines essential to modern power but excluded by purist definitions of either capitalism or the sovereign state. "Since the science of economics had concentrated its efforts on framing the rules of the market, parallel fields of expertise emerged to help coordinate the forms of knowledge needed for the nonmarket institutions: for the corporation, law, accounting, and business studies; for the nation, statistical organizations and the field of macroeconomics, which as we have seen developed around the concept of "the economy" … In addition immigration laws, national banks or reserve systems, complex taxation and tariff systems, and extensive state planning and investment all helped to fabricate the nation/economy…”.[21]

For Mitchell, “the economy” as the other of “the state” is the answer to the nagging question left open by Foucault, as to what gives the states its coherence and identity.[22] It was the object of the economy that “played a central role in the articulation of the distinctive forms of” state power. For Mitchell, “The contemporary structural effect of the state is inseparable from the relatively recent creation of ‘‘the economy.’’ “The economy was invented as part of the reconstruction of the effect of the state.” So interdependent were they that “the contemporary concept of the state has become inseparable from the fundamental distinction that emerged between state and economy.” But when did this process happen, if not in the 18th century as Foucault suggested?

The headline claim of Mitchell’s argument is that this fabrication of the national economy was not undertaken in earnest until the 1930s and 1940s. “It was then that the modern idea of the economy appeared, reflecting the collapse of a colonial organization of power, knowledge, and exchange, and the rise of the national state as producer of statistical knowledge and custodian of the economic.” As he put it in *Rules of Experts*: “The birth of the economy did not occur only at what is called the level of language or the social imagination. Its arrival can indeed be traced in the writings of economists such as John Maynard Keynes; in the organization of a new branch of the discipline, macroeconomics, in relation to which most earlier economic theory was repositioned as “micro”; in the development of the field known as econometrics, which attempted the mathematical modeling of the entirety of a nation’s economic system, and of the techniques known as national income accounting, which presented a statistical enumeration of this totality; and in numerous other intellectual developments of the 1930s and 1940s. Equally important to the birth of the economy, however ,was a series of events outside the professional fields of economics and statistics, which those fields had little or no ability to comprehend. These included the collapse of the international financial system in the interwar period; the domestic crises of the Great Depression; the development of Soviet, New Deal, fascist, and other forms of state control of production, trade ,employment, and investment; the wartime management of technology,information, supply ,and consumption; and, of particular significance, the collapse in the years during and on either side of World War II of the global structure of political and economic affairs formed by the European and Japanese empires. Out of this series of political implosion, soscial disintegrations, financial failures, and worldwide conflicts emerged this new object, the economy.”[23] In a recent essay he has doubled down on this claim by insisting that it was only in the 1940s with the advent of “the economy” that future prognostication entered into the

21 *Rule of Experts*, 295.

22 Mitchell “Society, Economy and the State Effect” G. Steinmetz (ed.), *State/Culture: State-Formation after the Cultural Turn*,
pp. 76–97. Ithaca, NY and London: Cornell University Press, 1999.

23 Mitchell, *Rule of Experts*, 5.

calculations of government.[24]

The rise of the national economy

Mitchell's analytical framework is attractive. His critique of Foucault is broadly convincing. It is hard to disagree that in the course of the 20th century the state and the economy came to form a mutually constitutive couplet. But his dating of the emergence of this framework to the 1930s and 1940s is off by several decades and misleads us as to the historical conjuncture out of which the object of "the economy" emerged.

The dual emergence of the nation state and the large corporation as the constitutive interior-exterior of capitalism, are processes of very general reach and their chronology extends deep into the 19th century. Mitchell is no doubt right to insist that Britain's position at the heart of a global empire made the articulation of a national economy as an object of government more complicated there. And one would expect that process to be particularly belated in a semi-imperial territory like Egypt. But that simply suggests the need to complement the limited geographical scope of his analysis with the kind of view of global history offered for instance by Geyer and Bright's analysis of the global conditions.[25] As they argue, the formation of the British world system in the mid 19th century conditioned a variety of strategies of societal formation. Without wanting to fall back into exceptionalist clichés, or to underestimate the tendencies towards nationalization evident also in Britain and its Empire before 1914, it seems plausible that the project of the national economy would have greater appeal for Japan, Germany and the US than one would expect it to have for the global British Empire, and for comprador elites within that empire in particular.

Outside the Anglosphere, the lexical indicators of a new way of thinking about "the economy" are flashing decades earlier than in the pages of the *Times* of London. In Germany by the early 20th century the notion of the national economy had real purchase. Given the heritage of Friedrich List and the historical school, Mitchell knows that the German language sphere may cause problems for his thesis. To prop up his argument, in *The Rule of Experts* Mitchell notes that the connotations of the word "Wirtschaft" are ambiguous.[26] And it is indeed true that Wirtschaft can mean both *the* economy and the household economy. But precisely for that reason, when German authors meant to refer to *the* economy rather than to the household they added a qualifier to identify the Wirtschaft in question as the Volkswirtschaft, i.e. people's or national economy. The meaning of Volkswirtschaft is quite unambiguous. It means "the (national) economy". It continues in use today as a means for distinguishing Volkswirtschaftslehre i.e. macroeconomics and academic

---

24 Timothy Mitchell, "Economentality: How the Future Entered Government," *Critical Inquiry*40, no. 4 (Summer 2014): 479-507.

25 Michael Geyer and Charles Bright "World History in a Global Age," in *American Historical Review* 100 (October 1995), 1034-1060 and Charles Bright and Michael Geyer "Regimes of World Order: Global Integration and the Production of Difference in Twentieth Century World History" in Jerry H. Bentley, Renate Bridenthal, Anand A Yang, ed., *Interactions: Transregional Perspectives on World History* (Honolulu: University of Hawai=i Press,2005), 202-238.

26 Mitchell, *Rule of Experts*, 81.

economics in general from Betriebswirtschaftslehre, which is management or business economics. The use of Volkswirtschaft took off around 1880, fifty years before the use of the term "economy" in English, and surged after 1900.

Google NGram of Volkswirtschaft
https://books.google.com/ngrams/graph?content=volkswirtschaft&year_start=1800&year_end=2000&corpus=20&smoothing=3&share=&direct_url=t1%3B%2Cvolkswirtschaft%3B%2Cc0

In truth, even in the Anglosphere, the emergence of "the economy" is not as belated as Mitchell, at his most provocative, is tempted to insist. The linguistic shift that Mitchell likes to date to the 1930s can actually be seen developing as early as the 1880s. In the 1880s it was common place for the *Times* to refer, if not to "the economy" then at least to "the economic system". After 1900 the term "the economy" in its substantivized sense was in increasingly common, if not ubiquitous use. By 1908 the *Times* could comment on the state of Japanese engineering industry and its "effects on the economy of the country".[27] It could remark on the difficulty of deciding the significance of the issue of small holding in Britain without localizing "the exact position they held in the economy of the nation at large."[28] Advocates for rural settlement could make the case for the peasantry as an "invaluable factor in the economy of the nation."[29] The engineering industry, the peasant, the rural laborers, these were the parts, "the economy" was the whole. It was a structured whole. It had a systemic logic. And it was national. By 1915 the *Times* could remark that: "The weakest spot in the economy of Germany is evidently in her industrial and commercial situation."[30]

To show the need for a non-Anglocentric narrative of the history of the "national economy" and in particular to throw off the shackles of the narrative

