Reasserting Private Authority in Times of Crisis

REASSERTING PRIVATE AUTHORITY IN TIMES OF CRISIS: TECHNICAL TO MORAL DISCOURSES IN ANGLO-AMERICAN FINANCE

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Abstract

Contemporary global governance has become reliant on the expert knowledge of professional actors. Yet governance systems based on technical forms of private authority have proven highly unstable and vulnerable to crisis. How is private authority re-configured following challenges and pressures for change in times of crisis? This dissertation explores the agency exercised by a range of professional actors seeking to legitimately reassert power during periods in which their expert knowledge has become unsettled. A two-prong thesis is advanced. First, in drawing on explicitly normative discourses professional actors seek to reassert moral authority, rather than addressing flaws in their expert knowledge and emphasising their technical authority. Professional actors express attention to and involvement with a wider array of overtly ethical issues that had previously been abstracted away. Second, reassertions of authority may depend not merely on more explicit positioning within normative debates but upon the underlying ideas and values prioritised. The authority of professional actors remains precarious when value sets linked to crisis are continuously emphasised. A genealogical analysis of professional actors in Anglo-American finance since the outbreak of the most recent financial crisis in 2007 is undertaken through a revised variant of the discursive institutionalist framework. Informed by primary documents from professional actors and their associations along with original interviews and secondary media documents, the changing underpinnings of the authority of financial services providers, economists, and advisories based in the United States and United Kingdom are examined. The study contributes to a wider emphasis on the changing authority of a range of private actors as well as to an enhanced stress on both discourse and ethics in International Relations, Global/International Political Economy, and Global Governance scholarship.

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List of Abbreviations

A&O	Allen and Overy
AAA	American Academy of Actuaries
AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions
ABA	American Bar Association
ABS	Asset-Backed Security
ACCA	Association of Chartered Certified Accountants
AICPA	American Institute of Certified Professional Accountants
AIG	American International Group
CDO	Collateralised Debt Ogligation
CDS	Credit Default Swaps
CIMA	Chartered Institute of Management Accountants
CPI	Consumer Price Index
CRA	Credit Rating Agency
D&T	Deloitte and Touche
DGSE	Dynamic Stochastic General Equilibrium
EMH	Efficient Market Hypothesis
EY	Ernst and Young
G/IPE	Global / International Political Economy
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GISR	Global Initiative for Sustainability Ratings
HSBC	Hongkong and Shanghai Banking Corporation
IAA	International Actuarial Association
IASB	International Accounting Standards Board
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IMF	International Monetary Fund
INET	Institute for New Economic Thinking
IR	International Relations
ISDA	International Swaps and Derivatives Association
LTCM	Long Term Capital Management
MBS	Mortgage Backed Securities
NGO	Non-Governmental Organisation
PwC	Pricewaterhouse Coopers
RARE	Rational Actors using Rational Expectations
RDI	Revised Discursive Institutionalism
S&P	Standard and Poor's
SASB	Sustainable Accounting Standards Board
TINC	Technology, Information and News Corporation
TNC	Transnational Corporation
UK	United Kingdom
US	United States
<IR>	Integrated Reporting

Chapter One- Introduction

> "To suggest social action for the public good to the City of London is like discussing the *Origin of Species* with a bishop sixty years ago. The first reaction is not intellectual, but moral. An orthodoxy is in question, and the more persuasive the arguments the graver the offence."
>
> John Maynard Keynes (1926) *The End of Laissez-Faire*

> "I have waited for four years, five years now, to see one figure on Wall Street speak in a moral language, and I've not seen it once. And that is shocking to me. And if they won't, I've waited for a judge, for our president, for somebody, and it hasn't happened. And by the way it's not going to happen anytime soon it seems."
>
> Jeffrey Sachs[1], 31st Annual Monetary & Trade Conference, Philadelphia Federal Reserve, 17 April 2013

This dissertation examines how transnational professional actors seek to re-establish authority in global governance during crises that contest their power and legitimacy. The central thesis advanced is two-fold. First, professional actors draw more explicitly on moral discourses in seeking to reassert authority during periods of instability. Rather than attempting to regain authority by addressing technical contradictions and flaws in their expert knowledge, professional actors deploy languages expressing attention to and involvement with a wider array of explicitly ethical issues. A second prong maintains that such discursive emphasis may be insufficient for restoring authority. The broader reassertion of private authority beyond narrow communities depends not merely on more explicit positioning within normative debates but also upon the specific ideas and values prioritised, such as those associated with liberal market capitalism.

In substantiating these arguments this study investigates the shifting underpinnings of professional authority in Anglo-American finance since 2007. Emphasising what are labelled as micro-level ethical issues, transnational professional actors are shown to have largely relied on expert knowledge prior to the outbreak of what has been the most severe

[1] Cited in Black (2014). The influence of this leading economist is critically assessed in Wilson (2014).

period of financial instability since the Great Depression. This technical authority however has become widely undermined since 2007 by a wide range of observers, from journalists to jurists, market practitioners to monarchs. Rather than address their technical flaws, three groups of transnational professional actors - financial service providers, economists, and advisories- are shown to have increasingly engaged with a range of what are identified as systemic macro-level socio-economic, religious, and ecological issues. The legitimation of this emphasis has culminated in an explicit stress on moral rather than merely technical forms of private authority, a subtle yet significant change overlooked in conventional understandings of the post-2007 period, as indicated in the epigraphs of this chapter. Yet, persistent discursive emphasis on pre-crisis ideas and values nevertheless renders the authority of the professional actors examined precarious and vulnerable to further contestation. The explicit stress on normative issues in times of crisis is therefore fraught with tensions that this study renders explicit in drawing attention to a wider range of possible responses to persistent global problems, from finance to the environment.

At the outset of their studies social scientists frequently invoke settled notions of the main terms underpinning their analyses in order to attain ‘conceptual clarity’. Concepts however are inherently ambiguous constructions, marked by multiple interpretations (Koselleck 2002; Andersen 2003). Rather than outline settled meanings of key terms to be drawn upon, this introductory chapter commences with two sections that explore the contours of the central conceptual theme addressed: authority in contemporary global governance. The specific focus and main arguments of this study are then elaborated before the central contributions, intended audience and organisation are outlined.

Authority: Power, Legitimacy, and Identity

Social scientists have long considered it their purpose to make sense of authority. Yet attempts to clarify this "elusive" concept (Cutler 2003: 63) have often been inconsistent, unclear, and suited to particular purposes.[2] Along with notions of acceptance, obligation, persuasion, responsiveness, and trust (e.g. Beetham 1991; Hall and Biersteker 2002: 4; Fuchs 2007: 61), contemporary attempts to delineate authority have focused on power and legitimacy (Krieger 1977; e.g. Hurd 1999: 400-1). Simply put, unless widely viewed as legitimate, power is not considered authoritative (e.g. Fuchs and Kalfagianni 2010: 8).

Since Max Weber social theorists had long considered power relations to be legitimate when affected actors simply *believed* these relations to be so.[3] Though widely influential, Weber's belief-in-legitimacy thesis is vulnerable to the criticism that legitimacy is not simply a product of personal beliefs but the congruence of power with broad societal rules and values (Grafstein 1981). Legal theorists have argued that "power is legitimate where its acquisition and exercise conform to established law" (Beetham 1991: 4) or to "explicit rules" (Bourricaud 1987). This legal dimension of legitimacy has been traced to Roman law, with the Latin roots of the word signifying "an action or practice or claim, as 'lawful, according to law'" (Mulligan 2006: 356-7). Social theorists meanwhile have moved beyond understandings of belief-in-legitimacy in considering the congruence of power with the broader expectations and values of society. As David Beetham (1991: 11) has for instance argued, "[a] given power relationship is not legitimate because people

[2] Onuf and Klink (1989) for example illustrate how English renderings of the German concept *Herrschaft* have varied according to the particular needs and goals of different translators.
[3] Portions of the following paragraphs have appeared in Campbell-Verduyn (2015b).

believe in its legitimacy, but because it can be justified in terms of their beliefs". By beliefs Beetham refers to the broader moral principles "of justice, of right, of social utility- necessary to the justification of power relations". Such emphasis on justification shifts focus towards the *process* of legitimating power.

Legitimation has been broadly conceived as "an activity" (Barker 2001) and "a corpus of methods which lead to achievement of a state of legitimacy" (Bourricaud 1987). Differences have arisen over the extent to which legitimation is understood to be an "inherently social" (Reus-Smit 2007) phenomenon. At the one end, legitimation is conceived as solely involving the exogenous manners through which legitimacy is accrued from society at large. Its broadly relational quality derives from the 'social fact' that the credibility of certain actors and ideas ultimately rests upon their acceptance from a wide audience of relevant stakeholders (Best 2007; Brassett *et al* 2012). In this view, "for there to be legitimacy there needs to be a community/society" (Clark 2003: 80). At an opposing end, however, legitimacy is understood endogenously as deriving from individual self-justification. Barker (2001), for example, has illustrated the manners in which monarchs and autocrats have self-legitimated their rule through symbolic events such as coronations and proclamations. Yet, this second extreme differs from automatic legitimation, which arguably remains an oxymoron (Reus-Smit 2007: 159), by shifting from the congruence of power with broad social values to the correspondence of power with the values and interests of a much smaller audience of actors (Reus-Smit 2012).

While seemingly dichotomous, exogenous and endogenous processes of legitimation overlap in their basis in identity. Notions of legitimation closer to the first extreme emphasise the identities of "legitimatising communities" (Symons 2011), while those nearer to the other extreme focus on individual self-identities (Steele 2008). Barker (2001), for instance, has suggested that self-identification and identity are "inextricably linked" as self-legitimation expresses and cultivates distinctive identities of the self. Self-identities are what Giddens (1991) has labelled "narratives of the self", the stories or biographies through which individuals understand and then project themselves. These are distinguished from group identities, the commonalities between individuals connected through shared norms and goals as well as through what Weber refered to as *Zusammengehorigkeitsgefuhl*, feeling belonging together (Brubaker and Cooper 2000).

Both individual and group identities have been conceived alternatively as natural and fixed, or fluctuating and continually changing. The former conception of identity is considered pre-given by human nature and fundamentally unchanging. The latter account however views "unstable, multiple, fluctuating, and fragmented" identities as varying over time (Brubaker and Cooper 2000). Identities here are subject to contestation in processes of identification in which they are formulated and re-formulated in the "dialectical interplay" with their "situated subjectivity", or sense of location, in both relational webs as well as in various groups (*ibid*). Meanwhile, group identities also undergo continual processes of change in relation to both members and non-members.

These conceptual insights inform our understanding of authority in at least two regards. First, conceiving legitimacy as the congruence of power with moral principles rather than simply with existing laws suggests that interests, bargaining, and cooperation may all be secondary to identities for achieving authority. Notions of authority grounded in identity conceive power as legitimate when aligned with individual and social moral principles. Such an understanding of authority is dependent less on the degree to which power corresponds with specific interests and more on the alignment of power with individual and group identities. In this conceptualisation authoritativeness stems more from moral obligations than from the self-interested pursuit of set preferences (Katsikas 2010: 4). Authority then flows from what either individual or groups consider as "'right' on the basis of moral convictions" (Fuchs and Kalfagianni 2010: 46). A second manner in which the above discussion informs understandings of authority is through conceiving identities as fluctuating and unstable rather than inherently fixed. In conceptions of authority linked to identities, contestations and re-configurations of identities alter the basis of authority. Authority is therefore not constant or set in stone, but rather highly dynamic and variable.

Professionals as Private Authorities in Contemporary Global Governance

In identifying authority in contemporary global governance distinctions have frequently been drawn between actors that are 'an authority' and those that are 'in authority'. The former includes scholars and other specialists holding "demonstrated knowledge, skill, or expertise concerning a subject matter or activity" (Flathman 1980 cited in Katsikas 2010) and conveying "respect and credibility due to knowledge, practice and expertise" (Hansen 2008: 2). With little formal power or means of coercion, 'an' authorities do not

necessitate a surrender of opinion and, as such, their judgements are considered as ultimately "nonauthoritative" (Katsikas 2010). Conversely, 'in' authority originates from formal legal documents providing elected officials, spokespersons, political leaders, and commanders with the "right to command" (Hansen 2008: 2) as well as the ability to issue "binding decisions" that others are "obliged to follow" (Katsikas 2010: 128). Thus, there are no higher authorities and "no one knows better" than 'in' authorities (*ibid*).

The 'an' and 'in' authority distinction is fundamentally problematic as it locates authority primarily in the public sphere while the private sphere is considered nonauthoritative. Public actors are solely 'in authority' while private actors are confined to 'an authority'. This division thereby gives into what Cutler *et al* (1999a: 18) have described as the "almost irresistible" tendency "to associate authority with the existence of the public realm, occupied by the state". It perpetuates the view of the private sphere as an apolitical and neutral realm that remains anarchic in the absence of public authority (Hurd 1999: 383). This distinction has correctly been faulted for assuming "that the private sphere cannot in fact act authoritatively" (Cutler *et al* 1999a: 18).

Authority is not solely confined to the traditional legal structures of the official public sphere. Scholars have noted how authority is "de facto de-coupled from electoral processes" and the state (Hodess 2001: 142) as private actors have long been "functioning like governments" (Culter 2002: 32). Private forms of authority have been recognised as occuring "when an individual or organization has decision-making power over a particular issue area and is regarded as exercising that power legitimately… such

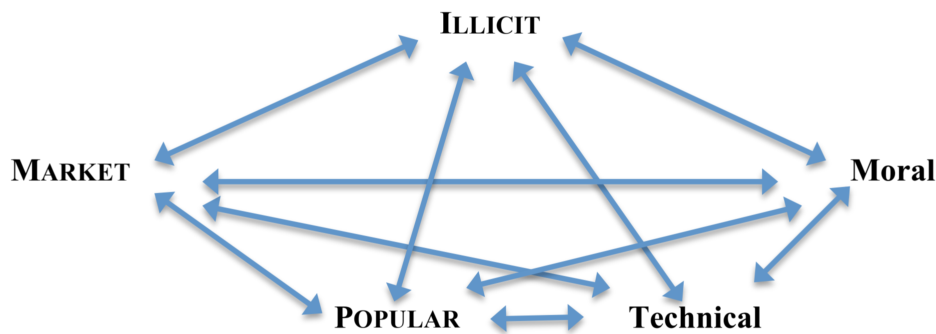
authority does not have to be associated with government" (Cutler *et al* 1999: 5). Yet as it has become an important research interest and a significant literature has developed around the concept, varying understandings of private authority have been elaborated.[4] Although "clearly related to each other", studies of private authority have "defined their object of enquiry differently- sometimes very precisely, sometimes much less so" (Mügge 2006: 178). Two conceptions of private authority vary in understanding the scope of the private sphere and its overlap with the public sphere.

