

# Why the Economy is Often the Exception to Politics as Usual<sup>1</sup>

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The definitive version of this paper is published as: "Why the Economy is Often the Exception to Politics as Usual", *Theory, Culture & Society*, Vol. 24, No. 4, 2007, pp. 83-105.

## Introduction

For the past year or so, I have had an *Onion* article on my office door, with the headline: 'US to Give Every Iraqi \$3,544.91, Let Free-Market Capitalism Do the Rest.' The mock news article goes on to 'quote' US Defense Secretary Donald Rumsfeld as saying 'If we simply step back and let the market do its thing, a perfectly functioning, merit-based, egalitarian society will rise out of the ashes. Probably some restaurants or hardware stores or something, too' (2004). While the article is a joke, it cuts painfully close to the truth at moments, reminding us that the Bush administration's plans to 'liberate' Iraq have had a central economic dimension: the establishment of a free-market economy in Iraq, including the privatization of many state-owned industries, has remained a cornerstone of US efforts to transform the Iraqi state (King, 2003). The conception of politics underpinning the strategy of regime change in Iraq thus crucially involves a particular kind of economic vision—one that simultaneously circumscribes the scope of the political.

American and international efforts to restructure the Iraqi economy are also crucially connected to efforts to integrate Iraq into global financial markets. The creation of the Trade Bank of Iraq, managed by a consortium of international banks under the leadership of the American firm, JP Morgan Chase, ensures that exporters from participating countries like the US, the UK and Japan, are able to trade risk-free with Iraq, while at the

same time giving foreign banks a crucial foothold in the Iraqi economy (Felsenthal, 2003; Aversa, 2003; Trade Bank of Iraq, 2004). Iraq's re-entry into global capital markets is thus being managed in a way consistent with the American vision of the state as a free market democracy.

Many theorists have turned to the dramatic political events of the post-9/11 world—terrorism, war, and the erosion of civil liberties—for insight into our changing sense of the political.<sup>2</sup> Yet few have examined the economic dimensions of contemporary global events or sought to learn what they might tell us about the changing nature of political community today.<sup>3</sup> This article seeks to fill this gap by drawing on the work of Michel Foucault and Giorgio Agamben to examine the intimate and changing relationship between the political and the economic in the contemporary world, focusing in particular on the role of global financial governance.

The US effort to create a free market utopia in Iraq is certainly far from politics as usual. It is nonetheless an extreme example of a much broader political and economic pattern: now more than ever, there is a particular conception of politics at stake in global efforts to govern economic relations. We not only see this politicization in the actions of private financial actors like the Trade Bank of Iraq, but also in the shifting strategies of the official international financial institutions themselves. In the past few years, International Monetary Fund and World Bank representatives have become increasingly explicit in articulating and enforcing a certain set of political and ethical values internationally. In response to recent financial crises and growing criticism, these institutions are now developing new governance strategies. Whereas they once relied on their claims to neutrality and technical expertise to achieve legitimacy, Fund and Bank

leaders and staff are now drawing on an explicitly moral discourse to justify their proposals—calling for a new “global ethics” and seeking to “civilize globalization.”<sup>4</sup> These proposals, in turn, are far more politically attuned than previous policies, as they target domestic political and legal *institutions* and not just economic *policies*. Recent reforms in the IMF and World Bank promise to have significant practical effects on the shape of political communities around the world. They also reveal many of the changes taking place in global forms and conceptions of power today.

There is an important transition taking place today in the patterns of global economic governance: global economic institutions are policing the definition of political community and, in doing so, extending the scope of liberal governmentality. Good economic policy is increasingly defined in terms of good political practice. In the process, a particular definition of normal politics is being developed, against which poorer countries are being measured and with which they are being encouraged to comply. I will suggest that the substance of these changes is clearly captured by the idea of governmentality as they draw on a non-judicial strategy of standards, a calculating logic of transparency and an individualizing ethic of responsibility to achieve their ends. At the same time, the character of their implementation and justification is that of the sovereign exception. To establish—or in some cases re-establish—the norm of good political and economic governance, it becomes necessary to create an exception to the fundamental rule of state sovereignty. Paralleling the logic of humanitarian intervention, sovereignty is breached to ensure that it is restored.

The recent changes in IMF and World Bank strategy and discourse suggest that this exception is increasingly becoming the rule. Yet it is a sovereign exception with a

difference: for the norm that is being established is one that necessarily limits the scope of sovereign power in the interests of market freedom. Paradoxically, while the economy is often the exception to politics as usual, it is an exception that simultaneously enables and constrains the possibility of exercising sovereignty itself.

### **Global economic governance in transition**

It is not unusual to suggest that the IMF and World Bank are compromising the sovereignty of the world's poorer states. What is going on, one might assume, is nothing new. Yet such an assumption is misleading, for it runs the risk of over-generalizing these two institutions, effectively treating them as ahistorical. In fact, their philosophy and tactics have changed significantly in the course of their fifty-plus year history, as the global economy has evolved, political dynamics have shifted and economic ideas have changed. Just as the IMF in the Keynesian 1940s and 1950s was not the IMF of the neoliberal 1980s and early 1990s, today's institutions do not remain what they were in the 1980s and early 1990s.<sup>5</sup>

In fact, the IMF and World Bank have both gone through something of a crisis of conscience over the past ten years. The 1990s were a difficult decade for both international finance and development. Financial crises in Europe, Mexico and Asia threatened to destabilize the entire financial system. Global poverty remained endemic, while many developing countries actually lost ground economically during the past decade (UNDP, 2003). Critics of the IMF and World Bank's vision of globalization were also gaining ground, as some of the more activist NGOs like Oxfam and Jubilee Research mounted campaigns challenging the 'Washington Consensus,' the broadly neoliberal,

laissez-faire approach to economic development which has dominated international financial institution policy since the 1980s (Williamson, 1990).