27 *The Times*, Wednesday, Mar 18, 1908; pg. 3; Issue 38597; col C
28 *The Times*, Tuesday, Sep 08, 1908; pg. 8; Issue 38746; col A
29 *The Times*, Tuesday, Oct 19, 1909; pg. 12; Issue 39094; col E
30 *The Times*, Friday, May 21, 1915; pg. 6; Issue 40860; col A

focused on the "Keynesian revolution", was one of the aims of my own early effort to trace the international spread of national income statistics.[31] It is the decades between the 1890s and the 1920s, not the 1930s that see the first breakthroughs to systems of national economic statistics. Even in the UK, the decisive event in the development of national economic statistics was the carrying out in 1907 of the first census of production. Its goal was the estimation of the basic macroeconomic measure of Value Added. This was intended as a crosscheck on the inflationary claims made for the importance of particular sectors in the course of the tariff debates. As we have seen, this is precisely the context in which the term "the economy" began to be used quite widely before 1914 even in the UK. The census was intended to deliver a view of the whole against which the parts could be weighed up. In Egypt the British imperial project may have had a retarding effect. But this was not true across the Commonwealth. In light of John Darwin's global history of British Empire, it is not surprising to find that national economic discourse developed in Egypt in a far more fragmentary way than in the "White Commonwealth", notably Canada and Australia.[32] It is no coincidence that Australia should have been the first country to published official estimates for national income, as early as 1890 or that the second to do so should have been Canada, in 1925.[33]

The crises of out which the new notion of the national economy emerged were those of the era of high imperialism, the gold standard, populism, syndicalism and World War I, not the Great Depression and World War 2. The first economics that informed its construction were those of the quantity theory, not Keynesian aggregate demand analysis. Its theoretical inspirations were the likes of Irving Fisher, Alfred Marshall, A.C. Pigou and Joseph Schumpeter. The Keynes that figured as part of the conversation was the young Cambridge monetary theorist, not the author of the *General Theory*. The planning that mattered were the fantasies that surrounded Imperial Germany, Rathenau, GOELRO and the NEP, not Stalinist industrialization in the 1930s. No doubt that WWII, Keynesianism, planification, end of empire all added density and articulation to the "national economy". But they fleshed out a framework that was already established. If there are two states for which that fleshing out in the 1930s and 1940s was particularly important, it would be the United States and the British Empire with France as an even more belated third.[34] This belatedness is an important, but unsurprising effect of their privileged position within a global system of combined and uneven development.

Crisis of the Economy?

---

31 Tooze, J.A., `Imagining National Economies: National and International Economic Statistics, 1900±1950', in G. Cubitt (ed.), *Imagining Nations* (Manchester, 1998) and J.A. Tooze, *Statistics and the German State. The Making of Modern Economic Knowledge* (Cambridge, 2001).

32 John Darwin, *The Empire Project: The Rise and Fall of the British World-System 1830-1970*, (Cambridge University Press, 2009).

33 *The income of nations*. By Paul Studenski. New York City, New York University Press, 1958

34 Desrosières, Alain. *The Politics of Large Numbers: A History of Statistical Reasoning*. Cambridge, Mass: Harvard University Press, 1998.

If the national economy took shape in the early twentieth century, how robust was it? How long did it last? Again, Mitchell, true to form, is radical in his dating. If, "It was only in the 1930s and 1940s that the modern idea of the economy appeared", then "In the last quarter of the twentieth century these conceptions began to shift again. In Anglo-American political discourse the market came to stand for a system of forces that the state claimed was independent of its management of the economy, setting limits that this management could not profitably transgress."[35] Mitchell repeats this suggestion in a recent essay on "economentality".[36] The national economy functioned, he tells us, as a concept around which to organize visions of the future in Egypt only down to the late 1960s. The last section of *Rule of Experts*, that deals with a push for market liberalization initiated in Egypt in the 1970s, can be read as an extended commentary on the faultlines then developing within the object of the "national economy". The drive for "market reform" remained dependent on non-marketed activity. It benefited not the nation but a tiny cluster of oligarchs. It systematically generated massive "externalities" from environmental degradation, to the violence of debt and property right enforcement.

Of course, the failure of development in the Middle East from the 1970s onwards is well-attested. And as Mitchell would himself put it, the collapse of the notion of "the economy" in Egypt, if that is what in fact occurred, should be viewed as internal to the crisis-ridden and contradictory development of global capitalism. For that same reason, one must surely insist that genealogies of "the economy" will have different chronologies and logics depending where in the "world system" one looks. The fate of "the economy" in Japan, South Korea or Taiwan in the 1970s and 1980s is likely to be quite different from that of Egypt.

It was certainly no coincidence that France, at the time that Foucault was giving his neoliberalism lectures at the College de France in the 1970s, was engaged in a wholesale borrowing of ordoliberalism from its more successful German neighbor. Under the Prime Ministership of Barre (1976-1981), himself a former Science Po professor of economics hailed by President Giscard D'Estaing as the "best economist in France", this involved the grafting of Bundesbank monetarism onto the system of credit controls provided by France's postwar apparatus of planification. It meant not the abandonment of the national economy as the object of policy so much as its respecification in terms of monetary aggregates and credit flows.[37]

Meanwhile, in the US the coalition of political activists and economists associated with the New Right were preparing their assault on the Great Society Keynesianism of the 1960s. The range of instruments they would put to use would range from union-busting, to the rhetoric of the Laffer cure. Paul Volcker's high interest rate policy came like a bolt from the blue. At its most sophisticated, in the hands of Robert Lucas, the rational expectations critique would demonstrate the

---

35 Mitchell, *Rule of Experts*, 246.

36 Timothy Mitchell, "Economentality: How the Future Entered Government," *Critical Inquiry*40, no. 4 (Summer 2014): 479-507

37 Emmanuel Mourlon-Druol, *A Europe Made of Money: The Emergence of the European Monetary System* (Ithaca NY: Cornell University Press, 2012), 106. Michael Maurice Loriaux, *France after Hegemony. International Change and Financial Reform* (Ithaca NY: Cornell University Press, 1991), 38-43.

self-reflexive incoherence of macroeconomic policy modeling. He identified, the state's own model of the national economy as a constitutive inside-outside of actors rational calculations. This entanglement meant that policy could no longer be optimized on the basis of a given model of the economy. If it wished to provide a useful ordering function, policy should retreat to a rule-bound, quasi-constitutional role. One could optimize rules, not discretionary policies. Meanwhile, real business-cycle theorists, the so-called Freshwater economists of the ilk of Kydland and Prescott, would question whether the macroeconomic statistics in use since the interwar period, numbers such as gdp and unemployment, could ever capture the fundamentals of market clearing.

All of these attacks added up to a devastating political defeat for Keynesianism, which in the 1970s was going through its own final efflorescence. But this should not be misunderstood.[38] Though the dogmatic demand for microfoundations undermined the primacy of macroeconomics in policy-making, the principal target of neoliberalism was neither "the economy" nor "the state", but "the social".[39] As "independent" central bankers became ever more pivotal to national economic policy-making, what triumphed was simply another variant of macroeconomics. In many ways monetary theory was a "purer", more systematically abstracted form of macroeconomics. It promised to be less susceptible to the corruption of corporatism or the temptations of industrial policy. Under the regime of the "great moderation" the key reference points for monetary policy, now formulated as the Taylor Rule, were still as they had been in the 1960s, inflation and unemployment.

Meanwhile, in practical terms, the end of Bretton Woods and the global boom in Eurodollar lending that followed, released national governments from balance of payments constraints as never before. There is a remarkable contrast between the international financial constraints that were binding on UK policy-making between 1931 and 1978 and the extraordinarily permissive conditions enjoyed since the 1980s. Never before could national economic policy be pursued with so little regard to exchange rates or the balance of payments. Even in 2010, with the financial crisis blazing in Europe, the threat of bond vigilantes was invoked in British politics largely for instrumental purposes.

