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Luhmann without society

Leon Wansleben
London School of Economics, UK

Ten years after the apex of the financial crisis, Konings (2018) offers a meta-critique of critical scholarship on finance and neoliberalism, engaging with new theoretical perspectives that promise to make better sense of persistent financialization and a continuing politics in support of finance. He thereby opens a much-needed debate in critical political economy, the social studies of finance, and related fields of scholarship, exposing a variety of weaknesses in what now appear as ad-hoc accounts developed in the wake of the crash.

First, Konings debunks the 'casino capitalism' thesis advanced by scholars on both left and right, which largely follows the plot of Emile Zola's *L'Argent*. From this perspective, the crisis appears as the end of a temporary bout of irrational exuberance, whose very development worked to increase the powers of gravity pulling actors back to solid ground. Konings convincingly shows that the conceptions of value and monetary relations underlying this thesis are untenable. While he does not use this evidence, we could point to the consistent expansion of credit from the post-war period onwards, throughout the following decades, and continuing unabated after 2008 (Taylor, 2015: 318-20).

Second, Konings takes aim at Polanyian accounts that envisaged a backlash against financialization through newly awakened democratic forces. We have undeniably seen some 'counter-movements' since 2008, following a persistent pattern of post-crisis electoral results (Funke et al., 2015). However, as Konings rightly stresses, these popular forces have utterly failed to meaningfully alter the politics of finance. Rather, after investing unprecedented amounts of public resources into the preservation of a highly concentrated, US-centred global financial market structure, policy makers have kept on regulating finance by benchmarking the sector's own risk management techniques. More importantly, the conduct of public policies has become ever more implicated in the logics of finance – fiscal policies are dominated by central banks who rely on asset management and regressive risk-shifting techniques to govern the economy; and from the provision of housing, university education, and old-age pensions through to a broader set of redistributive measures within a highly imbalanced EU (Braun and Huebner, 2018), the default public policy stance remains on the side of financial markets.

Here, then, comes what I see as Konings' central theoretical claim: that since the New Deal and throughout the post-war period, the state has consistently and increasingly reinforced financialization through a posture of "speculative pre-emption" – a strategy that

Corresponding author:
Leon Wansleben, Department of Sociology, London School of Economics and Political Science, Houghton Street, London, WC2A 2AE, United Kingdom. Email: L.J.Wansleben@lse.ac.uk

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uses the logic of leveraging and speculation internal to finance, but does so in the name of inevitability and public rationality (Konings, 2018: 110). Crises then are occasions for rendering the normal *modus operandi* of state action visible, and they reinforce a structural choice for financial hegemony that has become a defining characteristic of mature capitalist systems (Stockhammer, 2008). Konings thereby also offers a more convincing 'state of exception' interpretation than those following Agamben's (2005) much acclaimed work. Konings suggests that, rather than providing occasions for the use of ultimate means of coercion, crises like the one in 2007-8 instead help to accelerate logics of action that have been there all along. For instance, the most important crisis manager during 2008, Ben Bernanke, was no less an 'ordinary' central banker than Alan Greenspan or Paul Volcker before him; he acted within the same rationalities and bureaucratic procedures that have dominated the Fed since at least the 1980s.

Konings' argument is compelling and marks an important moment in post-crisis reflections on finance and the capitalist state. As any good theorist does, Konings provides pointed, critical readings of important literatures, offering, in passing, one of the most convincing critiques of actor-network theory and recent performativity research. He also successfully integrates a diversity of more specific empirical findings (relating to the effects of quantitative easing or the weaknesses of macroprudential regulation, for example) into a coherent whole. However, where Konings convinces less is in his attempt to theorize the 'laws of motion' in financialized capitalism. Konings uses two conceptual tools to develop such a theory. One is a Luhmannian notion of self-referential system reproduction. Konings opts for Luhmann because, in his impressive theoretical oeuvre, this German sociologist developed a rigorous conception of social order generated out of contingency and uncertainty. Luhmann argued that, precisely because systems *do not* follow general principles, they can only rely on associations between events, and their recursive interconnection, in order to sustain themselves. Konings uses this perspective to explain how a relatively persistent, consistent logic of financialized capitalism is maintained, not despite, but *because* of its inherent fragilities and uncertainties (see also Esposito, 2011). With this Luhmannian perspective, Konings also makes evident why a Polanyian conception of capitalist democratic dynamics, premised on the existence of dis- and re-embedding cycles, with some allowance for 'procrastination' (Krippner, 2011; Streeck, 2014), ultimately does not hold.