In response to both the crises and the critics, political and economic leaders and scholars have tackled the question of how to reform the system in order to achieve both stability and greater equity. Both IMF and World Bank leaders have begun to focus on poverty as the defining problem in global economic governance (World Bank, 2000; Camdessus, 2000). In doing so, they have acknowledged that the process of economic globalization that had remained unquestioned throughout the 1980s has certain costs, particularly for the poorest. IMF and World Bank representatives have continued to defend globalization as the ultimate basis for political and economic development, yet have also sought to tame some of its excesses. It is in this context that the World Bank has replaced its heavily criticized structural adjustment policies with poverty reduction strategy papers (PRSPs), which are now jointly negotiated with the IMF (IMF, 2005). PRSPs are intended to be more focused on poverty-reduction as well as growth, and to emphasize the importance of 'country ownership' or support from governmental and non-governmental constituencies in affected states.

The IMF, in turn, has developed proposals for a 'strengthened financial architecture.' The first objective of these reforms has been to increase the stability of the international financial system in the wake of the financial crises of the 1990s. Underpinning the Fund's reforms is a particular interpretation of the causes of the crises: structural problems in developing countries' economies combined with inadequate financial information to precipitate a market panic (Camdessus, 1999a). Because the problems are structural, they argue, policy changes are not enough: developing economies need to change their

institutions. At the same time, domestic governments need to publish this information in order to ensure that markets are aware of their economic progress. These reforms will not only increase stability, IMF leaders argue, but also contribute to economic growth. In so doing, they will help to reduce global poverty and contribute to a fairer global economy (Köhler, 2001).

What are the implications, if any, of these changes? Some scholars have viewed the recent moves by the IMF and World Bank with a measure of optimism. Not only does the content of the recent changes suggest a softening of the hard neoliberal line of the 1980s and early 1990s, they suggest, but the process through which these changes were made indicates greater responsiveness to critical voices. Randall Germain (2004) has argued that we may be witnessing the evolution of a global public sphere in the realm of financial governance characterized by a plurality of participants including key members of civil society, the use by most parties of clear modes of public reasoning, and ‘a growing critical reciprocity’ among participants in governance debates. John Ruggie (2004) has also suggested that we are witnessing a broader shift in international governance towards the creation of a ‘global public domain’ in which transnational civil society actors are playing a growing role. Other scholars have effectively argued the opposite case, suggesting that there is little evidence of genuine institutional change. All that has changed is the rhetoric: the Fund and World Bank are offering us old wine in new bottles. Susanne Soederberg (2002; 2003), for example, has argued that the very same interests gain from the new institutional framework in finance as did under the old system. The Washington Consensus, these scholars suggest, remains alive and well.

Although they contradict one another, both of these assessments capture important elements of the current situation. IMF and World Bank representatives have become more aware of and concerned about the importance of gaining broad-based support for their initiatives. They have also begun to recognize the political and social context within which their economic reforms must operate. At the same time, there is as much evidence to support pessimism as optimism: almost a decade after some of these reforms were initiated net global capital flows into developing economies continue to be negative (UN, 2005: Ch. 3). Meanwhile it is not clear that PRSPs differ greatly from the old forms of structural adjustment and conditionality (UNCTAD, 2002). How do we make sense of these contradictions? We must first understand the changes taking place in global economic governance as specifically political practices. Two contemporary political philosophers provide important theoretical tools for undertaking this analysis: Foucault's concept of governmentality provides important insights into the tactics and effects of power at work while Agamben's attention to the logic of the exception elucidates the implications for the politics of sovereignty.

## **Governmentality**

Although scholars of political philosophy and political economy rarely seem to spend much time examining common questions or sharing their insights, one happy exception to that rule is the growing field of studies on governmentality.<sup>6</sup> The term itself is a neologism coined by Foucault to characterize the relationship between the art of government and the mode of rationality that it fosters and on which it depends. Foucault began to work on the idea of governmental rationality in some of his later lectures and writings: elements of the analysis can be found in the *History of Sexuality*, the Tanner

lectures, the Howison Lectures at Berkeley and, most famously, in his courses at the Collège de France (Foucault, 1978; 1980; 1981; 1989). While Foucault's elaboration of the idea of governmentality is somewhat fragmentary, the concept has captured the imagination of a considerable number of scholars who have sought to elaborate both the theoretical and the empirical implications of his insights. Foucault has, in effect, provided just enough detail to suggest a multiplicity of ways in which we might think about governmental rationality in the contemporary era. In doing so, he has also pointed to the ways in which political and economic logics intersect and thus provides some important clues to making sense of global economic governance practices.

Foucault initially introduced the ideas that later formed the basis of governmentality in his work on biopower in his 1975-76 Collège de France lecture series and in the first volume of the *History of Sexuality*. Here he contrasts the sovereign power 'to *take* life or *let* live' with a new form of biopower, first developed in the seventeenth and eighteenth centuries, which sought instead to '*foster* life or *disallow* it to the point of death' (1978: 138). This novel form of power was directed towards a newly theorized entity, the population, which had 'its own regularities, its own rate of death, of diseases, its cycles of scarcity, etc.' (1991: 99). While the first incarnation of this form of population management was introduced as a 'science of the police' by absolutist rulers (1989: 111), it was only with the development of liberalism that governmentality truly came into its own.