If many European states lived within a more constrained universe, it was because they were choosing to converge with Germany within the framework of the EU. They did so, of course, with a view to becoming part of a larger "European economy" capable of holding its own within global markets. Notoriously, the project of European integration was far more advanced and effective with regard to "the economy" than with regard to society, culture or politics. Whereas the making of Europe's economy was pursued with remarkable energy, one thing was for certain: there was "no such thing as European society". To many on the left it came to seem

---

[38] For a thought-provoking rethinking of the continuities between Keynesianism and neoliberalism see https://www.opendemocracy.net/michael-gardiner/neoliberalism-child-of-keynesian-state

[39] https://www.opendemocracy.net/william-davies/neoliberalism-and-revenge-of-%E2%80%9Csocial%E2%80%9D

as though the EU was making real Hayek's hypothesis. Under modern conditions it was not the nation-state, but a weak and incoherent European federation that was the ideal container for an autonomous market economy.[40]

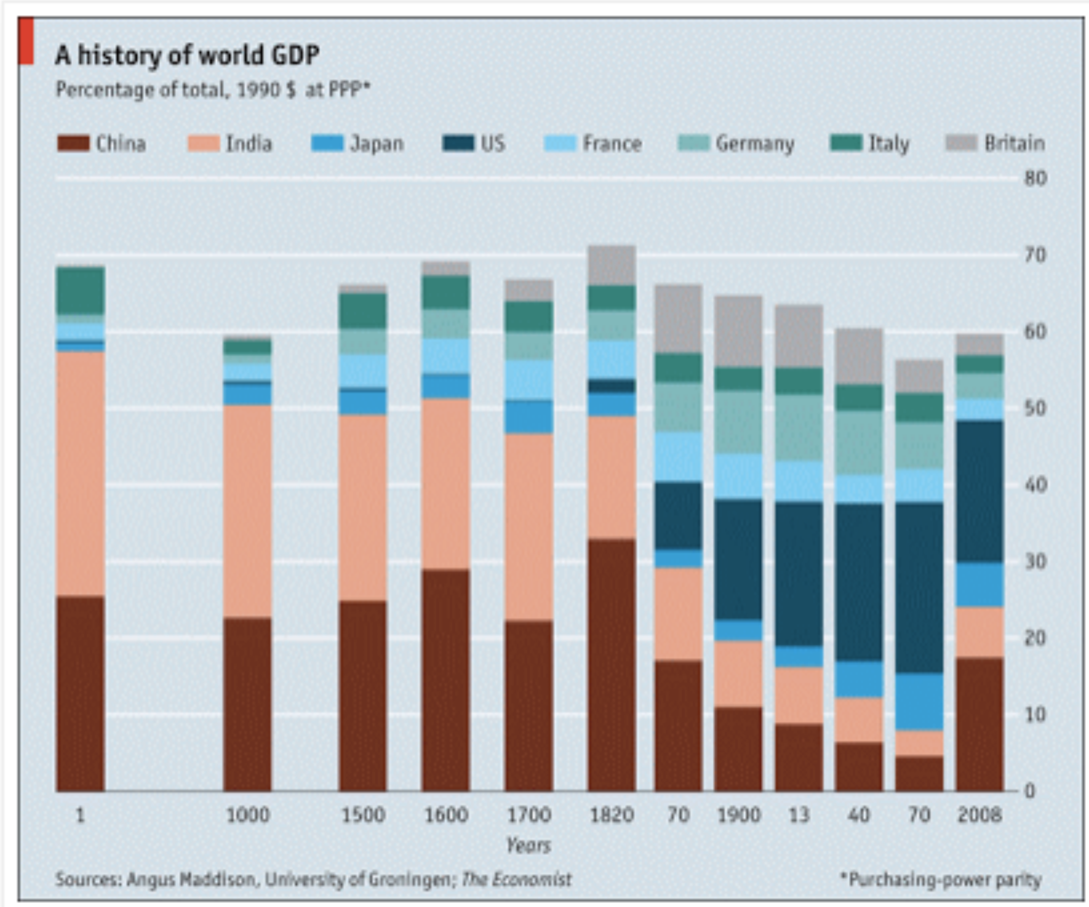
Meanwhile, the greatest story in economic history - China and India's spectacular take off - dramatically reenergized the identification of "the economy" with national destiny in the widest sense. GNP was the measure of Asia's world historic comeback. Thanks to the efforts of an international team of economic historians coordinated by the OECD, the media at large can dramatize the sweep of the last three centuries in one easy graph.

We can argue over the moment in the 18th or 19th century in which Asia lost its preeminence to a rising Europe and we can attempt to predict the moment at which, two centuries later, it will resume its place as the heart of the "world system". Those wishing to claim that the 1950s were the heyday of the "national economy" can do so only by restricting their view to a small number of countries with a small fraction of the world population. In the 1950s the majority of the world's population were consigned to the 'Third World" which needed development and modernization before it could begin to think of entering the growth club. Today, the latest figure for national GDP growth matter to far more people and a far larger faction of humanity than ever before. In early 2016 the big question is whether India has inherited from China the mantle of the fastest growing economy in the world.[41]

---

40 Wolfgang Streeck *Buying Time The Delayed Crisis of Democratic Capitalism* Translated by Patrick Camiller New York: Verso Books, 2014

41 http://www.cnbc.com/2016/05/31/india-set-to-retain-fastest-growing-economy-tag.html