In the more empirical parts of the book, however, Luhmann recedes into the background as Konings takes on *neoliberal* financial governance – his second conceptual tool. Indeed, in these latter chapters, neoliberalism features as an actor of sorts, such as when it "inhabits and deploys the tension between the necessity of speculation and the anticipation of security" (Konings, 2018: 114), or when it claims "victories" behind the scenes (p. 116). The way Konings uses the concept here is somewhat unusual: he invokes neoliberalism not as a shorthand for transformations in democratic capitalism since the 1970s, but in order to describe a certain logic of governmental action. The term thus depicts localized techniques of regulation and governance that inscribe themselves in, and thereby activate, larger system-dynamics. But in contrast to most other works that draw on Foucauldian governmentality (e.g. Baud and Chiapello, 2017), Konings is less interested in the prominent role of markets. He instead shifts emphasis to the *temporal* dimension, and in particular the uncertain, yet secured (and seemingly 'de-temporalized') future that is maintained through neoliberal technique.

But according to my reading, Konings leaves the theoretical work incomplete. Luhmann's concept of systems is distinct from Parsons' precisely because he suggested that systems are defined through their 'boundary-work' towards environments from which system-internal

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dynamics differentiate themselves. The respective environments are, first, the natural world, consciousness, our nervous systems, and metabolism, which are 'excluded' from communication as it turns into a self-recursive process, wherein one communicative act becomes meaningful through its connection to the next (similar views were adopted in semiotics and brought into sociology by ethnomethodology). But more important for our purposes is the second systems-notion used by Luhmann, which depicts differentiated 'macro' systems and their *social* environments – religion, politics, the economy, science. Konings explicitly argues *against* this notion of social differentiation because he believes that a capitalist economy fails to give politics any autonomy (Konings, 2018: 56); we thus have only one, all-encompassing social system, following one logic of self-referentiality that reproduces one kind of societal structure. But if, following Luhmann, a social system is nothing but the differentiation of a self-referential chain of events from its various natural and social environments, the notion of a single self-reproducing capitalist dynamic does not fully add up. More importantly, by collapsing all social systems into one, Konings eliminates what is Luhmann's 'unique selling point' – namely, that he offers not just a convincing *social* theory, but also a theory of *society*. For Luhmann, 'society' precisely consists in the *autonomous but structurally connected* dynamics of distinct social systems, differentiating self-referential payment events in the economy and collectively binding decisions in the political sphere from the production of discursive claims in science that induce us to do ever more research. Any event in these fields thus imposes its own self-referentiality, differentiated from the other system dynamics that become its environments, and it is these ecological processes that make up the complexity of modern society.

Why should we care whether Konings does or does not use Luhmann in an orthodox fashion? Perhaps Konings' reading of Luhmann should be emancipated from a conception of social systems (and their social environments) developed during high modernity, and which has since become outdated. While Konings' own conceptual reflections ultimately seem to resort to an interactive logic of uncertain action guided by visibility, one may extend his theoretical ideas to an alternative perspective on *societal* dynamics. Ideally, such a perspective would be able to identify chains of self-referential events that evolve in broader ecologies, but lack the degree of operative purity and structural differentiation that the 'modernist' Luhmann once ascribed to politics, the economy, science, and a few other social systems. One of Luhmann's students, Dirk Baecker, has suggested moving in this direction, and sees the system/environment distinction central to Luhmann's theoretical project as only one starting point for conceptualizing the self-referential nature of the social in a rigorous way (e.g. Baecker 2007).