Foucault (1989: 110) characterizes liberalism as a particular form of governmental rationality that conforms to the principle of maximum efficiency. Liberalism, he argues, is haunted by the suspicion that there is too much government—«l'on gouverne toujours

trop» (111). Why this ambivalence towards the state? Because, Foucault suggests, of the increasingly important role played by the principles of classical political economy in the eighteenth and nineteenth centuries. Adam Smith argued that the individual, not the statesman, was best able to direct his or her own economic affairs and in doing so is ‘led by an invisible hand to promote an end which was no part of his intention’—the public good. In fact, Smith (1993) goes on to suggest:

The statesman, who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it (130).

With the invention of classical political economy, the economic realm thus sets a necessary limit to the exercise of sovereign power. At the same time, as the economic aspects of a population become objects of governmental solicitude, they open up a new range of possible non-judicial modes of management.<sup>7</sup>

Liberal governmentality, like the art of police, is concerned with maintaining the security of the population. Yet in its efforts to limit the scope of government—to determine how much government is enough—liberal governmentality depends for its security on the liberty of its subjects and their freedom to manage their own affairs and, even, to challenge the state.<sup>8</sup> This emphasis on individual liberty does not, however, obviate the need for regulation but rather generates subtler forms of government. As Nietzsche (1992) provocatively suggests,

The task of breeding an animal with the right to make promises evidently embraces and presupposes as a preparatory task that one first *makes* men to a certain degree necessary, uniform, like among like, regular, and consequently calculable (495).

The liberal individual is not born but is made—and is shaped in part by a particular mode of government that seeks to render all things calculable and thus amenable to a particular kind of rationality.<sup>9</sup>

With the idea of governmentality, Foucault continued to elaborate and refine his analysis of the nature of modern power. If the exercise of sovereign power is best represented by the figures of the king and judge, and disciplinary power, by the prison guard and teacher, governmental power is perhaps most clearly represented by the individual him or herself. While Foucault defined government very broadly as ‘the conduct of conduct,’ he also saw the central feature of governmental power as its capacity to elicit self-government from individual subjects. More recent scholars like Nikolas Rose (1996) and Barry Hindess (1997) have further developed this aspect of Foucault’s thought by tracing the manifestations of this individualizing logic in contemporary society. The cult of entrepreneurship and the renewed emphasis on the individual as responsible for his or her own health and economic welfare both point to the power of liberal governmentality in fostering certain modes of self-government.

Governmentality is thus a distinct form of power that nonetheless intersects with and supports sovereign and disciplinary power. Seeking to manage the living individual, governmental power often takes non-judicial forms, focusing on the economic and social rather than the formal political realms. It seeks to render the various aspects of life calculable in order to better manage them. It is a form of power that seeks to govern through freedom, all the while fostering a particular mode of subjectivity and a particular kind of liberty. And it works to cultivate in its individual subjects a certain responsibility for prudence and self-government.

## **Global governmentality at work**

How might this theory of governmentality help us to make sense of global political economic practices? While Foucault developed his conception of global governmentality within a particular domestic and western context, his ideas do have considerable purchase at the global level (Larner and Walters, 2004). Yet his insights into governmentality cannot simply be transferred unaltered to the global realm but must instead be rearticulated in that new context. In so doing, we discover that the concept of governmentality is particularly helpful in making sense of the patterns of power beyond the state. Moreover, with the recent changes global economic governance strategies, governmental logics are becoming increasingly prevalent. Several common elements in World Bank and IMF proposals are strikingly suggestive of governmental strategies: their new emphasis on global standards points towards the growing influence of non-judicial norms, their focus on transparency reveals a keen interest in assuring calculability, while their concern with ensuring ownership demonstrates an emerging governmental conception of responsibility.

In the aftermath of the financial crises of the 1990s, financial policymakers embarked on a series of debates on the need to develop a “new financial architecture” to prevent and respond to future crises. One of the key elements of this reform strategy was the joint development by the IMF and World Bank of a range of international standards in twelve different issue areas ranging from fiscal transparency through to anti-money-laundering and countering the financing of terrorism (World Bank, 2004b; IMF, 2004b). These standards are designed as a range of ‘best practices’ or models that emerging and developing economies in particular are urged to adopt in order to stabilize their domestic

economies. The call for global standards has been justified in both economic and political terms: in a world in which economic shocks in one country rapidly spread to distant others, borders can no longer serve as the limit to political and economic influence. In the words of economic analyst and historian, Barry Eichengreen, ‘capital mobility has all but erased the line between the domestic and international financial systems. This makes it impossible to ‘fix’ the international balance of payments without also ‘fixing’ the domestic financial system’ (1999a: 216). Many pundits placed the bulk of the blame for the crises on Asian and Latin American domestic political and economic institutions. Is it not surprising, therefore, that they were targeted for significant reform as a part of this international standards strategy.