An initial conceptualisation considers a broad range of private actors that make recourse to five main forms of private authority. First, actors such as crime syndicates legitimate their power by filling "capacity gaps" or "functional holes" left by states and achieve *illicit authority* while nonetheless pursuing activities that contravene widely accepted social norms (Hall and Biersteker 2002: 171). Second, market actors, such as firms, may reach forms of *market authority* when their power corresponds with the perceived "superiority of a private-sector way of doing things, which includes the right to maximize one's own wealth and the merits of markets more generally" (Porter 2005b: 7) such as entrepreneurialism and cost consciousness. Third, spiritual actors such as religious movements may attain *moral authority* when their power is congruent with societal and individual moral principles (Hall 1997). Fourth, *popular authority* is attained when the power of corporate, religious or illicit leaders corresponds to the interests and identities of their followers (Hall and Biersteker 2002) and, fifth, experts of various types invoke *technical authority* by reference to scientific and supposedly neutral principles (Porter

[4] Other closely related literatures place less emphasis on the legitimacy of "business power" (Fuchs 2007).

2005b). These “multiple manifestations” of authority overlap and “exist concurrently” (Hansen 2008: 2) in interconnections that are depicted in Figure 1 below.

Figure 1: Interconnected Forms of Private Authority



The first expansive view of private authority is based on a clear separation of private and public spheres. The private sphere has been conceived as inclusive of anything not directly part of the public realm (Hall and Biersteker 2002: 203), as a residual sphere consisting of actors that are neither states, nor state-based organisations, nor state-created organisations. In short, the private sphere has been considered as anything not directly related to the state (Büthe 2004: 281) or deemed to be ‘public’ (Weintraub 1997: 28). The public sphere in turn has been considered as the realm of law, that is “uniquely concerned with what is ‘common’ to the whole community” (Wolin 1960: 2) where “collective assets and goods [are] held in common and cannot be bought or sold on open market” and that “everyone benefits from” (Drache 2001: 43). Following such conceptions of the public domain, the private realm is often considered as the individual sphere: “what is hidden or withdrawn, what is individual or pertains only to an individual” (Weintraub 1997: 5). Distinguished by a lack of concern with “collective outcomes” (*ibid*), notions such as the national interest are not the “primary driver” of private individual behaviour

(Ruggie 2004: 17). Rather, private actors are said to pursue "factional greed… profit and efficiency considerations", anything less than the broader commonwealth (*ibid*).

Yet a second variant of private authority problematises the separation of private and public spheres by conceiving them less as separate domains than ultimately intertwined with one another. Although a "characteristic preoccupation of Western thought since classical antiquity", the private-public distinction can be considered "inherently problematic and often treacherous" (Weintraub 1997: 38). Wolfe (1997: 182) has asserted that the public-private distinction "is hard to separate in any sharp and consistent way" and that "we are best off if we give up the effort to force all moral, political, and theoretical issues into a dichotomous public/ private framework". This criticism has prompted scholars to conceive of the "perpetual embrace" (Cohen 1986: 68), "hybrid nature" (Salter 1999), and "mutually constitutive" (Katsikas 2010: 14) nature of the private and public realms. In such understandings, private authority is characterised less by its complete 'privateness' than by its interconnectedness with elements of public authority. In particular, private actors may not solely be concerned with profit and greed but equally with the "collective outcomes" that are frequently regarded as motivating public actors (Weintraub 1997: 5) and practices that "seek to claim particular problems, actors, or processes as public – or of common concern" (Best and Gheciu 2014: 133). One group of actors straddling the public-private divide and exemplifying this second understanding of private authority are professionals.

Professions are occupations deemed "somehow special" as they are subject neither to the same competitive forces nor to similar government oversight as other types of work (Hanlon 1998: 843).[5] Possessing "a monopoly over an area of work" (Bellis 2000: 321) and being detached "from the naked forces of the market" (Strange 1996: 142), professionals self-regulate through associations, groups, and organisations which "develop and enforce binding obligations on their members and often for the industry as a whole" (Cutler *et al* 1999: 13). Crucially, the "occupational privilege" (Collins *et al* 2009: 251) and "social prestige" (Coffee 2006: 106) of these actors is neither automatic nor natural, but rather is politically determined and ultimately conferred by governments or central political authorities who grant and uphold such organisational autonomy and "shelter from the vicissitudes of the market" (Hanlon 1998: 843).

Numerous occupations have been able to claim certain qualities in specific places and at opportune times to be considered as professionals. These qualities have historically varied across countries and have been continually re-asserted over time.[6] Despite this contingency, the qualities or traits encompassing professional activity can, following Bellis (2000: 318), be broadly divided into organisational qualities involving specific capacities of self-governance; cognitive traits referring to the possession of specialised forms of expert knowledge; and normative traits entailing commitments to the broader public wellbeing. The latter two traits are particularly relevant for this study as they underlie technical and moral forms of authority, respectively. Normative traits entail that professions bridge the public-private divide through a clear "social service ethos"

[5] This discussion of professions builds on Campbell-Verduyn (2015b).
[6] See for instance the particular development of professions in England and France (Bellis 2000: 326-328).

(Hanlon 1997: 196) and "a primary orientation to community" (Strange 1996: 142). They qualify professionals as pursuing a "vocation that is useful and noble… that contributes value to society" (Ragatz and Duska 2010: 298), and one that possess "an altruistic spirit, an ideology of service and not profit, and the promotion of the public interest" (Pava 2005: 116). The advantages and privileges of professionals are thus granted "in exchange for a basic orientation towards public interest or common good" (Dion 2005: 222) as professions balance private and public interests by demonstrating independence from the former through a focus on issues such as integrity (e.g. Allen 2004).

Cognitive traits of professionalism, meanwhile, involve trust and faith in, as well as respect for expert knowledge as professional actors position themselves as legitimate 'knowers' in identifying with technical forms of knowledge that are not widely held by Others. Possession of expert knowledge increasingly overtook orientation towards the public good as *the* trait underpinning professional status as commercialisation and corporatisation progressively tilted numerous professions to privilege their own interests and the preferences of their clients above the wider welfare of their communities (Hanlon 1997), a trend that emerged within a wider historically-specific understanding of the reconfiguration of central actor motivations (Hirschman 1977). Meanwhile, as the technical authority of professional actors permeated a wide variety of contemporary governance mechanisms, expert knowledge came to "organise large areas of the material and social environments in which we live today" (Giddens 1990: 27). Yet such reliance on expert knowledge and expert actors in global governance has not been unproblematic.

While identifying themselves as neutral and apolitical 'knowers', expert actors such as professionals inherently prioritise, endow credibility, and act upon particular assumptions and worldviews. Despite positioning their technical knowledge as universally valid and beneficial, expert actors and governance systems based on technical knowledge are ultimately constrained by a specific range of imaginable and acceptable actions and ideas. This central tension has led governance systems dependent on expert knowledge to be particularly vulnerable to crises, periods of dislocation in which prevailing forms of authority become interrogated as backgrounded assumptions and ideas are denaturalised (Koselleck 2006). Authority based on particular forms of expert knowledge is vulnerable not only to contestation but also to varying levels of transformation (e.g. Hay 1996; Widmaier *et al* 2007; Epstein 2008). Changes stemming from crises may transpire at different tempos across time as well as take a host of different forms (e.g. Holsti 2004; Capano 2009; Gunitsky 2013). How precisely actors seek to reconfigure authority that has been undermined in times of crisis is the central focus of this dissertation.

Central Research Focus

This study investigates how professional actors respond to challenges and pressures for change in times of crisis. Specifically under examination are the discursive dynamics through which such actors seek to re-shape and recalibrate authority as cataclysmic events trigger reconsiderations of seemingly settled understandings and meanings. Despite being private actors that straddle the public sphere, professional actors' attempts to reassert authority differ from those of public authorities since they lack recourse to

elections or the ability to enhance transparency short of undermining their competitive market positions. As such, the *central research question* addressed in this dissertation is

- How do professional actors seek to discursively reconfigure their authority following challenges and pressures for change in times of crisis?

In investigating this question this dissertation scrutinises the persistent prominence of professional actors in Anglo-American finance since 2007. Though their legitimacy has become widely challenged with the outbreak of the most severe period of instability since the Great Depression, the power of these private actors has not entirely been dislodged. Professional actors have sought to legitimise such continued power in financial governance in novel manners since 2007. Yet rather than measure the precise *extent* to which private authority has been reasserted, this central interpretative case study (Odell 2004: 163-165) critically assesses the *attempts* of professional actors to reconfigure their authority in the recent period of volatility. In *interpreting* how professional actors have sought to reconfigure authority, rather than *explaining* the ultimate success of their attempts to do so,[7] this study scrutinises efforts by professional actors to legitimise their power in Anglo-American finance. Uncovering the precariousness of such attempts, this study casts further doubt not merely on the legitimacy of professionals but more widely on that of on-going efforts to reform financial governance that have persistently relied on the authority of private actors. This section provides an overview of finance and its governance before three subsequent subsections specify the units of analysis examined, their location in a particular culture of finance, and the central thesis advanced.

[7] Following what Weber (1978) distinguished as *Verstehen* from *Erklären*, see also Hollis and Smith (1990)

Global financial governance, private authority, and crisis

What is finance and how is it governed? The word ‘finance’ stems from the French ‘fin’, meaning ‘end’. Finance long denoted the transactions concluding business deals in which a “commodity is exchanged for money, or the loan repaid, the transaction ended and the competition over” (Bryan 2012: 172). As these transactions and exchanges occur between increasingly intricate networks of institutions, finance is highly institutional (Porter 2005a). However the initial deals requiring finance to be concluded are also based on the assumption that any such exchanges can ultimately take place. The *institutional* nature of finance should therefore not distract from its equally *social* character (De Goede 2003; Germain 2010). Faith and trust thus underpin finance, especially in international deals that cross national borders and “occur more or less instantaneously between pretty much any points of human habitation on the globe” (Scholte 2013: 131).

In addition to the importance of trust and interconnected networks of institutions, scholars of realist orientation (e.g. Gilpin 2001) have emphasised how national borders and local idiosyncrasies constrain this ‘global’ industry. Such observers stress how national governments not only implement and enforce a large share of the rules underpinning global finance but also provide the crucial backstops stabilising this system during crises in which social trust and confidence evaporate. Yet to the degree that these national systems are integrated rather than sealed off and enclosed from each another (Nesvetailova 2007), global finance can be conceived “as a coherent, clearly bounded system” operating within “clearly defined walls” (de Goede 2005: 3-5).

Conceiving contemporary global finance as a settled structure is, however, difficult to maintain. The frontiers between sectors of finance as well as between financial and non-financial activities are anything but static. At its external edges, companies conventionally regarded as manufacturers or retailers, such as General Electric or Wal-Mart, have offered financial products and services through their 'captive financiers' while information technology firms from the so-called 'fin-tech' sector have become increasingly important financial actors (*Economist* 2013d; Warwick-Ching 2013). Inter-industry competition flows equally from finance into other sectors of the 'real' economy as traditional financial firms compete in non-financial markets, such as in storing and transporting commodities (Kaminska 2013). Finance has become increasingly central to and nearly ubiquitous to the 'real' economy as a result of processes of 'financialisation' (Epstein 2005). The internal boundaries of global finance remain comparably fluid as financial firms from various sectors or historical pillars continually encroach on one another's terrain, for instance with insurers offering banking services and banks offering insurance products (e.g. Leigh-Pemberton 1984). As an identifiable structure, therefore, global finance is marked by continually fluctuating internal and external boundaries.

These alternative conceptions of global finance hold important implications for its governance. If, on the one hand, global finance is regarded as a settled and bounded structure, it might be governed by centralised public actors. Such a view dominated financial governance during the Bretton Woods era, when financial markets were restrained by a system of coordinated government controls (Helleiner 1994). Yet understanding global finance, on the other hand, as dynamic and marked by constant

fluidity as well as internal flux poses significantly different implications for its governance. To begin with, continual dynamism facilitates the shifting of risks from more rigorously regulated areas to sectors where governance is least intrusive. For example, as the governance of banking has become more stringent riskier activities have progressively been transferred to the insurance sector (e.g. Wilson 2012). Similarly, as the formal and official financial industry becomes constrained by regulations, riskier activities shift to the more loosely regulated frontiers of the 'shadow' financial system, 'alternative financial services', 'fringe finance', or even largely non-financial companies (e.g. Aitken 2015). Comprehending global finance as fluid and dynamic thus challenges traditional forms of centralised public command and control emphasised by realists.

As difficulties in centrally governing the fluid global financial system became recognised in the 1970s, reliance on private forms of authority has grown. Public governance did not disappear but became oriented towards industry self-governance (Mügge 2006; Porter 2011). In parallel with the noted above general rise of expert-led governance systems, global financial governance became reliant on industry sophistication in the 'objective' calculation and management of forms of risk (de Goede 2004). Competence in risk management in turn permitted financial actors to emphasise their social function as a legitimate and valuable form of business distinct from gambling, entertainment, and speculation that benefited society as "a productive part in the economic process" (de Goede 2005: 82). Meanwhile, professional financial associations were developed to promote trust in industry self-regulated codes of conduct and licensing qualifications (Hussain and Ventresca 2010; McKeen-Edwards and Porter 2013).