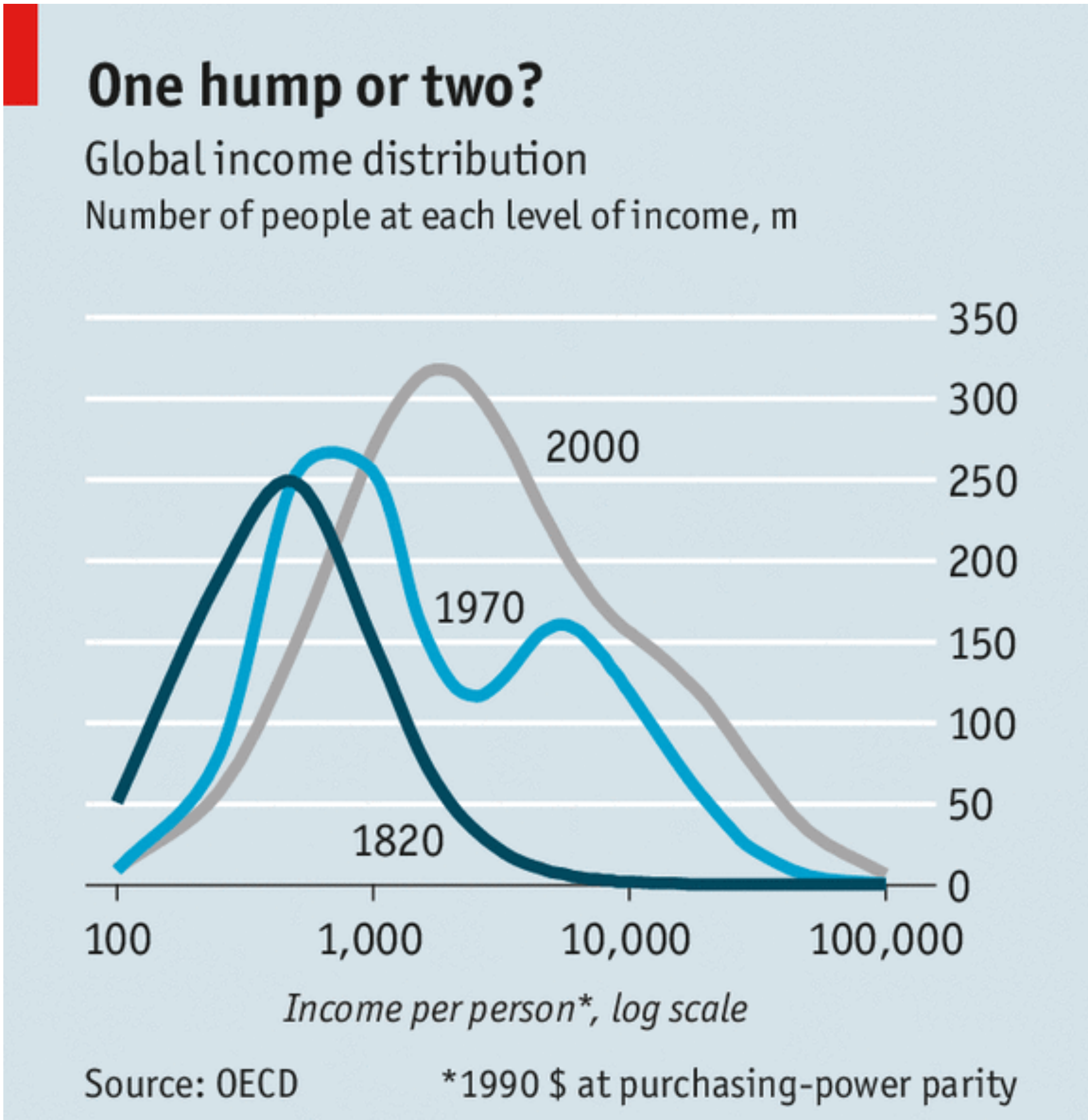


In a world of rival nationalism one cannot easily opt out of this kind of competition without effectively conceding defeat. What then might one lead one to suggest that the notion of "the economy" that in many ways seems so robust, is in fact succumbing under the weight of its own contradictions? And what has the financial crisis got to do with it?

Things come apart: the inequality shock

The notion of the national economy always masked profound inequality. But inequality could be absorbed so long as differentials remained static or even promised to converge, whilst the rising economic tide lifted all boats. Collective progress, the secularized redemption promised by the nation-state, was always key to the political lure of "the economy". That was the story through the 1970s. It was a story of relative intra-national compression, combined, it should be noted, with extreme and historically unprecedented inter-national inequality.

Globalization shifted that balance between intra-national and inter-national inquality in a macroscopic sense, at first sector by sector and then comprehensively. Across the OECD, but particularly in the US and Britain, the bottom three quarters of the income distribution lost ground.



That something serious had changed in several advanced capitalist economies, became obvious by the 1990s. In 2001 the powerful American Political Science Association was sufficiently alarmed to form a task force on inequality. In retrospect it appeared that America's bicentennial marked a turning point. Somewhere around 1976 the incomes of the men who had made up the backbone of a patriarchal household unit stopped increasing. The economy grew. If the women of a family entered the workforce as well as the men, household income went up, but not by as much as national income. The mean and the median drifted inexorably apart.

All this was evident before the crisis. It was evident before the politics of 2011 turned Piketty into a bestseller. But the effect of the crisis was to dramatize the extent of the dissociation between individual and national fortunes. Especially in the US and the Eurozone, the job losses were dramatic. Though a great depression was avoided, the jobs have not returned. And of the recovery, in the US, almost the entire benefit was monopolized by the top 1 percent. There is, therefore, literally no association between the cyclical movement of American national economy and the basic measure of societal welfare, the incomes of 99 percent of the population.

After loosening over a period of decades, the buckle that fastened the development of national society to the dynamic of the national economy has come undone, most spectacularly in the United States, the lead economy of the global system. To talk in terms of inequality and redistribution at a national level, as Piketty's data temps us to do, is to understate the scale of the problem. The most basic issue is the disintegration of the bounded entity within such comparisons make sense.

Too big to fail

As Mitchell's genealogy of "the economy" out of the intertwined history of the corporation, the market and the nation state made clear, the notion of "the economy" has always contained within it, units of radically different shape and size, pursuing different logics. Indeed, the making of the national economy depended not so much on the formation of a distinctive perspective of the nation state versus that of the market or the corporation, so much as an alignment between them. Markets were remade in national terms. And the solidification of the notion of the economy was associated with a particular structure of production and corporate organization. In recent decades corporate badges continue to be associated with national identity. But the actual alignment of production and income flows with nations has ceased to map and this is true even for the largest economy, that of the US.

This disjuncture is brought into sharp relief by a popular historical comparison between GM and Apple. In 1955 GM earned revenues of 105 billion in today's dollars, well-nigh identical to Apple's earnings today. In 1955 this was generated by an American GM workforce of 470,000 as well as 70,000 staff working overseas in subsidiaries such as Vauxhall, Opel or Holden. In 2012 Apple generated $ 108 billion in revenue, with a US staff numbering only 40,000. Overseas only 20,000 were employed directly by Apple. The vast majority of its workforce consisted of 700,000 foreign contract staff. GM was an American company with a clearly identifiable global footprint. Apple, by contrast, is a complex global network with a Californian brain and a cash horde of over $ 200 billion, 90 percent of which is held offshore out of reach of America's IRS.

Manufacturing needs a substantial material footprint. Its radical internationalization was comparatively slow. Finance capital was always, already even more cosmopolitan. It formed a transnational network that was tied, if at all, only in extremely indirect way to the national economy. The development of the global financial system from the 1980s onwards centered on two gigantic financial markets, one in New York, the other in the City of London. From the 1930s onwards fairly robust mechanisms were developed to handle national banking system. In the wake of the crisis even the BIS, the most orthodox club of central banks, is forced to admit that this has produced a fundamental disconnect. What, the BIS asked, was the relationship of the "US branch of a global European bank that borrows dollars from a US money market fund, and then lends dollars to an Asian firm through its Hong Kong branch", to conventional notions of the national economy? "The bank may be headquartered in London, Paris or Frankfurt, but the liabilities on its balance sheet are in New York and the assets on its balance sheet are in Hong Kong SAR. No obvious mapping relates this bank's balance sheet to a GDP area or to GDP components within the GDP area."[42]

The fantasy of globalization talk was that this did not matter for policy purposes. A highly sophisticated organization, interacting with rational markets would hedge all conceivable risks. The balance sheet would balance. But when banks operating in this way began to run into difficulty in 2008 it emerged that their risks actually fell-lopsidedly on nation states. Furthermore, these risks were so large that they threatened to unleash a doom-loop entanglement, in which the failure of individualized banks could destabilize the finances of all but the largest states. Conversely, a public debt crisis would pull down with it the balance sheets of the most strategic financial institutions.

The crisis thus called for a radical new model of governance. In the case of the largest global economy, Dodd-Frank has curtailed transnational balancing of balance sheets by European banks, requiring them to ring fence capital in the US to back their US operations. To the horror of advocates of globalization this amounts to a reassertion of the national economy. But it has not generalized. Within Europe, not surprisingly, the oversight of European banks has been Europeanized. And at the global level, under Basel III, a transnational regime of supervision has been established over the largest Systemically Important Financial Institutions (SIFI).