What is the logic behind this new governance strategy? In one speech, Horst Köhler (2001), then Managing Director of the IMF, suggests ‘While standards and codes deal with highly technical matters, there is nothing narrow or technical about their purposes’. This is very true. While the idea of ‘best practices’ is often represented as neutral and technical, it actually involves defining the norm in a given area—judging what is both good and normal. In this particular case, that norm is derived from a particular kind of economic practices—those generally adopted (or at least advocated) by western, above all, Anglo-American states. In former IMF Managing Director, Michel Camdessus’s words (1999a), the objective of this exercise is to ‘build on and offer the potential to globalize the standards that exist within the most advanced nations’. This standards setting exercise thus involves the imposition of a set of norms developed by some states onto others. These norms, moreover, are themselves profoundly political: they do not merely seek to shape economic policies but also to restructure the legal and political

institutions that make them possible (IMF, 2002b; 2003b). The development and application of these global standards thus has specific political effects. Yet the explicit object of the standards remains the economic and not the political realm. The fundamental objectives of these standards remain economic growth, financial stability and the reduction of poverty (Köhler, 2001). These new global rules are thus a classic example of a kind of liberal governmentality that works through the social and economic realm to achieve profoundly political results.

How are these norms imposed? Not, for the most part, through coercion. Instead, they are applied through a complex and largely voluntary bureaucratic process that involves the Fund and World Bank's careful assessment of member states' compliance.<sup>10</sup> Since no money is promised in return for compliance, these are not binding legal processes like the formal conditions agreed to in IMF standby arrangements or World Bank loans.<sup>11</sup> Standards and codes thus supplement and underpin the more formal and coercive apparatus of conditionality—and apply even to those countries that are not currently drawing on Fund or Bank resources. Standards and codes thus seek to regulate state and individual conduct through non-judicial means.

The key mechanism through which the standards are designed to work is through the publication of a state's level of compliance (IMF, 2004b). This is where the idea of transparency comes into its own. Transparency is a term that has become ubiquitous in the aftermath of the Asian financial crisis. Leading policymakers and mainstream scholars argue that the principal cause of the financial crisis was insufficient economic information, a problem that was caused in turn by institutional weaknesses in emerging market states: the strong role played by the state in the “Asian model” of capitalism made

it difficult for market actors to determine their economies strengths and weaknesses (Camdessus, 1999a). Defining a lack of information as the problem, these analysts defined the solution as greater transparency. Had investors been provided with better information, the logic goes, they would have made better economic decisions, investing less exuberantly before the crisis and withdrawing their funds less frantically once it had begun. Although this interpretation of the crisis has become the dominant one, it ignores critics' claims that investors chose to ignore much of the information that was available leading up to the crisis. This evidence suggests that the crisis was in part caused by instabilities—even irrationalities—within the markets themselves which cannot be resolved through more information but which require instead more substantive political solutions (Best, 2003; Singh, 1999).

The call for transparency combines a certain economic faith in markets' efficient use of information with a liberal political belief in the positive power of publicity. The apparent neutrality of transparency is misleading, however. As I have discussed elsewhere (2005a), while the term suggests that all that is needed is to open up existing political and economic practices to the gaze of the global marketplace, transparency in fact requires considerable intervention. Markets will not accept just any kind of information. It must be standardized so that it can be analyzed and compared. For a particular kind of market rationality to function, domestic economies must be made calculable and uniform. They must adopt a single universal metric. In this case, that metric is provided by the twelve sets of universal standards and codes—codes that have been based on standard practices in “advanced” or western countries. Transparency is thus a disciplining strategy: for economies to become transparent, they must adopt certain

standards and codes. By publishing data on their compliance, they effectively give the markets the information they need in order to judge the economy's performance relative to the norm. If they are judged to be less than compliant, investors may withdraw their capital, thus creating a powerful incentive for 'good behaviour.' If international standards are the norm against which countries are measured, transparency is the rationality that ensures that they are measurable.<sup>12</sup>

There does exist an apparent counterbalance to these various efforts to standardize and universalize global economic practices. Both the World Bank and the IMF have begun to place considerable emphasis on the importance of 'country ownership' of any financial measures that they negotiate with developing countries (World Bank, 2003; IMF, 2002a; Khan and Sharma, 2003). Both international institutions have recognized that policies designed to reform domestic practices are unlikely to work without some measure of local support. They have therefore sought to find ways of ensuring that local constituencies, in public, private and non-governmental sectors, participate actively in the formulation of any agreement for development loans or conditional IMF financing. These institutions' concern with country ownership is in many ways an encouraging sign, since it reflects a new recognition of local differences and of the importance of ensuring domestic agency.

In the context of a system of global political economic governance that has been moving to universalize economic practices through the twin logics of standards and transparency, the call for greater ownership tips the balance back somewhat towards a recognition of particularity. Yet it is particularity of a very specific and limited kind. While the policy of country ownership is still in its infancy, many of the reports and

analyses—including some from within the IMF and World Bank themselves (World Bank, 2004a; IMF, 2004a)—have questioned the program’s success, many suggesting that it has had little real meaning on the ground. Instead of taking genuine control of economic decisions local government officials often end up ‘owning’ very standard IMF and World Bank policy approaches (Pender, 2001; UNCTAD, 2002).

In spite of its limited practical success, the discourse of ownership has begun to have a subtler impact on global economic governance: the idea of ownership, together with that of self-responsibility, has begun to redefine who is responsible for economic development and poverty. IMF leaders in particular have sought to closely link the ideas of ownership and responsibility (IMF, 1997; Köhler, 2002, 2003). Rodrigo Rato, the Fund’s new Managing Director, articulates the current thinking on responsibility when he suggests, ‘While low-income countries have the *primary responsibility* for adopting sound policies and institutions, developed countries must also live up to their side of the bargain by providing more aid and increased opportunities for trade’ (Rato, 2004). Both rich and poor nations have responsibilities in this system, but those responsibilities are asymmetrical: at the end of the day, it is poor countries that must transform their domestic policies and institutions to fit the demands of the global financial system. Rato’s predecessor, Horst Köhler has actually framed this logic in explicitly moral terms, when he links it to ‘the principle of moral responsibility of each individual toward the whole of society’ (Köhler, 2002).