In such ways, global finance became regarded by leading thinkers as a self-running technical system akin to aeroplanes that have become larger, faster and reach further around the world (e.g. Wolf 2008). Unlike the stable mechanical systems of aeroplanes, and the infrequency of aeroplane crashes, however, global finance has remained neither stable nor crisis-free. Periods of financial instability have become increasingly frequent since the 1970s (Nesvetailova 2007: 25). Yet private actors continued to legitimately exercise power in global financial governance through a combination of market and technical forms of authority. Private actors relied on market authority by citing the alleged superiority of 'free' unregulated markets and on technical authority by invoking the supposed scientific neutrality of financial models as well as expert knowledge. The onset in 2007 of what has been the worst financial crisis since the Great Depression has, however, severely challenged the 'technical-market authority' of private actors. The remainder of this subsection addresses the scope of the current crisis, leaving specific details of the particular processes and events involved to subsequent empirical chapters.

An initial axis of difference arising from the identification of the extent of the current crisis is its reach, both geographically and into the 'real' economy. The tradition of designating crises by the locations of their outbreak, such as the Asian Financial Crisis and Mexican Debt Crisis, has led several observers to refer to a "North Atlantic Crisis" (Buiter 2008; Jessop 2013) or "First World Debt Crisis" (Wade 2010). While such emphasis on the location and processes that led to the crisis may be appropriate, such descriptions overlook the wider spread and impacts of this crisis outside the 'developed'

world. Due to the global nature of financial markets and the interconnectedness of finance with the 'real' economy, this crisis has been neither solely financial nor confined to specific regions. Indeed, the first global recession since the Great Depression occurred in 2009 (Germain 2010: 86). Thus, specific labels such as the 'banking crisis', 'housing crisis' and 'sub-prime crisis' as well as the broader labels of 'credit crunch', 'debt crisis', and 'financial debacle' all fail to acknowledge wider impacts.

The timing of the crisis has also been subject to dispute. Widely invoked, the '2007-8 financial crisis' captures the uncertainty and panic that followed the credit freeze and subsequent financial market collapse. However, confining the crisis to the events of 2007-8 overlooks the continuing period of abnormality in which historically low interest rates and emergency measures such as quantitative easing persist. Although a narrow set of economic indicators indicate that the crisis is over,[8] on-going scandals, 'flash crashes', and the Eurozone debacle point to a "perpetual crisis" (Bryan 2012) that seemingly persists "without end" (Gamble 2014) as a crisis of crisis management and broader elite crisis (Engelen *et al* 2010; Wolf 2014). The "late-2000s financial crisis" (Véron 2012) thus requires an extension into what observers have alternatively noted is the "financial malaise of the past years" (Mügge 2013) or the "Great Malaise" (Stiglitz 2014) that has persisted well into the middle of the present decade.

[8] The official end of the global recession, marked by the Organisation for Economic Cooperation and Development as 1 April 2009 (Love 2009), can be discounted since as Watson (2014: 2) suggests, "[w]hereas an economic recession has an official definition which provides it with a formal start and end point, economic crises are much more ephemeral entities linked as much to a manufactured emotional state within society at large as any statistical indicator of whether or not a critical limit has been breached".

In considering some but not all of the above objections this dissertation refers to the 'most recent financial crisis'. This label avoids containing the crisis to any one specific region of the world while refraining from obscuring the 'First World' origins of the crisis through a reference a 'global' financial crisis. Moreover, the unfolding impact of the most recent crisis as well as its enduring connections with the broader crises of capitalism since the 1970s is noted by indicating the 'most recent' crisis. Maintaining that this crisis has been financial is also essential to underline the unique contributions of this sector. The role of finance in the most recent crisis is distinct from its role in broader crises due to the financialisation of most 'First World' economies since the 1970s (Krippner 2005). Besides other important processes like the diminution of the role of unions and labour movements as well as sweeping technological advances, the centrality of finance to economic growth has been a key development since the end of the Bretton Woods period. The increased reliance on profits from the financial sector and overall dependence on credit has ensured that the impacts of crises in this sector are spread much more widely to other parts of the global political economy.

In underlining the financial nature of the current crisis, it is essential to emphasise the crisis of legitimacy confronting particular sets of ideas and the actors that supported and identified with them. With the outbreak of what has been the most severe crisis since the Great Depression the intellectual case for the efficiency and superiority of profit-centered 'free' markets has been questioned, while the biases underpinning the authority of private actors has been exposed and derided. The legitimacy of private actors has been threatened as financial markets as a whole have lost much of the prestige and glamour that once

captured public imaginations and contributed to the mystique as well as "cultural capital" of global finance (Helleiner and Pagliari 2011: 108). Financialised capitalism has come under sustained criticism not merely by critical scholars but also by leading mainstream practitioners and commentators (e.g. Soros 2008; Tett 2009).

In addition to crises of legitimacy, private actors have faced the prospect of public sectors re-asserting centralised control over markets. Although prior to 2007 finance had been "among modern society's most depoliticized areas of activity" (de Goede 2005: 2), with major state interventions in financial markets global financial governance has become highly politicised (Germain 2010). The clearest signs of which were the explicit commitments by public actors in international discussions at the Group of 20 and other forums to bring significant shares of global financial market activity under centralised public control in 2008 (Froud *et al* 2012; Véron 2012). Such initiatives evoked the Polanyian "double movement" in which states and public sphere counteract the failures of 'free' markets (Polanyi 1944) and led some scholars to anticipate a possible "Bretton Woods moment" (Helleiner 2010a) in which global financial governance might ultimately return to centralised public command and control.

Despite intergovernmental pledges and continual urgings for fundamental change from civil society (Scholte 2013) global financial governance reform since 2007 has at best been incremental and at worst has reverted to the pre-crisis *status quo* (Deuchars 2010; Engelen *et al* 2011; Dorn 2012; Moschella and Tsingou 2013; Helleiner 2014). While particular financial sectors have witnessed significant extensions of public encroachment

(e.g. Pagliari 2012), a broader Polanyian countermovement or a "Bretton Woods moment" (Helleiner 2010a) has not occurred. To the contrary, the reforms undertaken since 2007 largely tweaked the pre-crisis governance framework, leaving global financial governance significantly reliant on private authority.

In contrast to various existing studies emphasising wider elements of continuity for the persistent reliance on private authority in global financial governance, this dissertation turns the focus *inwards* by interpreting how transnationally operating private actors *themselves* have sought to reconfigure authority since 2007. Numerous *external* dynamics have been identified by scholars seeking to explain the lack of fundamental change in global financial governance, ranging from institutional path dependencies and legacies of earlier reforms (Porter 2011) to regulatory turf wars and interest-based conflicts amongst public actors (Germain 2010; Engelen *et al* 2011). While such studies have provided important insights into the continuing reliance on private authority, the potential of more subtle changes in the identities and self-understandings of the private actors themselves have generated much less attention and remain less well understood despite their importance for legitimising the persistent power of these actors. In investigating how private actors *themselves* have reconfigured the 'technical-market' forms of authority upon which they have long drawn and sought to legitimate their persistent power in the governance of this crucial sector of contemporary activity, the discourses of three intertwined groups of transnational professional actors since 2007 are examined.

Units of analysis

Studies of finance have been criticised for focusing on the roles of only the largest and most prominent private actors, particularly the main global banks (Pagliari and Young 2014: 576). The study investigates a wider range of agents by examining the discourses of three overlapping groups of professional actors that exemplify the interconnections between the public and private spheres of contemporary global financial governance.

A first set of transnational professional actors examined is financial services providers. These include the more familiar accounting firms and credit rating agencies (CRAs) along with what are designated technology, information, and news corporations (TINCs). Despite playing key roles in the maintenance of the global financial system (*Economist* 2013a), the TINCs have been subjected to very mild scholarly scrutiny (a significant exception being Clark *et al* 2004). Meanwhile, existing literature on accounting firms and CRAs has tended to focus on governance standards and "poorly informed and narrow economic or legal accounts" (Paudyn 2014: 10), respectively. The wider impacts of these actors on global financial governance has received limited attention (Greenwood *et al* 2002; Sinclair 2005; Collins *et al* 2009; Suddaby *et al* 2007), and even less so since 2007.

A second category of actors examined is the set of prominent mainstream economists who help to produce and codify technical expert knowledge at the heart of the global financial system. A wide range of commentators, economists included, has placed orthodox economist knowledge at the forefront of blame for the most recent financial crisis (Collander *et al* 2009; Lawson 2009; Rodrik 2009b; Carrick-Hagenbarth and

Epstein 2012; Haldane 2012). Having endured numerous challenges to their authority in the run up to 2007 (e.g. Lawson 2003; Fullbrook 2008), the more recent attempts of orthodox economists to reconfigure their authority provide a second relevant case of the responses of private authorities to the worst financial crisis since the Great Depression. As these actors are of course a broad, heterogeneous group of technically trained individuals, ten of the most prominent mainstream economists are selected for analysis.

The array of advisors that further articulate and extend expert knowledge by consulting both private and public sector actors governing global finance is the third group of private actors examined. The roles of advisory groups in national and local governance has been detailed in sub-fields of political science such as public administration (Saint-Martin 1998) and public policy (Beveridge 2012). Yet the specific roles and significance of *financial* consultants, actuaries and legal groups have generally been overlooked, an oversight addressed by investigating the actors described as “shadow regulators” (Protess and Silver-Greenberg 2013) since the outbreak of the most recent period of crisis.

As “knowledge actors” (Stone 2013) informing the state and market actors that scholarship has long recognised to be at the heart of global financial governance, these interconnected heterogeneous groups of professional actors extend the boundaries of global finance and its governance. Infrequently considered *the* core actors in contemporary finance, the expert knowledge advanced by ‘peripheral’ professional actors nevertheless crucially informs the operations of ‘core’ financial actors such as banks and insurers. For instance, bank assets and liabilities are valued by accounting firms while

technology and data provided by the 'TINCs' enable real-time risk analysis. Meanwhile, the discourses of these 'peripheral' actors serve as entry points for a wider array of topics, assumptions, and practices that are not often articulated in the accepted positions and worldviews at the 'core' of global finance. Beginning with actors that have been linked closer to the core of global finance, and moving over the subsequent chapters to actors that have been left more towards the periphery, this study highlights important roles played by a number of actors that have for the most part not been thoroughly recognised in scholarship, where attention is frequently granted to larger, more prominent entities such as banks or stock markets (e.g. Sinclair and Rethel 2012; Posner, E 2009).

Though examined in separate chapters, overlaps exist between the three sets of actors examined. Most centrally, lawyers, economists, consultants and actuaries are employed by accounting firms, credit rating agencies, and TINCs. The US insurance giant American International Group (AIG) is illustrative of such intersections. The Financial Products division of AIG developed actuarial models that an economist, working as a consultant, "determined with 99.85% confidence" would never lead to insurance losses on securities issued to investors (*Financial Crisis Inquiry Report* 2011: 267). These models and their related collateral requirements were then certified by a large accounting firm that maintained that the risks involved were near "zero" (*ibid*).

While recognising overlaps between the groups of actors examined, this dissertation nevertheless investigates each group individually to underline differences amongst them. A central axis of difference is in their varying degrees of professionalisation, with that of

accounting firms and actuaries remaining far more advanced than that of consultants, CRAs or TINCs. Though the latter remain largely self-regulated, they lack the professional bodies and institutes that characterise the former, whose organisational traits of professionalism are significantly more advanced.

Anglo-American finance

The persistence of national and local idiosyncrasies in international financial markets ensures that there is no one single culture of global finance. While recognising the wider range of cultures within the national and regional systems that make up global finance (Lee and Lounsbury 2004; Kwok and Tadesse 2006), the focus of this dissertation is on actors hailing from what is frequently regarded as the dominant 'Anglo-American'[9] culture of finance (Clark *et al* 2004; Johnson and Kwak 2011: 70; Knox-Hayes 2009; Engelen *et al* 2011). With leading financial actors concentrated in the world's two largest global financial centres at the core of the institutional networks at the heart of global finance, the City of London and Manhattan, British and American financial cultures have exerted significant influences over the broader cultures of global finance (Cassis 2010: 263-268; De Goede 2005; Xinhua-Dow Jones 2014). Despite significant transatlantic differences (e.g. MacKenzie 2005: 561), their largely common conception of markets and their governance, combined with a deep prevalence of financial logics in Anglo-American societies, has been emulated as well as imposed to varying degrees around the world (Epstein 2005; Soederberg 2004).

[9] Although 'Anglo-America' sometimes include Australia, Canada, and New Zealand, this dissertation concentrates on individuals trained and based in as well as firms headquartered in the UK and the US.

Anglo-American financial culture has been widely derided for contributing to and effectively being at the heart of the worst financial crisis since the Great Depression (e.g. Engelen *et al* 2011: 165-166; Helleiner 2009: 20; Roubini 2009). The 'regulatory arbitrage' between the United States (US) and the United Kingdom (UK), along with liberal market values that perpetuated a belief that markets are inherently efficient and contributed to the reliance on private authorities in these jurisdictions, was widely condemned (Baker 2010). This central case study examines how actors hailing from this specific but central culture of finance have sought to reassert authority in a global financial system in which expert knowledge has become less unified and governance increasingly fragmented since 2007 (Helleiner 2009; Rodrik 2009a).

The central argument

From the above discussion, two specific *research sub-questions* emerge:

- How have professional actors based in the UK and US sought to re-establish authority in Anglo-American finance following failures that challenged their long-standing power and legitimacy in the volatile period since 2007?
- How have identities of these private actors been reconfigured and redrawn?

The central thesis advanced is two-pronged. First, the self-legitimation of increasingly explicit identifications by transnationally operating professional actors with systemic macro-level debates has culminated in attempts to reassert 'moral-technical authority' since 2007. In positioning themselves as technical experts in various socio-economic, religious, and ecological issues these private actors have increasingly sought to balance

the pre-crisis stress on cognitive traits of professionalism with normative traits. Second, elements of ideational continuity have constrained such efforts to reconfigure authority by persistently implicating professional actors in instability. Reasserting private authority in times of crisis thereby hinges not solely on more explicit discursive positioning within normative debates but equally upon underlying ideas and values prioritised. This subsection begins by describing how identification with environmental, religious and socio-economic issues exemplifies an enhanced focus on ethics since 2007 before identifying the limits and constraints of an enhanced normative emphasis.