[42] http://www.bis.org/publ/work524.htm

Global systemically important financial institutions (G-SIFI)

Company (ticker-exchange)	Country	SNL-designated industry	2012 Total assets ($B)	2012 Total capitalization ($B)
HSBC Holdings Plc (HSBA-LON)	United Kingdom	Bank	2,692.54	460.78
Deutsche Bank AG (DBK-ETR)	Germany	Bank	2,666.85	595.72
Mitsubishi UFJ Financial Group Inc. (8306-TKS)	Japan	Bank	2,659.40	603.93
Crédit Agricole Group	France	Savings Bank/Thrift/Mutual	2,647.99	525.75
BNP Paribas SA (BNP-PAR)	France	Bank	2,515.10	697.65
Barclays Plc (BARC-LON)	United Kingdom	Bank	2,417.70	837.11
JPMorgan Chase & Co. (JPM-NYSE)	USA	Bank	2,359.14	838.39
Bank of America Corp. (BAC-NYSE)	USA	Bank	2,209.97	836.53
Royal Bank of Scotland Group Plc (RBS-LON)	United Kingdom	Bank	2,131.73	311.59
Bank of China Ltd. (3988-HKG)	China	Bank	2,033.78	175.58
Mizuho Financial Group Inc. (8411-TKS)	Japan	Bank	2,009.30	589.15
Citigroup Inc. (C-NYSE)	USA	Bank	1,864.66	693.72
Sumitomo Mitsui Financial Group Inc. (8316-TKS)	Japan	Bank	1,738.09	374.38
Banco Santander SA (SAN-MAD)	Spain	Bank	1,674.27	402.85
Société Générale SA (GLE-PAR)	France	Bank	1,649.60	400.36
Groupe BPCE	France	Savings Bank/Thrift/Mutual	1,513.28	568.72
Wells Fargo & Co. (WFC-NYSE)	USA	Bank	1,422.97	343.47
UBS AG (UBSN-SWX)	Switzerland	Bank	1,377.13	343.49
UniCredit SpA (UCG-MIL)	Italy	Bank	1,222.26	323.19
ING Bank NV	Netherlands	Bank	1,102.56	275.73
Credit Suisse Group AG (CSGN-SWX)	Switzerland	Bank	1,010.36	373.61
AXA SA (CS-PAR)	France	Insurance Underwriter	1,004.68	170.23
Goldman Sachs Group Inc. (GS-NYSE)	USA	Broker-Dealer	938.56	491.65
Allianz Group (ALV-ETR)	Germany	Insurance Underwriter	916.02	129.52
Nordea Bank AB (NDA-OME)	Sweden	Bank	893.19	290.31
Banco Bilbao Vizcaya Argentaria, SA (BBVA-MAD)	Spain	Bank	841.07	188.38
MetLife Inc. (MET-NYSE)	USA	Insurance Underwriter	836.78	91.51
Morgan Stanley (MS-NYSE)	USA	Broker-Dealer	780.96	379.85
Prudential Financial Inc. (PRU-NYSE)	USA	Insurance Underwriter	709.30	73.90
Standard Chartered Plc (STAN-LON)	United Kingdom	Bank	631.21	125.88
Assicurazioni Generali SpA (G-MIL)	Italy	Insurance Underwriter	582.55	85.58
American International Group Inc. (AIG-NYSE)	USA	Insurance Underwriter	548.63	147.50
General Electric Capital Corp.	USA	Specialty Lender	539.34	433.44
Aviva Plc (AV.-LON)	United Kingdom	Insurance Underwriter	511.28	40.12
Prudential Plc (PRU-LON)	United Kingdom	Insurance Underwriter	499.75	31.70
Bank of New York Mellon Corp. (BK-NYSE)	USA	Bank	358.99	65.12
State Street Corp. (STT-NYSE)	USA	Bank	222.58	41.21
Ping An Insurance (Group) Co. of China Ltd. (2318-HKG)*	China		-	-

Data as of Oct. 29, 2013.
Total assets and total capitalization reported in native currency and converted to U.S. dollars using the end-of-period exchange rate.
Total capitalization includes all forms of equity, debt and mezzanine items.
Financial G-SIFI designation based on Financial Stability Board and U.S. Treasury Department published lists, November 2012.
Insurance G-SIFI designation based on Financial Stability Board published list, July 2013.
* Company currently falls outside of full SNL coverage.
Source: SNL Financial

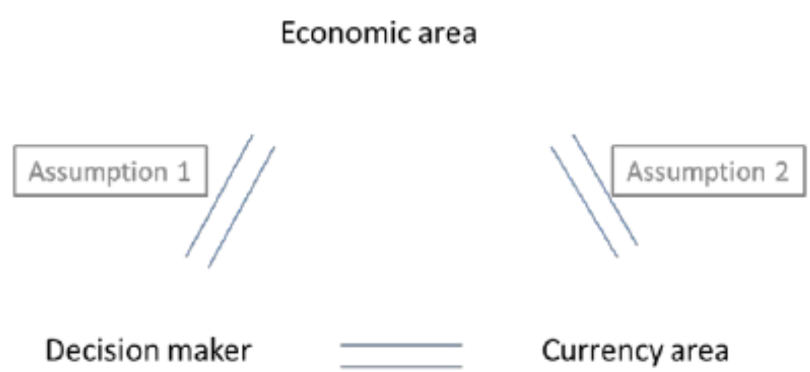
SNL

Echoed within the US under Dodd-Frank, Basle III has initiated a new regime of so-called macroprudential regulation. This breaches the established conceptions of the national economy by establishing an explicitly oligarchic relationship between a key group of large corporations and the state. If one of the most basic aims of the neoliberal project from the 1970s onwards was to reaffirm the state-economy distinction by breaking the corporatist model of interest group mediation, weakening trade unions and pushing through privatization, the regime of SIFI is the fiasco of that project. Under the regime of "stress testing" and forced recapitalization, the central banks of the world now oversee a regime of unprecedented special protections, the culminating glory of which are a series of models, operated within the Fed system, for predicting and targeting the profits of individual banks and a system of oversight that regulates the distribution of dividends to shareholders. Whether it is tantamount to state socialism, or a recipe for wholesale regulatory capture, it certainly abolishes the notion of arms length, equal treatment that was crucial to stabilizing the state v. economy distinction.

Triple coincidence

The BIS is the agency, which has gone furthest since 2008 in trying to figure out the implications of this unhinging of the national economy. This started from the realization that in the crisis, it was not just the microeconomics of efficient markets that failed. What rendered the imminent banking crisis invisible prior to 2007 was a failure of macroeconomics and in particular the baked-in focus on what the BIS has dubbed the "triple coincidence".

When the crisis began to unhinge European and US finance in 2007 it came from an entirely unexpected direction. This, according to the BIS, was due to the fact that "(c)apital flows are traditionally viewed as the financial counterpart to (national) savings and investment decisions. The unit of analysis is the GDP area, and what is "external" or "internal" is defined with reference to its boundaries. From this perspective, the focus is typically on net capital flows. The current account takes on significance as the borrowing requirement of the country as a whole. The textbook analysis then incorporates two further features, which, although apparently innocuous, turn out to be hugely consequential for the conclusions. The first is an aggregation property – namely, that all sectors in the economy (firms, households, government) can be summed into one representative decision-maker. The second is that each economic area has its own currency and the use of that currency is largely confined to that economic area. The upshot of these two additional assumptions is a "triple coincidence" between: (1) the economic area defined by the GDP boundary; (2) the decision-making unit; and (3) the currency area. The triple coincidence can be represented by the following triangle of equivalence relationships."[43]



[43] The working paper available at the website below serves as something of a manifesto for the BIS view of the crisis. http://www.bis.org/publ/work524.htm

Viewing the international economy in these terms led one inevitably to a misleading conclusion: The source of instability in the global economy before 2008 was to be expected on the Sino-American axis. Prior to 2008 as a result of its triumphant “rise”, China was running large trade surpluses and thus exporting capital. Spendthrift America was importing capital in net terms from China. America also experienced a credit bubble that burst. It was thus logical to assume that as the main lender to the US, China would also suffer the largest losses. As it turned out, due to China’s currency regime, its dollar holdings were officially controlled and were invested in US Treasuries that did well out of the crisis. The losses were suffered disproportionately by European banks. They, however, did not register in the standard early warning system of macroeconomic imbalances, because “on net” the European balance with the US was equilibrated. Since almost as much money flowed out of Wall Street to the City of London, as flowed via the City from Europe to the US, the net flows were modest. Vast transnational business decisions were being taken by business actors, whose consequences were simply not registered by the national accounting framework, until those decision unraveled in spectacular style.