The emerging discourse of ownership thus feeds into a conception of self-responsibility that greatly resembles a Foucauldian logic of self-government. The goal of global economic governance is to ensure that member states and the individuals within

them take responsibility for their own economic well-being by fostering an entrepreneurial spirit.<sup>13</sup> Their progress towards that end is to be carefully measured through the application of the global standards that define the norm and monitored through the logic of transparency. The IMF and World Bank's new global strategies have thus begun the work of translating into the global realm the logic of liberal governmentality.

### **The sovereign exception**

The concept of governmentality is a powerful tool for unpacking some of the dynamics of these global political and economic changes. Yet some questions remain unanswered: what, above all, does it mean to translate a concept like governmentality—developed within a domestic context—into the global realm? Sovereign power—one of the concepts in relation to which governmentality has been defined—has a different meaning internationally. Sovereignty within the state is a universalist concept, but it becomes particularist when we move outside the state's boundaries into a space where sovereign identities are mutually exclusive. In the absence of a unifying global juridical order, it is not surprising that various non-sovereign and non-juridical forms of power have come to play a growing role in global power relations. Yet if we focus too exclusively on the universalizing logic of such forms of global governmental rationality, we run the risk of ignoring the very real differences that continue to structure global relations.<sup>14</sup> The global realm is shot through with various patterns of inclusion and exclusion, affluence and wealth, strength and weakness—the globe bisected by a multiplicity of lines distinguishing one from another.<sup>15</sup> Many of those forms of difference and exclusion are structured and legitimated in part through the logic of sovereignty.

The work of Giorgio Agamben is particularly helpful in unpacking some of the paradoxical logics that shape the operation of sovereignty both domestically and globally. Agamben is one of the most insightful—and certainly the most provocative—scholars to have taken up and built on Foucault’s later work on governmentality. While drawing considerably on Foucault’s emphasis on the centrality of life as the object of modern political power, Agamben has sought to bring back the figure of the sovereign as essential to understanding biopolitics and governmentality. Sovereign and governmental power, carefully distinguished in Foucault’s work, become blurred in Agamben’s when he suggests that ‘*It can even be said that the production of a biopolitical body is the original activity of sovereign power*’ (1998: 6).

Drawing inspiration from the work of Carl Schmitt (1985), Agamben defines sovereignty as a capacity to define the exception to the rule, and not simply that of enforcing the rule. By defining the exception, the sovereign also decides what constitutes the norm. Sovereignty is thus about drawing lines, establishing boundaries, between the norm and the exception—between politics as usual and a state of emergency, for example, or between those who count as citizens and those who do not. Because the sovereign defines that line, those inside and outside the line are always connected: ‘*The rule applies to the exception in no longer applying, in withdrawing from it*’ (1998: 18). Those excluded are also included in so far as their exclusion—their exceptional status—is defined in relation to the norm (24).

Agamben suggests that in modern politics, this relationship of inclusive exclusion applies to the very subject of politics itself—the individual as citizen. Whereas classical political theory carefully distinguished ‘*zoe*’ or natural life from ‘*bios*’ or ‘the form of

way of living proper to an individual or a group,' modern politics links them and brings bare life into the political realm (1-3). Thus, for example, *habeus corpus*, one of the grounds on which abstract political rights were claimed in 1679, demanded that the state produce a physical body before charges could be laid (124). At the same time as the abstract citizen of rights was being created, it remained linked to its alter-ego, the bare, physical life of a human being. Yet politics is supposed to be about citizens, not bodies, and so the relationship between political and bare life has become that of the sovereign exception: bare life is excluded from the political all the while serving as its necessary base and as the exception against which the norm of politically meaningful life is defined. In modern politics, one of the key forms that the sovereign exception takes is the sovereign's determination of what counts as a life beyond mere 'naked' or 'bare' life and thus a life worth living (131).

This threshold between bare life and political life, between the inside and the outside, is not fixed, however, but remains contested and thus a continuing object of sovereign decision-making. Agamben sketches a number of instances in which this threshold is particularly visible: in debates on euthanasia, for example. This boundary also takes a more geopolitical form in the complex interconnections that link territory, bodies and citizenship. While we define citizenship in abstract and universalist terms, the concept is always invested with particular associations with a people and a place—birth and blood continue to haunt the idea of the citizen. That the physical human individual—or bare life—is the ground for the rights of citizenship is revealed, however, as soon as states begin to specify which individuals are citizens and which are not (1998: 130).

The logic of the sovereign exception is made particularly visible in the figure of the refugee. As Hannah Arendt pointed out during the post-war refugee crisis if rights were truly abstract and universal, then refugees would be full rights-bearers (Arendt, 1979). They clearly are not. Rights—even human rights—are ultimately claims on individual states. The refugee is an exception to the rule that ensures the correspondence of the physical individual and the citizen who is the subject of rights.<sup>16</sup> The international system generally seeks to eliminate this exception by returning refugees to their state—or at least to a state—as quickly as possible. Nonetheless, refugees are increasingly finding themselves suspended in a zone of indistinction somewhere between sovereign spaces—in airports, in refugee camps, in internment camps. In such spaces, Agamben argues, the exception becomes generalized, political life is suspended and bare life is revealed. Here, the true violence of the sovereign decision is revealed as the capacity to grant the right to a meaningful political life by offering an interned refugee citizenship, or to suspend it by abandoning them to the purgatory of the refugee camp. Agamben warns that in the present age such exceptions to politics as usual—to liberal laws and liberal rights—are increasingly becoming the rule.