Overtly ethical orientations dwindled in the years preceding the most recent period of crisis. Earlier emphasis "on values of honour, integrity, courtesy, and so on" (Thrift 1994: 342) gave way to what Augur (2008) identified in the *Death of Gentlemanly Capitalism* as an intense stress on aggressive and individualistic short-term profiteering. Though overtly normative moralising persisted (Best 2003), little *explicit* emphasis on ethics remained prior to 2007 (Boatright 2010: 4). Professional actors quite subtly emphasised micro-level ethical issues like conflicts of interest, yet refrained from addressing wider societal concerns in any systematic fashion. A form of 'technical-market authority' was primarily relied upon that abstracted away overt considerations of the underlying liberal market ethics that were effectively prioritised.

Conventional wisdom holds that since the outbreak of the most recent crisis in 2007 Anglo-American finance has persistently backgrounded issues of morality (e.g. Jeffrey Sachs cited in Black 2014; Santoro and Strauss 2012). This assertion is challenged in this

dissertation by exploring how three groups of transnational professional actors have increasingly identified with and granted prominent attention to wider macro-level ethical issues whose very consideration entails taking explicit positions in how the world *should* or *ought* to be. In a first instance, these actors have increasingly engaged the ethical concerns that "are intertwined by definition" (Fang 2014: 1177) with Islamic finance, a niche of global finance overtly striving for "a financial order of greater social justice, based on the principles of equity, mutuality and sustainability" (Rethel 2011: 82). In a second instance, the professional actors examined have increasingly engaged with environmental issues, such as climate change, that are

> full of ethical sentiment ranging from concern for our commitment to those from nations likely to be hit hardest by the effects in the medium-term (e.g. people in low lying areas such as Bangladesh for whom rises in sea level could be catastrophic) through our obligation to future generations and on towards the salvation of humanity from destroying the conditions of its own existence (Brasset and Holmes 2010: 445)

Focusing on UK- and US-based actors, this study therefore builds on literature that has begun to identify increasingly overt associations of such issues with ethics by "Western" actors over the past decade (e.g. Fang and Foucart 2014).

Engagements with these macro-level ethical issues are not merely isolated developments but are rather part of wider focus on morality in Anglo-American finance since 2007. In recent years mainstream financial institutions such as the American Federal Reserve to civil society actors such as the Archbishop of Canterbury (Williams and Elliot 2010)

have decried the "deep-seated cultural and ethical failures at many large financial institutions" and have been "stepping up pressure" (Derby 2013) on financial actors "to improve their ethics and culture" (Chon 2014). The enhanced normative emphasis is starkly illustrated in the numerous out-of-court settlements undertaken between Anglo-American regulators and large financial conglomerates in which the latter have agreed to reform their 'ethical culture' in return for deferred or non-prosecutions of the executives that oversaw the fraudulent behavior at the heart of the most recent crisis (Garrett 2014). Meanwhile, the wider "call to introduce an ethical spirit into the market has provoked a fascinating debate" (Skapinker 2009) in which leading financiers have proposed new moral codes (Green 2009), argued that they are "doing God's work" (Goldman Sachs Chief Executive Officer Blankfein quoted in Phillips 2009), and have "explicitly shifted the conception of finance away from that of a purely 'economic' system (following internal, quasi physical or machinic rules), to that of finance as a social system: to a concept of finance embodying (or abandoning) values and morals" (Cameron *et al* 2011: 129). The financial press have even cited a "steadily swelling numbers of worshippers" to churches in London's financial district as "anecdotal proof, seemingly, that some of the bankers who contributed to the crisis of the past two years are seeking salvation or at least an understanding of their place in the world" (Jenkins 2009).

However, the manners in which financial actors *themselves* have provided an enhanced emphasis on ethics have received little scholarly attention beyond specialised media as well as business and cultural studies not explicitly concerned with the reconfiguration of private authority (e.g. Curtis *et al* 2013; Fuller 2013; Hall and Appleyard 2012). One

exception has been how the justification of self-regulation invoked by financial industry lobbyists in comment letters to regulators have been identified as shifting from an emphasis on narrow "technical mastery" to broader "shared responsibility" (Young 2013: 13). Yet the lack of further scholarly scrutiny of such developments stems in part from long-standing scepticism of efforts by private actors to draw overtly on morality as merely cynical attempts to maximise profits (Wiegratz 2015: 6), the objective widely considered to be the central responsibility of market actors in Anglo-American societies (Friedman 1970). Suspicion of corporate engagement with ethics is widespread as well as long-standing (Jeucken 2001), and succinctly illustrated in the observation of financier-turned-writer Michael Lewis (1989: 215) that "when an investment banker starts talking about principles, he is usually also defending his [sic] interest and that he rarely stakes out the moral high ground unless believes there is gold under his campsite".

Despite the merit of literature sceptical of the engagement of private actors in overtly moral fields (e.g. Parr 2009; Park 2013), purely business cases for integrating ethical issues since 2007 have at best remained weak. Though widely hyped, environmental and religious financial markets have remained relatively small and unprofitable. The appeal of these infant niches as sources of profit (e.g. Groneworld 2009; Zemla 2014) declined markedly following the 2008 American presidential election victory of President Barack Obama, and hopes that institutions adhering to the overtly normative principles of Islamic finance would help to recapitalise crisis-stricken Anglo-American financial systems (Momani 2009). The momentum of these markets was subsequently curtailed after such peaks, amongst others things, by the continual failures of intergovernmental summits to

address climate change through the global integration of environmental finance markets as well by the overall maturation of Islamic financial markets.[10] In regards to "green" financial markets, for instance, political scientist Jason Thistlethwaite (2014: 62) has argued that "market incentives to change practices are contested or uncertain given that climate change impacts are more likely to be materialized in the long term".

Despite such lackluster profit potential, the professional actors examined in this study have persistently engaged with macro-level religious, environmental, and socio-economic issues since 2007. That such issues have *continued* to be emphasised given the lack of major profit opportunities involved illustrates a surprising emphasis on broader collective outcomes, rather than merely greed. The self-legitimation of dispersed but persistent commitments by UK and US-based professional actors to the overtly ethical niches of environmental and Islamic finance are interpreted in this study as shifting 'core' individualistic profit orientated identities towards a wider orientation considering the common good. Such persistent stress on explicitly macro-level ethical issues is understood as a reshaping the central motivations of these private actors away from merely the rationalist pursuit of profit towards greater concerns with legitimacy. While the continued individualist profit orientations of these actors may be stressed in rationalist perspectives, constructivist understandings of their engagement with explicitly normative issues emphasise the overlooked concern with legitimacy. Table 1 below provides a simplified summary of the central theoretical dichotomy expanded upon in this study.

[10] Developments emphasised by the TINCs (e.g. Chestney 2011; Ho 2013; Peters-Stanley *et al* 2011) and confirmed in several confidential interviews with various industry participants (Interviews K, X, Y). A further barrier to Islamic finance has been the negative association of products and practices with word 'sharia' and attempts in at least twenty American states to ban Islamic law (Barba 2011; Murphy 2014).

Table 1: Varying Understandings of Overt Private Actor Engagement with Ethical Issues

	Micro-Level Ethical Issues (objectivity, confidentiality, integrity, independence)	*Macro-Level Ethical Issues (socio-economic, religious, environmental)*
Rationalist	Avoiding regulation, competition	Profit potential
Constructivist	Meaningful identities	Legitimacy

The wider legitimation of enhanced identification with such moral issues is constrained by two central elements of pre-crisis ideational continuity. First, the emphasis on normative traits of professionalism has not entailed comparable changes to cognitive traits of professionalism that have continued to be stressed. Second, integration in explicitly ethical domains reveals that professional UK- and US-based actors have not dissociated from but have persistently prioritised the same set of liberal market values that have long underpinned Anglo-American finance. From market perspectives, these actors have certainly undertaken significant changes in adopting a wider “moral dimension” and identifying with issues “which, at a given moment in time, possess considerable powers of persuasion, striking ideologies, even when they are hostile” (Boltanski and Chiapello 2005: 20). Yet from the perspective of the wider calls since 2007 to rethink and rework the culture and values underpinning Anglo-American financial capitalism, such changes merely culminate in “a new twist” explicitly combining an emphasis on systemic ethical issues with their pre-crisis market values (*ibid*). In their discursive emphasis of moral dimensions professional actors have stopped short of adopting wider alternative values such as equity and social justice or calling for

coordinated public action. Rather the constraints provided by earlier discursive structures entail that these actors have continually stressed the liberal market values that dominated the pre-2007 period and have been implicated in the most recent crisis.

Such elements of ideational continuity in turn challenge attempts by the transnational professional actors examined to widely reassert authority in at least two manners. First, the expert knowledge of these actors continues to be undermined as important but non-liberal factors and processes are overlooked. Second, the authority of these actors is continuously destabilised as they draw overtly moral niches into a volatile global financial system marked by crises of increasing frequency and severity. Balancing cognitive traits of professionalism with an enhanced stress on normative traits may thereby *undermine* rather than *enhance* the private authority of professional actors. The proceeding, penultimate section of this introductory chapter specifies the main contributions, intended audience, and organisation of this study.

Contributions, Intended Audience and Outline

This dissertation proceeds in six subsequent chapters. The following chapter outlines the theory, methods, and data informing this study. A Revised Discursive Institutionalist (RDI) approach is elaborated as an original theoretical perspective addressing the oversight of discourse in 'soft' constructivist approaches by bringing sociological insights on self-identification and self-legitimation together with seemingly opposing 'new institutionalist' and 'hard constructivist' theories. While drawing on the latter, this study does not share poststructural aversion to theorising and, furthermore, seeks to addresses

criticism of interpretive studies[11] taking the "insider view" for "overemphasizing the realm of choice and underemphasizing the realm of constraint" (Hollis and Smith 1990: 206). In revising agency-centric existing discursive institutionalist frameworks, the RDI approach outlined in chapter two stresses how discourses limit the range of ideational elements actors select from and incorporate. The discursive shifts of three interrelated groups of transnational professional actors are then traced through a genealogical analysis whose three main steps are summarised in Table 2 below.

Table 2: Outline of the Three-Step Genealogical Analysis Undertaken

Contribution	*Step One Stage Setting*	*Step Two Tracing Agency*	*Step Three Problematisation*
Objective	Interpreting contestations of actors' authority (versus 'causes')	Understanding efforts to reassert authority (rather than the 'achievement' thereof)	Highlighting contingency of efforts to reassert private authority (not measuring 'success')
Chapter(s)	Three to five	Three to five	Six and seven
Undertaken Through	Synthesis of literature	Original content (interviews, documents)	Original content and research outline
Key Finding	Dissonance between practices and expert identities	Reshaping of actor orientations towards the broader common good	Structural limits of efforts, implication in continued volatility
Implication for Private Authority	'Technical-market' blend undermined	'Moral-technical' blend emphasised	Tensions and instability with 'moral-technical' authority

[11] Studies analysing "the meaning of events" and "acts of interpretation" that "tell agents 'who they are' and 'what they want'" rather than traditional 'who gets what, when, and how' (Widmaier et al 2007: 749).

In a first step, chapters three through five interpret the changing authority of the seven sets of actors examined prior to and since the onset of the most recent period crisis. This investigation of 'technical-market authority' and its contestation outline the conditions that have enabled multiple, dispersed efforts by professional actors to engage systemic ethical issues since 2007. A second step, also undertaken in chapters three through five, traces how the agency exercised by professional actors over multiple episodes in times of instability has culminated in the reconstitution of 'core' identities towards the wider common good. Rather than a single decision to 'go moral', dispersed efforts to reconstitute identities are interpreted as emphasising a combination of 'moral-technical' forms of authority. In a final step, chapter six problematises such attempts to settle identities in unstable times of by highlighting structural constraints limiting the wider reassertion of authority beyond narrow communities of industry actors. Chapter seven concludes by highlighting implications as well as future research avenues opened by the unsettling of efforts by these professional actors to reconfigure authority.

Beyond the specific theoretical contributions associated with the elaboration of an original RDI approach,[12] this dissertation provides a further fourfold contribution to Political Science specifically, and to social science scholarship more generally. First, this study enhances understanding of the changing underpinnings of authority in contemporary governance beyond the state. Knowledge of precisely how forms of power are conferred legitimacy as well as how a range of actors' attempt to assert authority is advanced. In doing so, this study reinforces and expands understanding of how private actors yield authority in contemporary global governance, while contributing to literature

[12] The RDI approach has also been developed by the author in Campbell-Verduyn (2015c).

sceptical of persisting reliance on private authority (Graz and Nölke 2007; Hansen 2008).

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A second contribution of this dissertation is to clarifying the types of and transitions between combinations of private authority. Focusing on attempts to reassert private authority following crises, the study specifies how 'technical-market authority' can be undermined as well as how private actors draw upon alternative combinations of authority in efforts to re-legitimatise their power. This study highlights how, rather than fixed to a single type of authority, different variants are stressed in times of dislocation. A central contribution is therefore elaborating shifts between forms of private authority, specifically how private actors reliant on technical authority increasingly integrate moral forms of authority in times of crisis. In exploring such dynamics, this dissertation builds on and extends what has elsewhere been considered as the "first wave" (Katsikas 2010: 2) of research on private authority.

A third contribution of this dissertation is adding to as well as bringing into conversation a range of literatures and theoretical perspectives from areas of enquiry that, while frequently intersecting, are often compartmentalised and infrequently considered directly alongside one another. Rather than separate subfields of Political Science in which sovereign states are privileged as the central units of analysis, this study understands International Relations (IR) and Global or International Political Economy (G/IPE) to be intertwined inter-disciplines focusing on a broader set of political communities. These wider inter-disciplines have unfolded alongside the more recent rise of Global Governance as yet another inter-discipline focused on a wider range of actors beyond

states. With unsettled boundaries these three interdisciplines are open to theoretical insights from two closely related and overlapping areas of enquiry. This dissertation integrates theoretical insights from another sub-field of Political Science, Public Policy, as well as literature on transnational professionals from economic sociology, that has begun to receive attention in IR, G/IPE, and Global Governance (e.g. McKeen-Edwards and Porter 2013; Henriksen and Seabrooke forthcoming).