Furthermore, those business decisions were conducted in a medium “global dollars”, that was no longer controlled by any national government. When the crisis struck this produced a result which was deeply counterintuitive from a natonal economy point of view. The US, a country, with a gigantic trade deficit and a collapsing domestic economy saw its currency surge in value. Why? Not because of its national economic performance, but because of the unwinding of hundreds of billions of dollars of bets placed by foreign financial actors. To fund their huge lending in the US, European banks had borrowed vast quantities of dollars on a short-term basis. As their US business unraveled, they found it harder to gain access to dollar financing in the US. They, therefore, entered foreign exchange markets and aggressively bid up the dollar.

That in turn had a disastrous impact on international borrowers of dollars, who found their dollar liabilities increasing in value. Places that seemed well insulated from macroeconomic disturbances on the basis of conventional national accounting were suddenly hit by drastic financial shocks – Korea for instance. On its face, Korea’s position should have been that of a mini-China. Running a chronic trade surplus it has accumulated a large official stock-pile of dollars. And like the Chinese, its official holdings did, indeed, make gains in 2008 as the dollar appreciated. But unlike China, Korea’s corporate sector, prodded by the process of globalization and the removal of capital controls, had taken advantage of cheap dollar credit to borrow in the US. For the Korean corporate sector the surge in the dollar produced a disastrous increase in the value of its dollar liabilities. On “balance”, of course, the losses of the Korean corporate sector were offset by the gains on its official dollar holdings. But only under the fiction of the “national economy” did this offset have any meaning. In practice the internationalized corporate sector went into severe crisis dragging the Korean economy down with it.

As the BIS notes, there is currently no system of economic statistics and no economic models that would allow one to monitor or model these flows that cut across nations, sectors and currencies. One place to start would be to construct consolidated bank balance sheets, “irrespective of where the balance sheets lie in

GDP space." As the BIS notes: "Once behavioural features are projected on to the consolidated balance sheets, and provided that such frameworks are limited to addressing global conditions rather than individual country GDP components, useful lessons can be gleaned on key macroeconomic questions." But since the data do not "correspond in a neat way to the GDP boundaries" it is unclear how they could be linked to a "general equilibrium analysis of consumption and investment in any particular location".[44] The connection between the key behavioral variables of the global financial system and national economic fortunes has come undone. All the time, however, national central banks and financial regulators, have to act precisely on presumptions about those relationships.

Transnational rescue

The most radical and underappreciated intervention of the crisis was triggered precisely by fears that the unraveling of global bank balance sheets would produce disastrous effects on the "general equilibrium" of "consumption and investment" in a "particular location", namely the United States.

To satisfy the desperate need for dollars that was developing in the autumn of 2008, the Fed feared that the European banks would be forced to sell off hundreds of billions of dollars worth of dollar assets. The BIS estimated shortly afterwards that the shortfall in dollar funding was somewhere between $ 500 billion and $ 7 trillion. Neither the figures nor the margin of error were reassuring. If Europe's dollar assets had been dumped in a fire sale of epic proportions this would have negated any effort by the Fed to stabilize US markets, dragging down US balance sheets, household wealth, consumption and investment in an uncontrollable spiral.[45]

The problem, to reiterate, was not that the European banks had huge net claims on the US, as the Chinese did. They just had very big American businesses. Even more than American banks they had financed large piles of American assets with short-term liabilities, borrowed in the US. As their assets threatened to go bad, short-term funding dried up. They were in the same situation as endangered American banks, except worse, as a result of their unusually risky business model. Furthermore, they were not American corporations. They, therefore, found it somewhat harder to borrow dollars in the US and since they were headquartered outside the US they were more likely to use the indirect route of currency swaps to obtain dollars. That in turn had the effect of spreading the distress within the dollar-denominated financial system outwards, by driving the dollar upwards, which in turn had repercussions for the likes of Korea, where there was a substantial discrepancy between the currency structure of official and corporate balance sheets.

As a first line of defense, the Fed extended vast quantities of loans to European banks operating in Wall Street. Any line between the European and American banks was erased. Trillions of dollars in liquidity were provided to

44 http://www.bis.org/publ/work524.htm

45 BIS Working Papers No 310 Central bank co-operation and international liquidity in the financial crisis of 2008-9 by William A Allen and Richhild Moessner Monetary and Economic Department May 2010

European banks by the US central bank. Then, in an even more radical move, the Fed extended the capacity to issue dollars to the home central banks of the troubled European financial institutions. It did so by means of currency swaps. Though it was kept as far below the radar as possible without outright secrecy the swap program rapidly expanded to become the largest Fed support program. As of October 2008 all predetermined limits were removed from the scale of currency exchanges. In total the volume of dollars provided was enormous. The Bank of England alone borrowed and repaid $ 1 trillion in a matter of 6 months. The ECB took $ 8 trillion.[46]

The numbers were staggering, dwarfing any previous act of trans Atlantic financial diplomacy. The veil of silence was as thick as possible without involving the central bankers in actual deception. The logic followed directly from the BIS's admission of intellectual defeat. It was impossible precisely to calculate the impact on any particular part of the global economy, of financial dislocation in one of the major banks. It was crucial, therefore, to ensure that no major shortages of dollars emerged anywhere, even if this meant abandoning tight national control over the US currency. So essential did this novel, deterritorialized system of dollar provision prove to be that on 31 October 2013 the swap line system was made permanent.[47] At any point in future, in case of emergency all of the major central banks of the world can print unlimited quantities of dollars in exchange for equivalent quantities of their local currency.

Throughout the crisis there were calls for a new Bretton Woods. The United Nations and China made proposals for a SDR-backed system of global liquidity. Some highly political, institutional change seemed necessary to match the severity of the crisis. And a fundamental rearrangement of the global monetary order has indeed taken place. We just didn't know we were invited. News of the permanent institutionalization of the unlimited swap line system featured on page 5 of the *Financial Times*. Whereas in the course of the 20th century the government of the economy could occupy a starring role in public discourse, the new regime of global governance seems to have become well nigh unspeakable. Is the economy losing its constitutive role in the schemes through which society represents itself to itself?

Helicopter money and the blurring of the division of powers

The carving out of the discursive entity of the economy allowed other fields to be constituted and reconstitute around it. The social was one of them. The state was another. For Mitchell the economy figured as the state's interior-exterior as much as the reverse. Within the complex structural effect that is the capitalist state, different dimensions were distinguished with regard to their relationship to "the economy". With the economy as their hub, social policy, labour and education, trade, technology could all be disaggregated and organized into fields of government. But perhaps the most basic and the longest standing division concerned the fragile but essential partition between treasury and central bank, between the fiscal and

---

[46] Levy Institute of Bard College Working Paper No. 698 $29,000,000,000,000: A Detailed Look at the Fed's Bailout by Funding Facility and Recipient by James Felkerson University of Missouri–Kansas City December 2011

[47] http://www.federalreserve.gov/newsevents/press/monetary/20131031a.htm

monetary apparatus. This is a distinction that amongst other things ensures that it is parliaments that have at least the formal final say over expenditure and revenue, that the Treasury has a distinct buyer of last resort for its debt, and that it is not literally the government that "prints money". A further disintegrative effect of the crisis has been to blur these constitutive distinctions.

Very early on in the crisis Robert Lucas one of the most severe critics of Keynesianism made the point that the absolute priority was to prevent deflation. But when he attempted to explain to an audience at the Council of Foreign Relations why he preferred a monetary to a fiscal policy his logic, or lack of it, was telling: "... would a fiscal stimulus somehow get us out of this bind, or add another weapon that would help in this problem? I've already said I think what the Fed is now doing is going to be enough to get a reasonably quick recovery committed. But, could we do even better with fiscal stimulus? I just don't see this at all. If the government builds a bridge, and then the Fed prints up some money to pay the bridge builders, that's just a monetary policy. We don't need the bridge to do that. We can print up the same amount of money and buy anything with it. So, the only part of the stimulus package that's stimulating is the monetary part. .... Maybe some of the things Bernanke's doing right now to get the cash out there are properly called fiscal policy. I'm not sure even what the -- somebody raised the question of the definition of these terms that are -- in the morning session. I thought it was a pretty good question. I'm not sure either."[48] So much from the winner of the Nobel Prize for economics 1995, a man widely regarded as the most influential economist of the last quarter of the 20th century, unable, when the scale of intervention became really large, to make a distinction that is supposedly elementary to any education in economics.