### **The economy as the exception**

Even if one does not accept Agamben's more provocative claims about the camp becoming the model for contemporary liberal politics,<sup>17</sup> it is not difficult to find disquieting examples of the sovereign exception at work around us: the introduction of emergency measures in the wake of 9/11, the erosion of civil liberties, and the creation of camps for captured 'army combatants' in Guantanamo and at Abu Graib, to name a few. These are for the most part very visible examples of the sovereign exception at work.

None of them, however, has much of an economic dimension. If we are to make use of Agamben's insights to make sense of changes in international economic governance—and thus to understand the role of the economic in the logic of the sovereign exception—then we will have to look for less obvious instances of its operation. Once we do so, we will find that the economy often works as an exception to politics as usual and becomes the basis for subtler forms of discrimination about what constitutes a life worth living. If Foucault's concept of governmentality provides important insights into the kinds of tactics and rationalities being deployed by the IMF and World Bank, Agamben's ideas reveal the violence implicit in these governmental strategies. Agamben's work helps us to make sense of these institutions' new emphasis on poverty, their universal standards' logic of inclusion and exclusion, the exceptional nature of conditionality and the increasing slippage between the rule and the exception in global economic governance.

In the context of their post-crisis reform, both the IMF and the World Bank have placed renewed attention on poverty reduction as a key global problem.<sup>18</sup> Their leaders suggest that their recent reforms deserve support not only because of their role in increasing global stability but also because of their capacity to reduce poverty by increasing economic growth (Köhler, 2001). Although we should certainly welcome these institutions' new emphasis on poverty reduction as central to their mandate, we might also note that this new effort to make human subsistence an object of global governance further blurs the line between bios and zoë—making bare life a new kind of global political object.<sup>19</sup> Moreover, while this objective is well intentioned, the means being used to achieve it are fraught with paradoxes. At the same time as these

institutions seek to eliminate patterns of exclusion and exception, they also reproduce them in different ways.

Agamben suggests that power seeks to make distinctions—to draw lines between the inside and the outside, between us and them. The international standards that the Fund and World Bank have developed play a central role in such a process of discrimination or boundary drawing. These standards and codes define what constitutes a good economy, including the political and legal institutions that make it possible. Through the careful application of the standards, it is possible to determine who belongs to what Barry Eichengreen has described as ‘the club of countries with mature financial systems’ (1999b: 50). These international financial institutions’ goal, of course, is to ensure that all countries ultimately belong to this privileged group. The standards thus appear at first to be inclusive. Yet while their ultimate objective is universal inclusion, the standards do their work by distinguishing between those who are inside and those who are outside the bounds of normal economic behaviour. Just as the excluded are defined in relation to the norm, the norm in turn is defined in opposition to those excluded—‘sound’ economic practices are always defined in relation to unsound ones. Thus in the context of the Asian financial crisis, the same strategies of economic development which had earlier been praised as essential to the “Asian miracle” were criticized during and after the crisis as examples of “crony capitalism”—unsound economic practices against which the norm of the new standards and codes were soon to be designed.

Being labeled as “unsound” carries significant costs. The IMF and the World Bank together with the financial markets judge states on their compliance with the standards and on their will to reform. While there are no formal penalties for non-compliance—

these are after all voluntary non-judicial norms—there are nonetheless very real costs involved. If investors interpret non-compliance as a sign of economic weakness, they will effectively punish a country by withholding or even withdrawing their investment. That in itself is cost enough. But if a financial crisis ultimately ensues, the costs climb ever higher—for IMF leaders have made it clear that they will take into account a country's leaders' good faith in reforming their economies if they have need of financial support.<sup>20</sup> Unilateral aid is likely to be even more selective, as the recent US and UK promise of African debt relief reveals. George Bush was particularly clear about the costs of not complying with global norms when he explained the terms of the aid:

We have got a fantastic opportunity - *presuming that the countries in Africa make the right decisions*. Nobody wants to give money to a country that's corrupt, where leaders take money and put it in their pocket. No developed nation is going to want to support a government that doesn't take an interest in their people, that doesn't focus on education and health care. *We're really not interested in supporting a government that doesn't have open economies and open markets* (Associated Press, 2005) Emphasis added.

What is ultimately at stake in the lines that these financial leaders draw is the threat of continued poverty. Good countries will be offered some of the support that they need to create healthy, functioning polities. Bad countries run the risk of being abandoned to a bare life of subsistence. No wars or camps or prisons are needed to recreate a state of exception. Ironically in order to pursue an end to this pattern of poverty and exclusion, these institutions must constantly brandish its possibility as a threat; the universal promise of inclusion is always haunted by the threat of exclusion.

The state of exception also plays a second role in this new logic of global financial governance. It is not only an accident or residue of a system intent on eliminating such exceptions. It is also the very logic through which the IMF and World Bank funding operates. A good government, with a well-run economy, must be sovereign and self-

governing; it must take responsibility for its own economic success or failure. Yet, in order to foster good economic and political governance, the IMF and World Bank must first intervene by placing conditions on their provision of needed funding, thus compromising sovereignty and self-governance—effectively imposing a state of exception in a global context in which sovereignty is the norm.<sup>21</sup> The imposition of conditions, of course, is always temporary. They are designed to assist a country in returning, or in some cases achieving for the first time, the status of a normal, developed, self-governing economy. Conditionality is thus always an exception to the norm of state sovereignty. Yet it is an exception that is continuously invoked in order to achieve an objective that is only rarely attained.