The final central contribution of this dissertation is to enhancing a focus on ethics, and scrutinising explicit moral commitments to address global problems. In attempting to build scientifically rigorous objective fields of study in the early post-war period, G/IPE and IR scholarship sought to separate and "purge" (Jackson 1996: 204) explicit normative concerns from empirical considerations (Walker 1993: 61).[13] Responding to recent calls for an enhanced empirical and theoretical recognition of the relevance of morality in political and economy processes (e.g. Fourcade and Woll 2013; Wiegratz 2015), this dissertation contributes to efforts to reconnect with earlier traditions of enquiry that explicitly engaged with ethical issues (e.g. Carr 1962; Bull 1977) as well as to build on more recent scholarship that has maintained an explicit normative focus (e.g. Brassett and Holmes 2010). Although always important to consider, this study suggests that a focus on ethics becomes even more necessary in times of crisis as 'technical-market authority' becomes contested and actors seek to more overtly emphasise their wider moral grounding. Highlighting tensions involved with responding to global problems in such manners, this study contributes to scepticism of the moral commitments of private actors.

[13] Attempts not unique of course to IR, but have characterised the modern social sciences more generally as "the idea evolved that moral commitments factual discourse could be separated" (Bergman 1998: 280).

This study, in sum, provides theoretical and empirical contributions of relevance to a range of scholars. Empirically, it elaborates upon the shifting boundaries of authority in contemporary global governance through a focus on professionals in Anglo-American finance. Theoretically, this dissertation connects perspectives from several disciplines and interdisciplines to expand understandings of the underpinnings of private authority, while also contributing to a renewed focus on morality. This dissertation is therefore pertinent not only to those interested in the particular empirical areas explored but equally for those more widely interested in the responses of private actors to cataclysmic events in crisis-prone fields characterised by private authority. Furthermore, this study will prove insightful for those interested in the specific theoretical approach elaborated in the subsequent chapter, as well as for those more generally concerned with intersections between IR, G/IPE, Global Governance, Public Policy and economic sociology.

Chapter Two- Research Design

This chapter outlines the theoretical approach, central method and sources of data informing the analysis undertaken in this dissertation. The Revised Discursive Institutionalist (RDI) approach brings together seemingly opposing theoretical 'schools' of 'new institutionalism' and 'hard' constructivisms with sociological insights on self-identification and self-legitimation. The approach is distinguished from and improves on the shortcomings of existing discursive institutionalisms by considering discourses as open and changeable structures, rather than as strategic instruments maximising actor interests. Integrating the concept of self-legitimation, the RDI approach focuses on the importance of self-identification while also considering structural constraints on these processes. Crises as equally incorporated as central catalysts of actor-driven endogenous change that can alter actor self-identities.

Although often treated separately, methods are intricately intertwined with theory. The second section of this chapter links the RDI approach with genealogy, a historical method investigating the moral tenets underlying actor identities. Genealogical analysis is outlined as helping to bring an RDI 'into' analysis in at least three manners: first, by incorporating broader notions of discourses as structures, rather than instruments or tools; second, by focusing on the agency of specific actors to settle meaning; and third, by integrating the role for morality in legitimising identities.

The third section of this chapter outlines the textual and verbal sources of data forming the "universe of discourse" (Bell 1991: 10) drawn upon in the proceeding analysis. This

section equally identifies the particular subset of leading mainstream economists trained and based in the US and UK whose output since 2007 is analysed in chapter four.

Prior to proceeding one caveat is necessary to outline. Labels to refer to various theoretical 'schools' and traditions are said to serve important functions "as codes to the reader and as meeting points for theory-building and research programs" (Hansen 2006: 4). However, they inevitably mask nuances within schools of thought that are rarely homogenous or harmonious. For instance, at least seven variants of 'new institutionalisms' have been identified (Peters 1998) while constructivisms have been likened to "a broad church, encompassing a diverse range of positions" (Hay 2002: 208) in which "there may be almost as many variants of it—or at least emphases—as there are practitioners" (Ruggie 1998: 28).[14] In respecting the complexities of various conceptual traditions theoretical approaches are therefore addressed in the plural.

A Revised Discursive Institutional Approach[15]

Integrating insights from 'hard' constructivisms as well as sociological concepts of self-identification and self-legitimation, a RDI framework improves upon the shortcomings of two existing sets of approaches. First, it overcomes assumptions in structural and systemic variants of 'soft' constructivisms that discourses remain "nonessential" (Epstein 2013b: 300) and "should be kept off the agenda" (Fierke 2002: 331). Second, the RDI framework expands the conceptualisation of discourses and the specific actors exercising

[14] With the central axis of differentiation often regarded as between 'hard'- also known as 'critical', 'post-modern', 'radical', and 'thick'- constructivisms versus 'soft' or 'conventional', 'modern', 'middle ground', and 'thin' constructivisms. For a critical overview of these distinctions, see Hynek and Teti (2010).
[15] Portions of this section appeared in Campbell-Verduyn (2015c).

authority elaborated in a set of approaches that includes the "discursive institutional perspective" (Lynggaard 2007) and "constructionist discourse theory" (Kulawik 2009: 265) but that has been grouped together as 'discursive institutionalism'. The basis for elaborating a RDI approach begins with the latter, by moving beyond conceptualisations power as control over others and discourses as instruments that strategically advance some ideas over others (Radaelli and Schmidt 2004: 184; Schmidt 2011: 107).

Discourses in an RDI are considered as open and changeable structures that have the 'power to' constitute the very ideas, interests, and identities of actors. Such ability to discursively change and fix certain meanings from the multitude of available possibilities is regarded as a function of power. Rather than being conceived as "language-in-use" (Chilton 2004) tools to rationally transmit settled ideas in ways that may or may not have influences upon others, discourses in a RDI *always matter* in constituting meaning as well as giving rise to how actors make sense of the world around them and understand their very roles, interests, and possibilities (Ville and Orbie 2013; Watson 1995). Discourses in this approach are thereby regarded less as 'tools' than as the institutional structures that constrain and determine the range of ideas that actors are able to draw upon.

In a RDI approach discourses not only articulate certain ideas and meanings but also constitute specific identities. Following insights from 'hard' constructivisms in which actors are not considered to be separate from ideational realms, the very knowledges and identities that actors possess are always regarded as embedded and "constituted in

discourse" (Bacchi 2009: 22, cited in Lauber and Schenner 2011: 511).[16] Conceived less as rational *homo economicus* than as *homo interpreters*, the identities of actors stem from specific discursive positions (Paul 2009). As discourses are conceived less to be forms of communication reflecting certain ideas than combinations of differential or relational ideas, the very discursive position taken become essential marks of identity (Epstein 2008). Rather than solely as the inherently instrumentalist advantage-maximising identities conceived in 'soft constructivist' and existing discursive institutionalist approaches (Ronnblom and Bacchi 2011),[17] a RDI approach conceives actors as relational 'all the way down' and at their 'core' remain defined vis-à-vis other subjects when discourses are conceived as ensembles of sequences of statements that establish systematic relationships of difference and similarity (Andersen 2003). Such "meaning through difference" is continually produced through forms of "othering" that establish relational distinctions between actors as well as between the previous identities of actors themselves (Ville and Orbie 2013: 6). What can be described as 'discursive identities' then shape the manners through which actors render their world intelligible, producing what they consider to be natural and taken for granted as normal 'common sense' as well as what is considered to be possible and moral. In short, discourses in a RDI are not merely linguistic instruments that communicate and represent ideas, but are rather

[16] Importantly, "[t]he existence of a material world outside discourse is, thus, not denied—what is refuted is the assumption that we can relate to this material world without discourse" (Holzscheiter 2014: 144).
[17] Despite conceiving identities and interests as "deeply socially constructed" (Abdelal *et al* 2010) and considering the possibilities of mutually constituted change in both the identities of agents and structures, 'soft constructivisms' have been "extensively taken to task for deploying a fixed, static conception of identities" (Epstein 2012: 142). The most prominent structural variant of 'soft' constructivism has conceptualised external change as dependent on the existence of "relatively stable" identities (Wendt 1999). In this central variant of 'soft' constructivism identities maintain "a degree of givenness" (Epstein 2013a: 505) in order for theorising to emphasise structure. What has been dubbed "the 'almost' move" in conceptualising identity leads "almost all the way" constructivisms to take as "natural facts or givens" a 'core' identity that is asocial and ultimately not unlike innate rational identities (Mattern 2005: 46).

structures that 'produce' the identities of actors. This broader conceptualisation of discourse contributes to a more balanced focus on structure that had been overlooked in the excessive emphasis on agency in variants of discursive institutionalism (Bell 2011).

Yet a RDI approach does not conceive structures as entirely rigid. Discourses, rather than eternally 'fixed' or 'closed', are understood as open ended, unstable and ultimately contingent. Just as 'hard' constructivists consider residual identities lingering on from attempts to fix meaning through difference, an RDI draws attention to the numerous remaining combinations of relational ideas underpinning left over discourses. As Vucetic (2011: 1300) has noted, "each context is characterised by multiple discourses" in which some dominate and others serve as potential counter-hegemonic challengers. The former are considered in an RDI as constituting 'core' actor identities while the latter linger at a more 'surface' level where they serve as residual constraints. Possibilities nevertheless perpetually exist for those discourses lingering at the 'surface' level to eventually come to underpin 'core' discursive identities.[18] With the dominance of particular discourses informing 'core' identities of actors being ultimately conditional in given contexts and points in time, establishing and maintaining dominance requires continual re-articulations and re-production. As Abdelal *et al* (2010: 14) have asserted, "creating salient identities is an on-going process wherein agents, rather than being socialized into a particular fixed role, are constituted as distinct subjects by their position within a particular discourse and by performing distinct roles within that discourse".

[18] The plural is important to note, as "unified, essential, harmonized, cohesive self as an imaginary construct" (Epstein 2010).

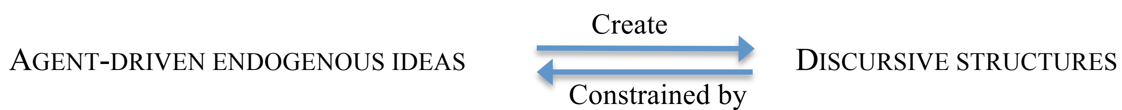
In considering relations between the specific contexts and actors that authoritatively sustain specific discursive identities a RDI approach explicitly conceives the mutual constitution of structures and agents. Authority, as the 'power to' legitimate particular discursive identities while excluding and disqualifying others is not consigned to the broad rationalities and governmentalities that are regarded in 'hard constructivisms' as "permeating the entire social order" (Brush 2003: 25).[19] Rather, authority is considered as held by particular sets of actors operating in and constrained by specific contexts. As previous versions of discursive institutionalism have usefully identified, these 'sentient' actors can be public officials, intellectuals, or even ordinary citizens operating either in loose informal groupings such as knowledge networks or tighter organisations such as citizen juries (Schmidt 2011: 117). To these groups of actors and structures, a RDI adds the agency of firms and specialists operating in a wide variety of professions.

As noted above, existing discursive institutionalisms have been criticised for insufficiently considering structural constraints on agency (e.g. Bell 2011). While existing variants of discursive institutionalism have conceived how structures may ultimately constrain actor-driven change, they have not fully considered how the structures in which these actors operate restrict the initial scope of internal ideational change. Rather than merely constraining the ultimate attainment of wider external change, structures in a RDI are regarded as fundamentally limiting the range of ideational elements actors initially select from and incorporate. Discourses not are only 'used' by agents to criticise the ideas underpinning wider structures, but also structure the very

[19] As one of the "deficits of poststructuralism", Bieler and Morton (2008: 113) criticise the tendency for "refraining from asking the who of power" or focusing on the "direct social agents of relational power".

scope of discursive identities in which agents position themselves (see Figure 2 below). While actors do have the capacity to reflexively alter internal elements of ideas, attempts to do so are limited by the discursive structures from which agents are unable to fully dissociate. As such, the agency exercised by actors in altering their 'core' discursive identities "does not mean that 'everything is possible'" (Krook and True 2010: 109).

Figure 2: The Mutual Constitution of Agents and Structures in a RDI



Processes of legitimation then underscore the mutual constitution of agents and structures as actors seek to legitimate exercises of power within the particular sites and arenas that constrain them. Legitimation is conceived in a RDI approach as a discursive process through which the self-identities of actors become temporarily fixed. While legitimation is inherently social and cannot simply imposed or automatically approved (Reus-Smit 2007), a first step of narrow *internal* self-legitimation precedes attempts to establish wider, *external* acceptability of discursive identities. The endogenous agent-driven ideational change stressed in existing discursive institutionalisms (e.g. Schmidt 2011: 119) is an *initial* stage preceding subsequent broader social legitimation of discursive identities. Prior to contributing to ideational change in wider structures, the ideas underpinning self-identities first must be internally accepted as legitimate by actors themselves. This internal self-legitimation of discursive identities has been identified as occurring through the stories actors tell themselves in placing their identities within broader discursive structures- what sociologists have labelled the "narrative of the self" (Giddens 1991) and what political scientists and IR scholars have identified as the

"justification of themselves" (Barker 2001) and the "biographical narrative" (Steele 2008). As Chilton (2004: 47) has similarly argued,

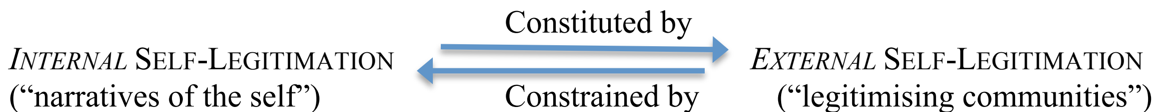
> legitimisation, usually oriented to the self, includes positive self-presentation, manifesting itself in acts of self-praise, self-apology, self-explanation, selfjustification, self-identification as a source of authority, reason, vision and sanity, where the self is either an individual or the group with which an individual identifies or wishes to identify

Such acts, narratives and symbols all help to illustrate the important initial self-legitimation of particular ideas underpinning actors' discursive identities.

Yet despite initially being undertaken internally, self-legitimation remains structurally constrained in at least two manners. First, as emphasised above, discourses produce the identities of actors, rendering the ideas underlying actors' self-identities and those underlying discursive structures two sides of a same coin. Such congruence between self-identities and discursive structures limits the potential failure of processes of self-legitimation. A second way in which structures constrain self-legitimation is by inducing actors to accept only ideas with the potential to permeate the wider structures in which actors operate- from loose groupings, such as the knowledge regimes and epistemic communities, to more specific audiences, like issue forums and citizen juries. *Internal* self-legitimation therefore remains an initial stage in the broader process of fixing the ideas underpinning broader structures. Whether these wider structures are other individuals, tight-knit organisations or broader social institutions, the capacity of ideas to infuse "legitimatising communities" (Symons 2011) influences the *external* self-

legitimation of particular discursive identities. To return to the mutual constitution of actors and their contexts, Figure 3 depicts how broader structures are constituted by agents who are not 'external' but integral to the arenas in which they operate.