As Ben Bernanke knows only too well, the secret to Lucas's confusion is that the distinction is not to be found in economics. It is political. The most extreme form of monetary policy, a "helicopter drop" of money" would be equivalent to an "expansionary fiscal policy—an increase in public spending or a tax cut—financed by a permanent increase in the money stock." But to avoid indignation and outrage it is better, Bernanke has found to his cost, to refer to helicopter money as a "Money-Financed Fiscal Program, or MFFP".[49]

"Could the central bank implement an MFFP on its own?" Bernanke mused recently on his Brookings blog. "Some have suggested an alternative approach in which the central bank prints money and gives it away – so-called "people's QE". From a purely economic perspective, people's QE would indeed be equivalent to a money-financed tax cut. The problem with this policy, which would certainly be illegal in most or all jurisdictions, is not its economic logic but its political legitimacy: The distribution of what are effectively tax rebates should be subject to legislative approval, not determined unilaterally by the central bank."

But this distinction was largely a matter of form. In response to the crisis, the US government like that of every other major country in the world had not only

48 http://www.cfr.org/united-states/why-second-look-matters/p18996

49 http://www.brookings.edu/blogs/ben-bernanke/posts/2016/04/11-helicopter-money

launched an unprecedented stimulus program but had continued spending in the face of huge falls in tax revenue. The result were large deficits and an increase in debt totaling in excess of $ 9 trillion. Of that sum 19 % or $ 1.7 trillion had been purchased by the Fed. It had made these purchases without prior agreement with the Treasury. It had made them on monetary policy grounds, to ensure that the Treasury's borrowing did not drain liquidity from the private sector. But what it was effectively engaged in was a unilateral Money-Financed Fiscal Program, in macroeconomic terms the equivalent of helicopter money. It was QE, if not, QE for the people.

Not all central banks can do this. The ECB for one is banned from making outright purchases of newly issued state debt. This limitation is normally attributed to Germany's historic fear of inflation. But embedded within that cliché is a more basic point about the constitution of the modern economy. For a central bank to directly monetize state debt does not just expand the money supply, nor does it merely blur the line between different branches of the state. It threatens to undercut the autonomy of the economy as such. It exposes what Mitchell describes as one of the "curious" features of the "new distinction between state and economy" as it "emerged from the 1920s and 1930s onward", which is that "so-called economic processes and institutions became increasingly difficult to distinguish in practice from those of government or the state. With the collapse of the gold standard and the consolidation of central banks and reserve systems, money came to acquire its value as part of a ''political'' as much as an ''economic'' process."[50] Taxation imposed by the Treasury or bonds sold to the investing public are structured as transactions with an autonomous "economy". When the state finances massive public spending by transactions with the central bank, that amount to a thinly veiled procedure of printing money, the medium of exchange on which the autonomous economy depends. It threatens to short-circuit the crucial distinctions through which the all-important line between state and economy are drawn.

The market and the pastorate

No part of the economy was more exposed to the blurring effect of massive economic policy interventions than the bond market. The markets for gilts, Bunds and Treasuries are strategic, not only because they are enormous, but because they deal in an asset which is nominally risk free. The price of government IOUs that can be repaid in sovereign currency, reflect only the most general types of risk associated with the future outlook for inflation and currency movements and the prospects of alternative investments such as equities. For equities as a whole those are linked to macroeconomic growth prospects, the aggregate profit pool etc. The bond markets are the markets, therefore, that pronounce judgement on economic policy in the widest and most general sense. The "bond vigilantes" that operate there, are credited, for better or worse, with a crucial disciplinary role.

---

[50] Mitchell "Society, Economy and the State Effect" G. Steinmetz (ed.), State/Culture: State-Formation after the Cultural Turn,
pp. 76–97. Ithaca, NY and London: Cornell University Press, 1999.

The effect of the financial crisis has been to drastically undercut this geometry of separation and abstraction in which a view of the fate of the economy is shaped in the interaction between Treasury, Fed and the bond markets. As Bill Gross the "bond king" at PIMCO experienced it, from 2008 until 2014 the markets lived within a weird merry go round. The Fed was "supporting Treasuries almost one for one". "At 8 a.m.", each market day, "the Fed calls up and asks our Treasuries desk for offers to buy, and one hour later, the Fed's asking for bids to sell them."[51] This was fine as long as it lasted. But given the scale of the Fed's activity it undermined any sense that the market was an autonomous machine for calculating prices. To a market watcher like Bob Janjuah of Nomura it was disorientating. "we have Monetary Anarchy running riot … the elastic band between the 'real' economy and the current liquidity-fuelled markets is stretched further and further beyond credulity, …Bond and Currency markets are now so rigged by policy makers that I have no meaningful insights to offer, other than my bubble fears.".[52]

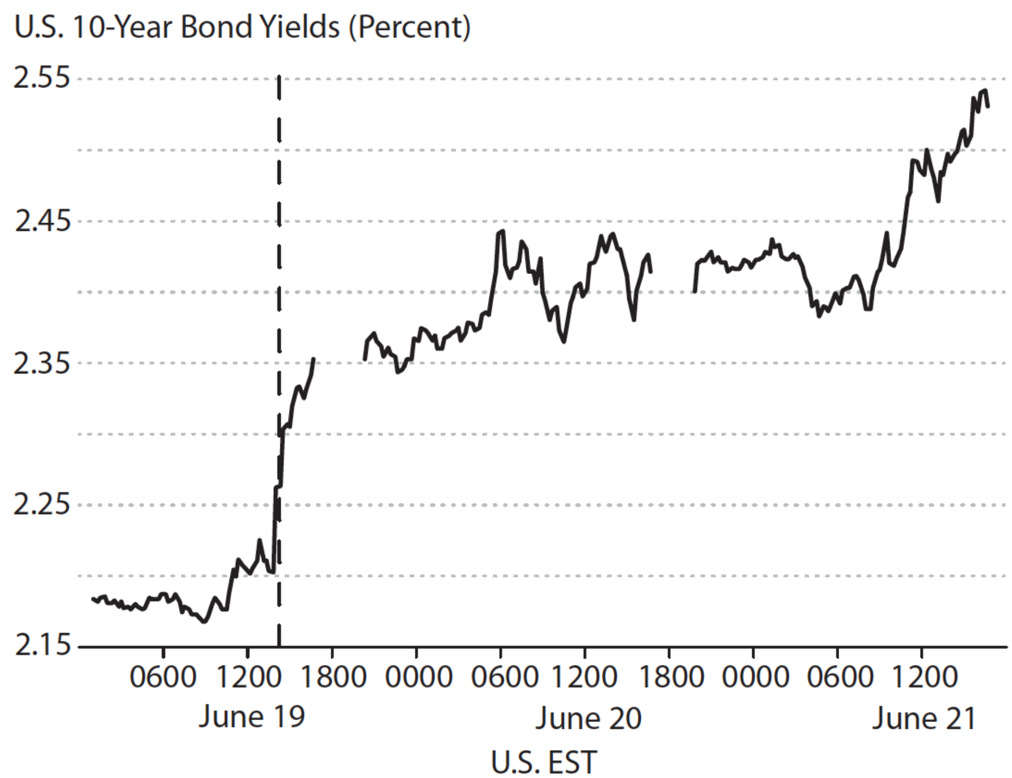
Anarchy and fear, not rationality and calculation prevailed. Furthermore, the market had become hyper-sensitive not to developments in the "real economy" but to any sign of change in Fed policy, a question which in turn came to hinge on the character and inclinations of an individual, the Fed Chair. Volcker and Greenspan had exercised a legendary influence. Bernanke's effect was even more immediate. When at 2.15 pm on 19 June 2013, Ben Bernanke announced a "tapering" of some of the Fed's QE policies contingent upon continued positive economic data the market reaction was violent and instantaneous. In a matter of seconds yields on hundreds of billions of dollars of debt surged from 2.17 to 2.3 percent. Two days later they had risen to 2.55 percent and would peak at 2.66. These were small changes in absolute terms, but amounted to an increase in interest costs of almost 25 percent and inflicted a correspondingly serious capital loss on everyone holding bonds. Stock markets reacted in sympathy losing 4.3 % in a matter of days. In the periphery of the world economy the effect was even more dramatic. The Fragile Five - Indonesia, South Africa, Brazil, Turkey and India - suffered a savage shock.