But before such a new theory of contemporary society becomes available, I would suggest that much can be gained from sticking to Luhmann's original ideas. In particular, Konings' own genealogy and his concept of neoliberalism are surprisingly consistent with such a 'modernist' Luhmannian account. Indeed, one way to read the post-war history of US financial governance presented in this new book (which reiterates an empirical argument first made in one of Konings' [2011] earlier books) is to understand neoliberalism as a successful programme for managing structural relations between the relatively autonomous, mature dynamics of the economy and politics within particular historical formations. In particular, neoliberalism seems to occupy a strategic role in managing interrelations between the expansive logics of mature capitalism that tend towards financialization, and the expansive logics of state power concerned with the build-up of capacities and legitimacy in times of relative peace (at least domestically). I use 'programme' here in the sense suggested by Luhmann – namely, as a formatting of social action that facilitates preferential selection for 'positive' values (payments

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instead of non-payments, gains rather than depletions of power, and so on) in different social systems. With a slight change in emphasis, one can thus argue that programmes such as neoliberalism are not situated within systems (i.e., as purely economic plans of businesses, or as purely political strategies for electoral success), but that they always already propose particular modes of coordination *between* systems, because only through such coordination on the level of organizations and institutions is a consistently expansive systems logic possible at all. For instance, financial expansion is made possible by relying on the political promise of lending at last resort, on institutions producing liquidity (Carruthers and Stinchcombe, 2001), and on state interventions for the enforcement and maintenance of 'safe' debt. In turn, expansions of state power rely on the inscription of contemporary capitalist 'rationalities' and 'technologies' at the heart of the state's own institutions (Rose and Miller, 1992), for instance in central banks. This is precisely the 'weaving together' of systems logics that Konings (2011: 152) previously described as the "institutionalization of an intricate web of financial power".

This, at least, is how I suggest Konings' analysis of neoliberal financial governance could become compatible with a Luhmannian theoretical frame. Neoliberalism, according to this reading, is a programme to manage the increasingly tight couplings between particular configurations of economy and politics in the Western world, particularly the US; this programme is enacted by bodies like central banks, which play a strategic role in managing political-economic interdependencies as organizations that interweave practices of banking with those of political decision making; and, as convincingly argued by Konings, such management substantively consists in the management of time – a maintenance of 'present futures', which serve as temporal horizons where the expansion of expected payment promises at the core of a financialized economy can meet the generation of state power as a structural potentiality.

More generally, I would suggest that, as much as political economy confronts a social theory challenge aptly characterized in this book (in Konings' convincing critiques of various Marxist, Polanyian, and Foucauldian perspectives), it also confronts a societal theory challenge, and it is here that a deeper engagement with Luhmann's notion of society could help. For we also need to understand where the 'forces' shaping particular versions of governmentality actually come from. Marxist scholarship provides us with highly schematic conceptions of these forces in the guise of juxtaposed "macrogroups" (Ingham, 2004: 55), while the "fractal distinction" between interests and ideas has already dominated theoretical discussions for far too long (Abbott, 2001). At the end of day, none of these approaches sufficiently capture the broader, more complex dynamics out of which particular rationalities, programmes, and technologies for managing the intricate relations between the political and the economic emerge. A Luhmannian, ecological conception that is attentive to the self-referential dynamics in politics and the economy, while recognizing the highly institutionalized, tight couplings between these systems, can arguably provide a more useful lens. With such an 'extended' Luhmann, one may see, for instance, that while the financial crisis of 2007-8 has failed so far to generate meaningful change in Western programmes of financial governance, it is part of ongoing structural transformations in global politics and the economy that will not leave 'neoliberal reason' untouched.

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