Figure 3: Self-Legitimation of Discursive Identities in a Revised Discursive Institutionalist Framework



Lastly, a RDI approach incorporates crises as central catalysts in initiating actor-driven ideational change. Discursive identities, like all identities in 'hard' constructivist perspectives (e.g. Walker 1993: 13), are brittle constructs that remain contingent and vulnerable to actions and events that may undermine and contest temporarily fixed self-understandings. Crises instigate **"**moments of openness**"** (Edkins 1999) revealing dissonance between practices that are incongruent with, and transgress, actors' self-identities (Mattern 2005). Internal crises of self-legitimation may lead to shame and remorse to an extent that openings for transformations of discursive identities can be created (Steele 2008). Crises may thus encourage moments of reflexivity that can lead to endogenously driven changes and initiate processes of discursive legitimation.

The "new spirits of capitalism" detailed by sociologists Luc Boltanski and Eve Chiapello (2005) offer an illustrative example of the crisis-induced actor-driven change that a RDI approach helps to understand. In seeking to maintain authority in periods of instability, actors may draw upon values that are external and alien, and even perhaps hostile, to the

current structures in which they operate. Yet to justify such new values within old discursive structures, the former are given "a new twist… by combining them with the exigency" of the latter (*ibid:* 20). Thus, rather than incorporate wider values "whose legitimacy is guaranteed" what Boltanski and Chiapello (2005) refer to as the process of "acculturation" entails that "new representations are born" from, for example, the combination of existing moral dimensions with the individualistic identities of capitalist discursive structures. Borrowing from external and at times hostile "legitimation principles", agents can seek to tame values critical of capitalist structures, thereby promoting a "new spirit of capitalism" that "incorporates its own critique" (*ibid*: 486).

In sum, a RDI approach is distinguished from and improves on the shortcomings of existing discursive institutionalisms in several manners. First and foremost, a RDI approach considers discourses as open and changeable structures, rather than as simply strategic instruments or tools. Second, a RDI approach is closer to earlier attempts to elaborate a "constructivist institutionalism" (Hay 2006) or a set of "ideational institutionalist" approaches (Hay 2001; Hay and Rosamond 2002) due to its balance of agency-focused discourses with more structural 'hard' constructivist constraints. Third, by integrating concepts of self-legitimation, a RDI approach focuses on the importance of self-identification while also considering the impacts that structures have on these processes. Finally, a RDI approach incorporates crises as central catalysts of actor-driven endogenous change that can alter self-identities. Table 3 below contrasts a RDI approach with the various theoretical perspectives that inform it before proceeding in a following section to detail one manner in which this approach can be brought 'into analysis'.

Table 3: The Central Concepts of a Revised Discursive Institutionalism Compared with Other Approaches

	'Hard' Constructivism	*'Soft' Constructivism*	*New Institutionalisms*	*Discursive Institutionalism*	*Revised Discursive Institutionalism*
Power	Power to; Productive, constitutive	Power to; yet little focus on constitutive, productive	Power over; not constitutive productive	Power over; not constitutive, productive	Power to; Productive, constitutive
Identities	Open and relational, not fixed or innate; can change	Open and can change yet not 'all the way down' past rational core, corporate identity	Negotiated in institutions yet rationalist core	Not solely rationalist, yet not 'all the way down' past rationalist core	Identities relational 'all the way down' past rational 'core'
Discourse	Structures knowledge, legitimises agency	Mentioned yet not integral; a tool employed by states, elite actors	Neither stressed nor integral	Strategic weapons 'used' to transmit and communicate ideas	Shape actors' self-understandings of their roles and interests
Agency	Lack of specification of agents and sites where power exercised and articulated	Limited range of actors exercising agency (states, elites)	Specifying arenas, sites where authority exercised; focus on structure	Specifies entities, micro-level settings where interests and values re-negotiated	Wide range of actors exercise agency to legitimate discursive identities
Crises	Expose identities, induce revision, change	Not stressed or integral	Focus on external rather than internal shocks	Internal crises; endogenous change	Central in initiating internal change

Sources: Abdelal *et al* (2010); Campbell (1992); Epstein (2008, 2012, 2013a); Hay (2002); Hansen (2006); Mattern (2005); Peters (1998); Ruggie (1998); Schmidt (2008, 2010, 2011); Walker (1993); Wendt (1999).

Bringing a RDI 'into analysis'

Discursive institutionalist studies have hitherto relied on standard qualitative social science strategies such as process tracing and frame analysis (e.g. Lauber and Schenner 2011). Two alternative directions could be taken to expand upon this limited methodological toolkit. In a first, quantitative research strategies could be adopted (e.g.

Young 2013, Green 2014). However, periods of crisis are, as Johnson *et al* (2013: 1014) warn, less amenable to quantitative treatment and best researchable through qualitative methods. Yet existing discursive institutionalist studies have refrained from engaging with the wider range of qualitative research methods that have increasingly been considered as appropriate for "what counts as legitimate scholarly activity" (Price 1995: 103) or 'respectable' social science enquiry (Packer 2011). This restrained scope of enquiry stems in part from instrumentalist conceptualisations in which discourse is merely one variable amongst numerous other factors that may or may not be of relevance for explaining the success of actors' strategic pursuit of fixed preferences. A second direction for expanding the methodological toolkit of discursive institutionalisms would be to integrate with post-positivist research strategies. This dissertation takes this second path by engaging with the post-positivist historical research strategy known as genealogy to highlight one manner of bringing a RDI approach 'into analysis'.

Genealogy

What precisely is involved with genealogical research and how it differs from as well as overlaps with standard positivist social science methods has been the subject of debate and confusion (Vucetic 2011). The critique of the supposed rational origins of morals in the dissertation of German philosopher Friedrich Nietzsche initially developed genealogy as a research strategy. Genealogy was, however, only popularised and refined a century hence through the historical studies of madness, punishment, and sexuality by French philosopher Michel Foucault (e.g. Foucault 1977). Though even Foucault "never provided a comprehensive description" (Flyvbjerg 2001: 119) of this research strategy,

his studies nevertheless inspired further genealogies of gender, sexuality, and race. A recent review of the method, however, notes how scholars have tended to "to provide no more than a couple of paragraphs on their research tool of choice" while genealogy is rarely more generally discussed (Vucetic 2011: 1296; though exceptions include Hansen 2006, 2011: 171-172; Klotz and Lynch 2007: 30-37).

The roots of the word genealogy stem from the combination of the Greek 'genea' and 'logos', referring to family and knowledge, respectively (Packer 2011). This linguistic background is important to note as genealogy can be broadly very conceived as the mapping of acceptable knowledges. More specifically genealogical analysis can be defined as the historical tracing of discursive (dis)continuities in the constitution of identities. Rather than assuming that subject meanings inevitably evolve in linear, logical, natural, rational, or progressive manners, genealogical analysis investigates piecemeal and accidental identity productions at various moments, episodes, and conjunctures (Klotz and Lynch 2007). Unlike historical analyses that seek to uncover singular origins and explanations of events or examine discourses by focusing on single snapshots in time, genealogy connects how historical stabilisations of discourses over multiple episodes of conflict and discovery culminate in the formation of contemporary identities (Wickham and Kendall 1999). Genealogies thus highlight how identity production is neither inevitable nor rational, but rather accidental and unintended.

Genealogical analysis differs from standard positivist social science methods in at least four manners. First, the method is less concerned with the causal origins of "what

happened and why?" than with interpreting how certain phenomena came about or what conditions made this possible (Vucetic 2011: 1303). Rather than offering one 'correct' version of history, genealogy emphasises multiple conjunctures in which contestations over meanings have been settled (Klotz and Lynch 2007). Second, in genealogical analysis there is no intention of predicting or extrapolating from the past in order to predict the future. Genealogy focuses on how small changes "always combine in unpredictable ways" and lead to larger changes (Walters 2000: 10) as well as how "what happens to 'exist' is a matter of division and rearrangement throughout history" (Bartelson 1995: 75). Third, genealogies do not attempt to rigorously test or verify empirical truths. Rather it is an expressively political form of analysis that seeks to undermine and unsettle truths in order to reveal their historical and cultural contingency (Andersen 2003). That this research strategy does not portend to be objective is perhaps the central characteristic distinguishing genealogy from positivist research strategies. Genealogical analysis actively seeks to interfere with and disturb its objects of study. By highlighting the contingency of artificially settled identities genealogies illustrate openings for alternative conceptions (Milliken 1999: 243; Walters 2000: 10-11; Flyvbjerg 2001: 113-115; Andersen 2003: 17-23). Genealogy is a method that seeks to contest, challenge, unsettle, and denaturalise accepted and unquestioned understandings of subject meanings by highlighting their conflictual past and revealing how accepted meanings are historically and culturally contingent (Wickham and Kendall 1999; Andersen 2003; Jackson 2006: 73). In illustrating how meanings are tenuous and insecure, genealogy draws attention to the diversity of alternative meanings that have been subjugated by dominant understandings (Klotz and Lynch 2007). The ultimate goal of the method is

thus to open up the possibility for other meanings and alternative conceptualisations of identity (de Goede 2003). Put differently, "by demonstrating the contingent character of those institutions and practices that traditional history exhibits as unchanging, genealogy creates the possibility of altering them" (Flyvberg 2001: 115). In 'diagnosing' how important hegemonic meanings were established at particular ruptures genealogy therefore challenges "the way the present recognizes itself" (Andersen 2003). In short, genealogical analysis does not portend to be neutral, but rather seeks to reveal the manners in which supposedly objective truths mask specific ethical values (Vucetic 2011).

Despite such differences with positivist methods, genealogy can partially also be conceived as overlapping in with positivist methods. A recent review of the method noted the potential of genealogy to yield "more complete causal inference" had granted it wide applicability "in line with traditional social science and its methodologies" (Vucetic 2011: 1312). With its focus on unintended consequences and ruptures, genealogical analysis has, for instance, been likened to forms of process tracing and historical institutionalism (Klotz and Lynch 2007; Vucetic 2011). Moreover this historical research method has been incorporated into both positivist and post-positivist studies. Though genealogy has remained confined to post-positivist studies in G/IPE (e.g. Walters 2000; de Goede 2005; Aitken 2006a, 2006b), as it initially did in IR (e.g. Der Derian 1987; Campbell 1992; Bartelson 1995), genealogies have been central to a number of prominent positivist IR studies (e.g. Price 1995, 1997; Jackson 2006). This dissertation extends these efforts to link positivist and post-positivist studies. In doing so the objective

is not to attempt to accomplish any 'grand synthesis' of positivism and post-positivism but merely to highlight how post-positivist research strategies can fruitfully expand discursive institutionalist approaches.

Genealogy and a RDI approach

A genealogy helps to bring a RDI 'into analysis' in at least three manners. First, genealogies support the move beyond instrumentalist notions of discourse by integrating constitutive and productive forms of power. Genealogies are historical investigations of the accidental and piecemeal development of discourses over time that problematise meanings and knowledges that are hidden, masked or accepted as givens (Flyvbjerg 2001). Rather than assuming that discourses are settled tools 'used' by rational actors, genealogies help reveal how discourses structure and produce the identities.

Secondly, genealogies counter the determinism of new institutional approaches by focusing on the agency of specific actors who contribute to accidental, contingent, and unintended shifts in discursive identities. Rather than assuming logical continuities in the historical evolution of discursive identities, genealogical analysis exposes the agency exercised by specific actors in attempting to settle contentious meanings at particular moments of dislocation and discontinuity (Klotz and Lynch 2007). Through this, genealogy usefully locates "history where it is not expected to be—within moral institutions and practices that are usually thought to be exempt from the contingencies of historical tangles" (Price 1995: 87). The method thereby usefully moves beyond the sole traditional analysis of units such as states to examine "multiple sites of power" (*ibid*: 88)

without necessarily focusing on broad "trans-historical or essential structures, epochs, or social forces, be these Capital, The State, The Economy, or Modernity" (Walters 2000: 10). Rather genealogies seek to "identify institutional locations where debates about the subject in question take place and then scrutinizes those debates in an effort to ferret out the important moment of transition and lines of argumentation" (Jackson 2006: 75).

Yet genealogical analysis also recognises that the exercise of agency in settling particular meanings at specific moments may ultimately result in different discursive identities than 'sentient' actors originally had sought. As meaning is never fully settled, "the marriage of chance occurrences, fortuitous connections, and reinterpretations" may lead discursive identities to "often change in such a way that they come to embody values different from those that animated their origins" (Price 1995: 86). Genealogies, however, are sensitive to the potentially different meanings that arise from attempts by particular actors at specific ruptures to close off conflicts and contestations over meanings (Jackson 2006). As it "is especially efficient in demonstrating ruptures and leaps in the evolution of meanings" (Pouliot 2007: 373) genealogy can contribute to a RDI analysis by revealing more subtle discursive shifts while also attributing these altered conceptions to actors operating at specific sites and locations (Jackson 2006: 75; Ville and Orbie 2013).

Finally, genealogies help to bring a RDI approach 'into analysis' through a focus on the role of morality in legitimising particular identities while delegitimising others. German sociologist Jörg Bergmann (1998: 285) argues that "[i]n dealing with discourse we are obviously always dealing with morality too". Nietzsche initially developed genealogy as

"a method specifically concerned with interpreting the origins of moral interpretations" (Price 1995: 86). In this method the morality underpinning identities is not taken to be necessarily progressive. Rather, genealogy analysis examines the particular morals promoted through specific meanings and their role in helping to legitimise certain discursive identities above others.

In short, genealogical analysis helps to bring an RDI 'into analysis' by incorporating broader notions of discourse, by focusing on the agency of specific actors to settle meaning, and by integrating a role for morality in legitimising identities. A RDI brought 'into analysis' through a genealogical strategy is useful for investigating the shifting moral tenets underlying the discursive identities of actors, particularly those driving accumulation in increasingly crisis-plagued contemporary capitalist societies (Boltanski and Chiapello 2005: 486). This method in the final instance helps to achieve the overriding goal of enhancing scholarly understanding how private actors attempt to reassert authority in periods of crisis.