---

[51] http://www.theatlantic.com/magazine/archive/2011/06/the-vigilante/308503/

[52] http://www.businessinsider.com/bob-janjuah-markets-are-so-rigged-by-policy-makers-that-i-have-no-meaningful-insights-to-offer-2012-2?IR=T

Asset Prices Around the June 19, 2013, FOMC Meeting and Press Conference



What ensued over the following months was reducible neither to the imposition of sovereign authority, nor the instrumentalization of the state by finance capitalism. It was more akin to a strategic game played out within a highly unstable self-reflexive loop. In the end on 18 September 2013 the Fed postponed any rate increase. Was it a sign of weakness? Or had the Fed prevailed against market sentiment that was hostile to Bernanke and QE and was eagerly trying to force the pace of austerity?

Bill Gross for one was clear. It was the profit-hungry investors who would have to capitulate in the face of the Fed's leverage. For the forseeable future the animal spirits that defined the capitalist "other" of the state would have to accept a condition of post-historic contentment. What the Fed was doing was orchestrating a ""beautiful deleveraging," which assumes minimal defaults and an eventual return of investors' willingness to take risk again". But in the mean time, it would come "at the expense of private market savers via financially repressive interest rates". Not only could the Fed deploy its own spending program. It could also levy a tax on savers. The days of the free-wheeling fixed income market were over. As Gross saw it, QE was a regression to an earlier age of governance, to the pastorate in the most literal sense: "In betting on a lower policy rate than now priced into markets, a bond investor should expect a certain pastoral quietude in future years, much like that grazing cow, I suppose. Not that exciting, but what the hay, it's an existence! … In this new age where short-term yields cannot go lower, let the yield curve, volatility and acceptably priced credit spreads be your North Star. Duration and its empowering carry are fading from the nighttime sky, especially for 10- and 30-year maturities. Mother Nature nor Mother Market cares not a whit for your losses nor your hoped for double-digit return from an equity/bond portfolio that is priced for much less. Be a contented cow, not a voracious crow, and graze wisely with increasing certainty that the Fed and its forward guidance is your best bet for survival."[53]

But what did it mean for aggressive, profit-maximizers to tame their animal spirits and accept their new role as part of a flock? If greed was no longer good, was it safe simply to trust the Fed? Keynes's famous "beauty contest", in which investors rather than evaluating economic fundamentals seek to guess each other's preferences, turned into a crippling and destabilizing psychodrama that called into question the identity of both sides. In October 2014, as the Fed finally steeled itself to end Quantitative Easing, the *Financial Times* was moved to invoke the box office hit, "Gone Girl": ""I will practise believing that central banks love me," is a phrase that may as well have been recited by investors who have tried, for lack of a better alternative, to believe the Fed was their best friend for the past five years. They have been herded into similar positions thanks to years of easy money. "What are you thinking? What are you feeling? What have we done to each other? What will we do?" - a refrain equally applicable to a concerned policy maker as a nervous husband. The Fed must be eyeing this latest market sell-off very warily. The whole thing reeks of a marriage built on shaky foundations. Mutual distrust that can lead to a highly combustible situation as investors reassess their historical relationship with unconventional monetary policy at any given time – with deeply unpredictable results."[54]

The sense of an ending

In light of the our recent experience, the neoliberal strategies of the 1970s and onwards appear not so much, as Mitchell read them, as a turn away from "the economy" as a last effort to save that fundamental structure of modern power. The results have been paradoxical. It wasn't neoliberalism per se, but the dynamics that it unleashed that have led to the current crisis of the notion of "the economy". Not even its most radical exponents, let alone a distant observer such as Foucault, anticipated the scale of the transformation in the global economy that would be unleashed in the 1980s.

Globalization was pursued with spectacular effects, which on the periphery have infused at least some nation states with a new and immensely powerful developmental energy. At the same time that same process called radically into question the basic social compact underpinning the national economy in what were once the centers of global growth. Whether populism or some other political

---

[53] https://www.pimco.com/insights/economic-and-market-commentary/investment-outlook/survival-of-the-fittest

[54] https://next.ft.com/content/524a2226-55c1-11e4-93b3-00144feab7de

movement will allow that national compact to be rebuilt is an open question at this point.

A more urgent and immediate response was forced by neoliberalism's other crisis. Market liberalization in the 1970s and 1980s unleashed a powerful market logic, which reached its apogee in the spectacular expansion of financial markets. Their crisis has now necessitated a series of state interventions of such dramatic proportions that they call fundamentally into question the very idea of autonomous markets.

Clearly any account of this crisis should start from the premise, pace Mitchell, that it is internal to the history of capitalism. A crisis of "the economy" does not herald capitalism's end, but the search for a new organizing form. If, however, we resist a monolithic notion of capitalism, we can also recognize that this may have very serious consequences for basic processes of abstraction, accumulation etc. Furthermore, to a great degree than either Mitchell or Foucault suggest, we need to analyse this process as geographically differentiated. The metamorphoses of the economy take place within an interconnected global network, whose logic may be heterogeneous and inconsistent. If we take the innovation of the swap lines as a telling example, the global economy is very much a reality. One might hypothesize that its new central object is the global credit cycle. But if the politics of the swap lines are anything to go by, it seems in crucial respects to be unspeakable.

In Foucault there are at least two types of ending. One has the extraordinary drama of the *Order of Things* with its prophecy of the end of man: "man is an invention of recent date. And one perhaps nearing its end. If those arrangements were to disappear as they appeared, if some event of which we can at the moment do no more than sense the possibility… were to cause them to crumble, as the ground of Classical thought did, at the end of the eighteenth century, then one can certainly wager that man would be erased, like a face drawn in sand at the edge of the sea.[55] That "the economy" might end like this, washed away by the lapping wave of a dangerously warming ocean, is the dream, or nightmare, of utopian or dystopian thought. But this, in Foucault's thought, is a drama reserved for the most fundamental, anthropological level of analysis.

Foucault's genealogy of government in the College de France lectures offers a very different sense of endings than that offered in *Order of Things*. What he describes there is not so much the erasure of the economy as the repositioning, reimagining and reinventing of its constitutive interior-exteriors. The figure of man-labourer is replaced by the post-anthropological concept of human capital. As he puts it in 1978, we need to think not in terms of "a series of successive elements, the appearance of the new causing the earlier ones to disappear. … In reality you have a series of complex edifices … in which what above all changes is the dominant characteristic, or more exactly, the system of correlation." What we need to get to grips with is "the much more general, but of course much more fuzzy history of the correlations and systems of the dominant feature(s)" with them. The question is not so much whether the "economy ends" but what new system of correlations, what new configuration it will be part of.

[55] *Order of Things*, 422.