We are also witnessing a further blurring of the distinction between the rule and the exception as formal conditions are increasingly supplemented by standards and codes on the one hand, and made more politically and contextually sensitive on the other. As the Fund has placed more emphasis on country ownership, staff have sought to make conditions more flexible and responsive to the political and social context. Yet, as the definition of compliance becomes blurred, so does the line between the exception and the rule. As rule-based performance criteria—generally quantitative macroeconomic targets—are increasingly replaced by more discretionary strategies for monitoring compliance with these new flexible criteria, it becomes more difficult for countries to know when they have met the conditions imposed by the Fund (IMF 2001: 14-18). While this discretion is not in itself a bad thing—it often recognizes the complex and uncertain context within which economic policies are developed—it has to date been technocratic rather than democratic in nature. Decisions on the rule and the exception are being made

in the name of technical expertise. As discipline gives way to governmentality and coercive to self-governing strategies, the processes of measurement and judgment once limited to specific agreements have now become generalized and continuous. The exception is increasingly becoming the rule as signs of economic weakness become the excuse for demanding ever-greater reforms of developing countries' institutions.

## **Conclusion**

Why do we in the West rarely recognize the politics of exception at work in global economic governance? Perhaps it is because these international dynamics are mirrored in less intense forms in our own more comfortable, developed economies. As Foucault reminds us, the modern economy has always placed limits on the exercise of sovereign power. The economy is thus perhaps the ultimate sovereign exception: it is an exception to the rule of sovereign power itself. It is of course an exception that sovereignty itself enables—in the same way as the state makes possible the laws that ensure the freedom of the economy. Yet it is also an exception that genuinely constrains sovereign power—and which ultimately institutionalizes certain interests and capacities that limit the scope of meaningful sovereign action. And as the socially-inflected liberalism of the Keynesian era has given way to contemporary neoliberalism, the scope of sovereign influence over economic life—even in affluent states—has grown smaller.

Foucault's concept of governmentality provides us with some of the tools necessary to understand the ways in which these political economic imperatives have been internationalized and institutionalized in recent years—through the non-judicial logic of international standards, the calculating metric of transparency and the entrepreneurial ethic of self-responsibility. Agamben's philosophy, in turn, reveals the violence involved

in these processes: as these institutions judge the differences between sound and unsound economies, they are also effectively deciding whose lives are worth living. Yet, just as we need Agamben's insight into the logic of the sovereign exception to reveal the violence implicit in governmental rationality, we also need Foucault's understanding of the multiplicity of forms of power to revise Agamben's faith in the continued power of sovereignty. Biopolitics may be a product of sovereign power, but it is one that has taken on a life of its own. As governmental strategies become increasingly global, moreover, they need to be understood as forms of power not only distinct from sovereign power but also capable of eroding it. By focusing on the economic aspects of life, we are also led to recognize some of the subtler manifestations of the sovereign exception. And by emphasizing the sovereign decisions at work in many economic decisions, we are also able to demonstrate the power relations at stake. Thinking through the connections between the economic and the political thus help us to complicate our understanding of the relationship between governmental and sovereign power.

Thus modified, Foucault and Agamben's ideas can help us to understand the contradiction that I identified towards the beginning of this article: how it is that both optimistic and pessimistic accounts of the Fund and Bank's recent actions could be right at the same time. Liberal governmentality has always been a double-edged sword. Because it governs through freedom at least most of the time, it is a strategy that can open up new spaces for debate and dissent, as we have seen in the new emphasis on country ownership and transparency. Yet these are also sites for the rearticulation of power and control, particularly for the most vulnerable, as the scope for genuine debate is always already constrained and the price for a small degree of autonomy is an even greater

measure of responsibility for economic hardships that are often driven by forces beyond a state's control.

I began this article with a rather irreverent reference to US foreign policy in Iraq. In fact, the Iraqi example is revealing both for its parallels and for its differences from the processes that I have discussed here. In Iraq, the paradoxes of the sovereign exception are particularly visible: the US and its allies have sought to impose a form of western liberal politics—including a kind of sovereign autonomy—through a process that first involved obliterating that sovereignty—and the lives of many of its citizens—in one of bluntest forms possible, short of a nuclear attack. The fact that the sovereignty that is being offered to Iraqis is also one that is always already constrained by the economic imperatives of the free market is just one more painful irony among many.

In comparison, what the IMF and World Bank are seeking to do appears positively benign. They are making use of a consummately governmental strategy in which power relations are subtly deployed in the form of new standards of rationality, calculability and responsibility. Yet they too seek to establish a particular liberal form of sovereignty around the world, one that is always constrained by the demands of the economy. And although the sharp edges of the boundaries that they draw are barely visible they are not in fact greatly blunted by this gentler strategy: they also seek to compromise sovereignty—by imposing a temporary state of exception—in order to resurrect it. Whether achieved through the illiberal strategies of war or the liberal tactics of economic governance, the ultimate consequences remain very similar: a particular kind of liberalism gains ground globally, the lines dividing the world are redrawn, certain lives

are deemed worth living while others are not, and some are sacrificed for the promise of an uncertain future.