Data

A genealogical analysis requires a wide variety of detailed sources (Klotz and Lynch 2007). This section elucidates the textual and verbal material forming the "universe of discourse" (Bell 1991: 10) upon which the proceeding analysis is based.

Textual Sources

The corpus of texts analysed in this study stem from three orders of discourse (Fairclough 1989). Lightly institutionalised discourses were located in primary documents consisting of official press releases and statements, annual and quarterly reports, communication booklets, newsletters, policy papers, published interviews, and other publications from the websites of actors examined. These official documents are listed in Appendix G.

More institutionalised discourses were located in documents of organisations involved in the governance of the three groups of actors examined. These institutions are the sites where firm-specific discourses are explicitly articulated, mediated, and re-produced industry-wide. They comprise private professional associations, such as the International Actuarial Association; key public regulatory agencies like the US Office of Credit Ratings; and hybrid organisations such as International Accounting Standards Board. The secondary documents consulted are listed in Appendix G.

A third set of documents further broadened the analytical scope by including relevant scholarly studies as well as journalistic reports from general press outlets such the *New York Times* and *The Guardian*; more specialised business media outlets such as *The Economist*, *Financial Times*, *Bloomberg Businessweek*, and *The Wall Street Journal*; as well as trade the publications *Accountancy Age*, *The Actuary*, and *The Lawyer*. Specific media documents are listed in Appendix H; scholarly sources in the bibliography.

Verbal Sources

This study is also informed by twenty-seven one-on-one interviews that were conducted with professionals in the financial services industry over four months between April 2014 and August 2014 (see Appendix D for a list). These interviews filled gaps in official documentation and corroborate the accuracy of previously collected sources. To maintain anonymity, alphabetic letters are used to refer to interviewees.

As neatly constructed and publicly available lists of such individuals did not exist interviewees were identified using a combination of reputational and snowball sampling. Non-probabilistic sampling techniques were employed as the objective for conducting in-depth interviews was not to make broadly generalisable claims. A project-specific list of interviewees was compiled by identifying an initial subset of respondents based on their relevance to the industries selected. Prospective interviewees were identified in the first instance through public websites and news accounts examining the financial industry. There was no prior relationship between the investigator and potential participants. As more dated sources contained the names of individuals no longer working for the organisations targeted, a number of former employees were also contacted.

Prospective interviewees were contacted directly via e-mail and telephone. Individuals whose email or telephone contact was not available were contacted through the general online message boards of specific organisations or via private messages on the professional social network LinkedIn. A recruitment text focused on the benefits of participating (see Appendix A). Two letters in English were then provided by email when

prospective participants demonstrated interest in participation. A first letter informed prospective interviewees of the range of topics and questions that the interview would cover (see Appendix B) while a second letter detailed more practical issues, including consent (see Appendix C). Finally, a referral process through the snowball technique was initiated at the end of the interviews. Participants were asked to recommend additional individuals for the purposes of securing further interviews following the snowball recruitment technique. However, in order to remain within the parameters of the study and to steer referrals away from irrelevant recommendations, the interviewee sample was only extended following careful assessment of the usefulness of each referral.

Interviews were conducted on a semi-structured basis in English, the *lingua franca* of the Anglo-American financial services industry. Interviewees were invited to designate a suitable time and location of their choosing for the interview. Three interviews were conducted in person and twenty-four were conducted over the phone and Skype. A blend of opened-ended and close-ended queries sought to focus interviewees while at the same time leaving a measured degree of space for in-depth reflection (see Appendix B). The interviews conducted lasted between thirty and sixty minutes. Interviews were recorded through an audiotape and supplemented by handwritten notes.

Although 'everyday' personnel of the organisations of interest were targeted, lower echelons of organisations targeted did not frequently respond to interview requests. As such, for the most part interviewees consisted of executives such as directors and chairmen as well as mid-level managers and partners. As men have dominated these

echelons of the financial services industry as well as the organisations overseeing its governance, males formed the vast majority of elite interviewees. Interviewees were predominantly located in the key financial and government centers of Washington, New York City, and London. Although the research focused on 'Anglo-American' finance, interviewees were not solely British and American citizens, but rather individuals whose training and work affiliates them with Anglo-American financial culture. In other words, individuals were not always born in the UK or US, but had participated in its culture. Such outsider views provided beneficial perspectives.

Finally, some professions were much more open to interview requests than others. Individuals in the legal, actuarial, and accounting professions formed the majority of the interviewees as those in the consultancy, credit rating, and TINC industry were much more hesitant to participate in interviews (see Appendix E for the total number of interviewees per profession). This hesitancy stems in the case of the credit rating industry from on-going lawsuits related to the financial crisis, and in the case of the TINC and consulting industries from the general perception that opinions and insights are valuable commodities to be sold rather than 'given away' without compensation. As a result, the analysis of these latter actors relied much more on available documentation.

Leading Orthodox Anglo-American Economists[20]

As more than sufficient data was available, economists were not targeted for interviews. Rather than undertaking the nearly impossible task of tracing the responses of all orthodox economists to the contestation of their authority since 2007, a specific subset of

[20] This subsection draws on Campbell-Verduyn (2014b).

the most prominent economists trained and based in the UK or US was selected. Determining the most prominent Anglo-American economists is certainly much less straightforward than identifying the leading firms in a given industry, a task which could be completed, for instance, through a simply analysis of market shares. As classifications of leading economists moreover are inherently subjective, the ten individuals listed in Appendix F should be considered as merely one particular subset rather than the most scientifically representative group of prominent UK- and US-based economists.

To be considered amongst the leading Anglo-American economists since the outbreak of the most recent financial crisis individuals have had to remain active in publishing, researching, and public commentary in positions as academics, chief economists, or representative of international organisations such as the International Monetary Fund (IMF) or World Bank. These central criteria therefore excluded notable deceased economists like Milton Friedman or Hyman Minsky, in addition to economists such as Robert Merton whose output has declined over the recent half-decade due to retirement or, in the case of academic economists, having attained the status of professor emeriti.

Four types of sources were consulted in identifying a particular subset of prominent Anglo-American economists. First, was a list of leading economists produced from a questionnaire conducted by the *Economist* (2011) magazine that had asked a variety of economists which of their colleagues they believed had been most influential since 2007. Second, were two edited volumes on ‘eminent economists’ (Samuelson and Barnett 2007; Szenberg and Ramrattan 2014) as well as the IMF’s *People in Economics* interviews that

since 2007 have profiled “prominent figures in the fields of economics and finance”.[21] Third, were the rankings of economists at IDEAS, “the largest bibliographic database dedicated to Economics”, hosted by the Federal Reserve Bank of St. Louis.[22] A half-dozen IDEAS rankings of the top ten per cent of economists overall, in the UK, in the US, as well as in finance were consulted in December 2013. A final ranking, *Bloomberg*’s 2013 “Most Influential People in Global Finance”, was consulted to help identify leading economists in this specific sector of economic activity.[23]

In addition to a scarcity of top female economists,[24] these sources revealed that British economists have been of far less prominence than their American counterparts since 2007. This discrepancy stems not only from the larger overall number of Americans and American economists, but also from the historically distinct roles that economists have played on either side of the Atlantic. With the significant exception of Keynes, British economists have tended to refrain from the role of “popular expert and prophet” that economists such as Friedman to Galbraith have fulfilled in the US (Parsons 1989: 114; see for instance Sobel 1980). Indeed, Keynes (1963: 373) himself is said to have preferred economists to be more like dentists than prominent public commentators. Nevertheless, one British economist that has been considered a “tremendous thinker” (Interview Y) and “key figure” (Cassidy 2014) since 2007, Andrew Haldane, was included in the subset of leading economists considered in this dissertation.

21 <http://www.imf.org/external/pubs/ft/fandd/people/>
22 <http://ideas.repec.org/top/top.person.all.html>
[23] <http://topics.bloomberg.com/the-50-most-influential-people-in-global-finance/>
[24] Though considered the “queen of the social sciences” (Mäki 2002), economics has long been dominated by men. The all-male selection of top orthodox economists undertaken here is intended neither to reproduce the gender gap in economics nor to overlook the significant contributions of prominent female economists such as Laura Tyson or Janet Yellen. Rather the absence of women reflects the wider gender disparities that have long existed in the economics profession (e.g. Jonung and Ståhlberg 2008; McElroy 2013).

The selection of prominent orthodox economists also sought to include a balance of individuals from opposing ends of the standard political spectrum. The inclusion of leading 'right-wing', conservative economists such as Gregory Mankiw, Robert Lucas Jr., and Kenneth Rogoff, is balanced with more progressive, 'left-wing' economists like Joseph Stiglitz, Andrew Haldane, Lawrence Summers, and Paul Krugman who have long been more sceptical of markets. The latter are often considered "radical" (Erturk *et al* 2011) and even regard themselves to be heretical rebels, opposing what they view to be the professional mainstream (Gay 2013; Engelen *et al* 2011: 102; e.g. Krugman 1996). Yet to the even more radical 'non-neoclassical' minority such individuals are located firmly in the disciplinary mainstream alongside their more rigorously pro-market colleagues (e.g. Keen 2011).[25]

The output of these prominent economists that was analysed included books and academic articles along with shorter commentaries and editorials published over the past decade. Though leading Anglo-American economists of an earlier era such as Ricardo had been prolific journalists (Parsons 1989: 18), contemporary economists have more recently taken to blogging, with major exchanges of ideas now take place online (McKenzie and Ozler 2011).[26] Discussions in these forums, however, were not analysed as besides the popular *Conscience of a Liberal* blog by Paul Krugman and the novelty of

[25] 'Orthodox' and 'heterodox' are of course highly imprecise binary terms to describe the continually changing divide between what can otherwise be labelled as mainstream and non-mainstream economists (see Berrett 2011a for a critique). Economists currently considered to be in the mainstream subscribe to theories and utilise methods that were once considered to be on the margins of their profession (Engelen *et al* 2011: 98). For overviews of shifts in ideas of heterodox economists see Lee (2009) and of orthodox economists see Chwieroth (2010).
[26] See for example the on-going debate over 'secular stagnation' (Cohen-Setton 2015).

the blog of former Federal Reserve Chairman Ben Bernanke, most economist blogs capture only a very narrow, specialised audiences (Moldovan 2013). By contrast, most prominent economists publish regular shorter articles in, and are interviewed by, mass media outlets whose wider audiences attain a much wider influence. Nevertheless, slightly more specialised commentary of prominent economists published in what can be considered as 'middle ground' outlets such as *Project Syndicate* and *VoxEU* were also analysed.[27] In the final instance, book-length commentary (Shiller 2010; Greenspan 2013) as well as output in scholarly journal articles (Mankiw 2013a) were also analysed.

Chapter Summary

This chapter began by detailing the central theory informing the analysis undertaken in this dissertation. A RDI approach improves upon existing discursive institutionalisms by combining 'hard' constructivist conceptualisations of power and identity with a 'new institutionalist' focus on specific sites and actors exercising authority while also emphasising the importance of legitimation and crises. The suitability of a genealogical analysis for bringing a RDI approach 'into analysis' was elaborated before the sources of data gathered to inform the analysis undertaken. The following three chapters proceed to trace the shifting underpinnings of the authority of the three groups of transnational professional actors in Anglo-American finance.

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27 Described as "the world's opinion page", *Project Syndicate* provides "original, engaging, and thought-provoking commentaries by global leaders and thinkers" in monthly columns on international economics and finance that are then distributed to media outlets worldwide (http://www.project-syndicate.org/syndication). The more specialised *Vox EU* is 'a policy portal' run by the Centre for Economic Policy Research to promote "research-based policy analysis and commentary by leading economists". Its audience consists primarily of "economists in governments, international organisations, academia and the private sector as well as journalists specializing in economics, finance and business" (http://www.voxeu.org/pages/about-vox).

Chapter Three: Financial Services Providers[28]

This first empirical chapter explores the shifting authority of three sets of private actors that provide financial services to the public and private entities long regarded as central to Anglo-American finance. Despite frequently supplying knowledge underlying the academic analysis of actors such as banks and their multiple regulatory agencies, the financial services providers examined in this chapter are not often considered to be at the heart of either global or Anglo-American finance. However, along with other technologically savvy actors, the latter have been slated to become of greater value and importance to global finance in the coming decade than traditional financial actors such as banks or stock markets (Fine and Whyte 2013: 4).

Each section of this chapter begins with an analysis of two sets of actors familiar to scholars of IR, G/IPE and Global Governance. As noted in the introductory chapter, the major UK- and US-based accounting firms and credit rating agencies (CRAs), have received substantial attention in specialised mass media as well as scholarship. Despite this, these actors often remain at the boundaries of what are considered to the central players in Anglo-American and global finance. The sections of this chapter finish by tracing the changing authority of a much less familiar set of actors, the technology, information, and news corporations (TINCs).[29]

[28] Portions of this chapter have appeared in Campbell-Verduyn (2013, 2014a, 2014b, 2014c) as well as in Campbell-Verduyn and Porter (2014).
[29] While considered for the most part separately, institutional linkages between these three groups of financial services providers do exist. S&P Dow Jones indices is an example of a joint venture established in 2012 by a leading CRA and a major TINC. More widely, information and knowledge developed by one financial service provider is often used and incorporated by others, for an example see Hiss (2013).

This chapter is divided in four sections. A first section highlights how the leading firms in each group of actors derived 'technical-market authority' in pre-crisis Anglo-American finance from explicit self-identification with cognitive traits of professionalism that backgrounded their prioritisation of liberal market values. Such associations produced the discursive identities of these actors as neutral, unbiased suppliers of financial services. A second section illustrates the incongruence of such discursive identities with failures of these actors to provide expert objective services in the period of economic instability that began with the outbreak of financial crisis. A third section traces the various dispersed engagements by leading Anglo-American firms in each of these groups of financial services providers with discursive fields that consider systemic macro-level ethical issues. How the self-legitimation of enhanced identifications with normative fields reconstitutes discursive identities in times of dislocation and culminates in unintended attempts to reassert 'moral-technical authority' are explored in this penultimate section before a final section summarises and concludes.