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- <sup>1</sup> An earlier version of this article was presented at the American Political Science Association meeting in Washington, D.C. in September 2005. I would like to thank William Walters, Dalie Giroux, Christina Beltrán, Rob Walker, the editorial board and the three anonymous referees for their comments and suggestions, and Maxime Ouellet for his research assistance. I would also like to acknowledge the support of the Social Sciences and Humanities Research Council of Canada in funding this research.
- <sup>2</sup> See, for example, the contributions to *Theory & Event* vol. 5, no. 4, 2002 and to *Theory, Culture and Society*, Vol 9, No. 4, 2002.
- <sup>3</sup> There are, of course, some notable exceptions, including some interesting discussions of the links between global finance and anti-terrorism. See, for example: Amoore and De Goede, 2005 and De Goede, 2003.
- <sup>4</sup> (Camdessus, 1999b; Köhler, 2002) I provide a more systematic discussion of the moral turn in international economic governance in: (Best, 2005b).
- <sup>5</sup> I provide a much more extensive discussion of the evolution of financial governance since the 1940s in: (Best, 2005).
- <sup>6</sup> See, for example: (Burchell, 1991; Caldwell, 2004; Dean, 1999; Dillon, 1995; Hindess, 1997; Larner and Walters, 2004; Rose, 1993)
- <sup>7</sup> It is neoliberalism, Foucault suggested, that has most brilliantly captured this paradoxical relationship between government and the economy. Whether in the form of post-war German Ordoliberalism or the Chicago School of Milton Friedman and Gary Becker, neoliberal economic thought has provided a 'scientific' rationale for protecting the economic realm and the rational economic individual from the state's intrusions, all the while recognizing both market and economic subject as social constructs dependent on correct governmental action for their survival. For a discussion of Foucault's lectures on neoliberalism, see: (Lemke, 2001) The relevant lectures are also summarized briefly by Foucault himself (1989).
- <sup>8</sup> Barry Hindess (2004b) has raised some important questions about this characterization of liberalism as a mode of government through freedom, suggesting that there has always been a darker more violent – and illiberal – side to liberalism, which has been most clearly evident in its complicity in colonialism. I take up this question in a slightly different form through my use of Agamben below.
- <sup>9</sup> Barry Hindess suggests that a similar insight can be found in John Locke's writings: while Locke emphasizes the individual right to liberty, he nonetheless insists that subjects can exercise that right only if they have acquired the use of reason. Hindess argues that Locke's writings on education and the reform of the Poor Law address 'what, in Foucault's terms, might be called the governmental implications of the view that the requisite habits [of reason] will not necessarily be acquired simply as a matter of course'—the proper use of liberty must therefore be taught. (Hindess, 1996: 129)
- <sup>10</sup> In theory, they are entirely voluntary. In practice, there is some evidence that publication of certain ROSCs has been made a condition of standby agreements with the IMF. ( Bretton Woods Update, 2003; Schneider, 2003)
- <sup>11</sup> These standards do not therefore fit within the framework of what Stephen Gill has described as the constitutionalization of neoliberalism, which involves the imposition of global juridical measures such as free trade and investment agreements that constrain domestic political power, although they do clearly have important connections with both this process and with the 'disciplinary neoliberalism' that Gill has discussed. (Gill, 1995, 2002) There are perhaps closer parallels with Barry Hindess's (2004a) discussion of the emerging global norms on anti-corruption efforts.

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- <sup>12</sup> All of this, of course, depends on the assumption that the market does in fact interpret and act on the data rationally and efficiently—which is itself an influential but nonetheless contested economic proposition. I do not have the space to take up here the implications of this problematic assumption for global governance, although they are clearly important. I have provided some discussion of this issue in: (Best, 2005: Ch. 2).
- <sup>13</sup> In the words of Horst Köhler (2002), 'What the global economy needs now are entrepreneurs.'
- <sup>14</sup> Similar arguments have been made by Hindess and Mitchell Dean, whose work this seeks to build on in different ways. (Dean, 2004; Hindess, 2004b)
- <sup>15</sup> As Rob Walker has argued, we live in a world of thin lines, and whether they are at the edge of a finger or the edge of a shore, these lines do important work. Walker's contribution to a roundtable entitled 'The Boundaries of Biopolitics: Bodies, Borders, and the New Terrain of Global Politics' at the International Studies Association conference in Hawaii on March 3<sup>rd</sup>, 2005, provided significant inspiration for this article.
- <sup>16</sup> There is a growing literature on citizenship, the refugee and the state of exception. See for example, Agamben 1995, Nyers 1999, Diken 2004, and several contributions to Vol 24, No. 8 of *Citizenship Studies* (2004).
- <sup>17</sup> For Agamben, the emerging prominence of the camp makes visible the connections between liberal democracy and fascism, whose ultimate expression was the Nazi death camps. (Agamben, 1998: Ch. 7; 2000: Ch. 4)
- <sup>18</sup> While this emphasis on poverty is for the Bank a return to old stomping grounds, it is an entirely new commitment for the Fund.
- <sup>19</sup> I would like to thank an anonymous reviewer for this suggestion.
- <sup>20</sup> This is particularly true for 'exceptional lending' in which the criteria are especially stringent. (IMF, 2003a)
- <sup>21</sup> One is reminded of John Stuart Mill's assessment in 'A Few Words on Non-Intervention,' that 'barbarians have no rights as a *nation*, except a right to such treatment as may, at the earliest possible period, fit them for becoming one.' (Mill, 1963: 378)

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