The Pre-Crisis Authority of Financial Services Providers

This section argues that leading Anglo-American firms in each group of actors examined maintained 'technical-market authority' in the pre-crisis period by explicitly identifying with cognitive traits of professionalism and backgrounding normative orientations.

Credit Rating Agencies

Major failures by the CRAs occurred approximately every three years in the twenty-two years preceding the most recent financial crisis (Sy 2009). Prior to the outbreak of the

Asian Financial Crisis in the late 1990s the leading CRAs granted top ratings to a number of East Asian governments while early in the new millennium these firms provided both Enron and WorldCom with the highest ratings just days prior to their respective meltdowns. Despite continual failures, these actors managed to retain authority into the years leading up to the most recent financial crisis. This subsection illustrates how the authority of these firms was underpinned by explicit self-identification with cognitive traits of professionalism that produced the discursive identities as unbiased and technical providers of financial services.

Leading CRAs long asserted expert knowledge in examining intricate sets of data that produced simple to understand outputs known as credit ratings. The earliest CRAs originated as information reporting service providers in nineteenth century American corporate bond markets (Sylla 2001). Yet with corporate financing increasingly occurring in capital markets rather than through banks in twentieth century America, the forerunners of the main contemporary CRAs, Moody's Investor Services (Moody's) and Standard and Poor's (S&P), came to fill the role of risk judgement intermediaries between creditors and debtors. In this changing financing environment CRAs were able to leverage their information gathering and analytic capacities by positioning themselves as neutral and objective information arbitrators between borrowers and lenders (Rousseau 2006). Using graded alphanumeric rankings, these actors informed investors of the likely capacity and willingness of debtors to service and repay their debts, as well as the overall

possibilities that borrowers might default on their obligations.[30] As information service providers offering assessments of default risks therefore CRAs positioned themselves as neutral middlemen resolving "information asymmetries between investors and issuers of bonds" (Brummer and Loko 2014: 155).

Discursive identities as unbiased technical financial services providers were subsequently maintained as the CRAs claimed *exclusive* expert knowledge to gather, process, and output measures of default risks. Each CRA asserted that its assessments were "unique" (Archer *et al* 2007: 343), "superior", and "more accurate" (*ibid*: 347) than those of its rivals. These actors also went to great lengths to mystify the precise compositions of credit ratings. The ingredients and weights granted to different variables in determining credit ratings remained closely guarded corporate secrets.[31] While combinations of various political and economic considerations were conceded as factoring into rating formulas, the precise variables as well as the degrees to which each factor was weighed relative to one others over certain periods of time remained unspecified (Archer *et al* 2007; Langohr and Langohr 2008; White 2010). The leading CRAs, as a leading observer put it, did "not invite public dialog, debate, or democratic deliberation" (Sinclair 2005: 66), but rather based their authority on claims to the possession of expert knowledge.

[30] Definitions of what precisely constitutes formal debt defaults have varied, with some considering default to be a failure to honour interest payments and others disputing whether a small delay in debt repayment constitutes a full default, see for instance Ang and Patel (1975).
[31] Biglaiser and DeRouen (2007: 122) note "the secrecy surrounding how bond ratings are determined" as well as that the "specific details about how the categories and subcategories are weighted and determined are proprietary information" (125). Archer *et al* (2007: 347) have supported such claims, noting that the weighing of political and economic categories and subcategories relative to other variables are "not explicit". Meanwhile, Fight (1999: 109) has claimed that "none of the agencies explain how [these different variables] are reconciled".

Despite the emphasis on cognitive traits of professionalism, the authority of the large CRAs prior to 2007 was equally based on identification, emphasised primarily by outsiders, with normative traits. As analysts of the risks involved with investments, the CRAs came to be widely regarded as fulfilling an important public service in Anglo-American societies that had become increasingly financialised (Epstein 2005; Krippner 2005). To the extent that they conveyed reliable and accurate assessments of investment risk, credit ratings were of value to investors in the growing aggregate levels of debt being issued in the UK and US as financing increasingly took place through capital markets, rather than through banks (Biglaiser 2011). In the 1970s as the CRAs reversed their income streams by charging debt issuers rather than subscribers ratings became freely disseminated to the wider investing public, a change praised as a valuable public service. Along with these wider social roles, the criteria underpinning CRAs categories of creditworthiness drew on particular moral standards (Pollilo 2011). Yet CRAs themselves nevertheless continued stress the technical aspects of their default assessments, shunning discourses that integrated macro-level ethical issues prior to the crisis. Though they fulfilled normative traits of professionalism, self-identification with cognitive traits of professionalism produced discursive identities of these actors as neutral and unbiased providers of financial services.

Accounting firms

While not imperilling the survival of the major CRAs, the aforementioned Enron and Worldcom bankruptcies did lead to the demise of a major American accounting firm and "chastised" the accounting profession as a whole (Shiller 2012: 144). The remaining

three[32] Anglo-American accounting firms not only survived but retained authority in the years preceding 2007. Their authority was primarily underpinned, this subsection argues, by explicit self-identification with cognitive claims to professionalism. Such association, produced the discursive identities of these actors as expert providers of technical services.

Accounting can be broadly defined as the valuation of economic activity and wealth based on comparisons of expenditures and revenues. Valuations in accounting and the closely related practice of auditing[33] have long been presented as merely technical, scientific procedures for capturing complex issues in numerical ratios that attach meanings to various assets and liabilities. The possession of expert knowledge in legitimating wealth and economic activity inform the discursive identities of accounting firms as neutral providers of "complex expert services that are virtually impossible for a layperson to evaluate" (Brooks 2001: 92).

Yet the authority of these private actors in the pre-crisis period also derived in part from the emphasis by outside observers on normative traits of professionalism. Accounting firms were praised for presenting and testifying to the broader public the financial condition of their clients (Heath 2010). Providing supposedly objective indications of the financial status and value of their clients, accounting firms navigated between "two masters" (Coffee 2006: 103), the general public and the managers of firms. As a result accounting firms were long regarded as fulfilling a broader public good. As leading

[32] The fourth large global accounting firm, KPMG, is based in the Netherlands and excluded form this analysis. The fourth largest Anglo-American accounting firm, Grant Thornton, has revenues less than a quarter of those of the Big Four (*Accountancy Age* 2013).
[33] Historically one of the primary functions and income sources of accounting firms, auditing is more thoroughly analysed elsewhere (e.g. Deuchars 2010).

economist Shiller (2012: 142-4) put it, “the accounting industry does have a reliable sense of professional ethics, which it imparts to its members and which forms the backbone of our system of financial capitalism”. This outside identification with the provision of public good, however, was for the most part backgrounded by the accounting firms themselves who in the pre-crisis period largely emphasised their technical expert knowledge capacities, though professional accounting organisations did emphasise micro-level ethical values such as objectivity, confidentiality, integrity, and independence from clients (e.g. *International Federation of Accountants* 2005). The self-identification with cognitive above normative traits of professionalism in turn produced discursive identities of these firms as neutral and unbiased suppliers of financial services.

Technology, information, and news corporations

Like the major American CRAs and Anglo-American accounting firms, the first UK- and US- based TINCs, Dow Jones and Reuters, endured and indeed thrived through numerous crises and scandals since their establishment in the nineteenth century (Read 1999). Provision of erroneous information and analysis in pre-2007 scandals including the Enron and WorldCom bankruptcies as well as earlier crises such as the Asian Financial Crisis led “an increasing number of observers to question the quality of the economic data” supplied by the TINCs (Rothkopf 1999: 96). While damaged, the expert authority of the major Anglo-American TINCs was not entirely undermined. Rather, the authority of these actors persisted well into the early years of the new millennium. As the sole academic analysis focused on these private actors noted, the Anglo-American TINCs “have survived the extraordinary upheavals and state of flux which have characterized the

contemporary media and information markets" (Craig 2001: 8). In this subsection the survival of the TINCs is once again attributed to their self-identification with cognitive traits of professionalism that produced the discursive identities as expert providers of technical financial services.

Explicit self-identification with cognitive traits of professionalism underpinned the authority of the largest Anglo-American TINCs prior to 2007. Not unlike the other providers of financial services examined in this chapter, the TINCs claimed to exclusively possess the technical expert knowledge required to produce, store, process, retrieve, and disseminate financial information and analysis (Craig 1999). Uniquely, however, these firms specialised in the provision of both the "raw data" and "polished financial analysis reports" of continually changing prices and financial statuses that underpinned decision-making in Anglo-American financial markets (Lee 2013: 1141).

The expert knowledge of the TINCs was ubiquitous in pre-crisis global finance. In providing essential services to investors as well as to the public agencies charged with regulating financial markets, Anglo-American TINCs supplied the material infrastructure supporting both global financial markets and their governance. From the telegraph (Read 1999; Lee 2012) to the more contemporary "hardware and software platforms which facilitate the transmission and receipt of content" such as web-based transaction systems and digital datafeeds (Craig 2001: 6), the major Anglo-American TINCs provided the expert knowledge necessary to maintain the information and communication technologies that functioned as the channels, pipes or "arteries through which financial transactions

flow" (Knorr-Cetina 2006: 46). Though this technical infrastructure had been equally valuable in earlier periods, it became central to global financial markets following the dismantling of the Bretton Woods controls as floating exchange rates and disintermediated capital markets financing necessitated continuous flows of up-to-date information and analysis (Craig 1999; Clark *et al* 2004). The centrality of the expert knowledge exercised by these private firms in enabling global financial activity during this period is succinctly summarised in the claim that "[m]oney may make the world go round, but the global communications infrastructure and financial information systems are what allow money to go round the world" (Thompson 2013: 208). The authority of the TINCs prior to the most recent financial crisis was primarily underpinned by self-identification with expert knowledge that produced the self-identities of these firms as neutral and unbiased suppliers of financial services.

Yet the pre-2007 authority of the TINCs also derived from the identification, stressed by outside observers, with normative traits of professionalism. Supplying a valuable commodity, information, to both market participants and regulators, the UK- and US-based TINCs were praised for their capacity to "light up" the "obscure" (*Financial Times* 2010) and "murky corners" of lightly regulated financial markets (*Economist* 2013a; Lee 2013). These firms ensured the transparency and efficient functioning of financial markets through continuous flows of information and analysis. The TINCs thereby functioned as pillars of pre-crisis liberal market-based governance approach in which the exchange of financial products, such as derivatives, was often conducted bilaterally

through opaque over-the-counter transactions, rather than on more transparent public exchanges (Marron *et al* 2012).

An ability to standardise financial facts equally underpinned the wider identification by the TINCs with normative traits of professionalism. Standardisation was accomplished geographically through supplying similar real-time information to market participants in manners that prevented variances in prices per location (Cetina and Bruegger 2002; Knorr-Cetina 2006; Lee 2012; Czarniawska 2011: 201-2). The TINCs also contributed to market standardisation by distinguishing credible and accurate information from the abundant "disinformation" (Rothkopf 1999) disseminated by more general financial media outlets on television and online (Parker 1997; Craig 2001; Clark *et al* 2004; Thompson 2009; Lee 2012). The ethical democratising function of the major Anglo-American TINCs in their standardisation of market information and provision of tools to both market participants undertaking financial transactions as well as to regulators governing these transactions was widely praised by liberal observers (e.g. Friedman 2000). The information and technology services provided by the TINCs were regarded as enhancing "opportunities for the general public to actively manage their own investment activity" (Thompson 2013: 209) as well as fuelling financial transactions in efficient manners that could ensure "persistent economic growth" (Lee 2013: 1140).[34] The Anglo-American TINCs were moreover considered as essential contributors to the Efficient Market Hypothesis, the "centerpiece" of pre-crisis financial economics (MacKenzie *et al* 2007: 4) whose strongest variant stipulated that prices of financial assets always perfectly reflected all information available in the market for such assets (Malkiel and Fama 1970).

[34] Following the efficient market hypothesis (EMH), which is discussed in the following chapter.

The capacities of the TINCs were in sum regarded as promoting liberal values of transparency, efficiency, and market growth while also enhancing market equality and fairness. However, such explicit identifications with normative traits of professionalism were primarily made by outside actors as the TINCs themselves emphasised their expert knowledge in the pre-crisis period. The authority of these private actors, as well the other two sets of financial services providers examined in this chapter, was thus underpinned by outsider emphasis of their fulfilment of public good and self-identification by these firms themselves with expert knowledge capacity.

Crisis and Contestation

Though attracting far less attention than the 'too big to fail' banks, the authority of the major UK- and US-based accounting firms, CRAs, and TINCs, became profoundly destabilised in the most severe financial crisis since the Great Depression. This section traces how the authority of all three groups of financial service providers examined in this chapter was undermined by the incongruence of their discursive identities with their various failures in moments of dislocation. Three subsections in turn explore how long-standing problems affecting the ability of the large Anglo-American accounting firms, CRAs, and TINCs to provide objective and unbiased financial services to clients and the wider public transgressed the expert discursive identities of these firms.

Accounting firms

The technical expert discursive identities of the large Anglo-American accounting firms were most centrally transgressed as valuations of complex financial products were revealed in 2008 to have merely been 'guesstimated'. The highly complex securitised products at the heart of the most recent financial crisis, such as collateralised debt obligations (CDOs) and mortgage-backed securities (MBSs), were notoriously challenging to value (MacKenzie 2010; Davies 2010). This difficulty became compounded in 2008 when the demand for these products diminished to such a level that obtaining current market values for these products was rendered nearly impossible. The financial press at the time for instance reported that "[t]he sense of panic in some corners of the credit world has become so extreme that buyers have completely disappeared – making it extremely hard to get genuine trading 'prices" (Hughes and Tett 2008). Yet the leading Anglo-American accounting firms sought to get around such difficulties by adopting 'mark-to-model' accounting to assess market values for CDOs and MBSs. The revelation that these firms had based their valuations on what were derided as 'mark-to-fantasy' accounting and 'guesstimates' of market prices, rather than on more precise scientific knowledge transgressed claims to cognitive traits of professional status that had produced discursive identities as expert providers of financial services.

The approximation of market values for complex financial products with no market demand further undermined the identification of the major Anglo-American accounting firms with normative traits of professionalism. The 'guesstimation' of market prices was primarily undertaken through the internal price models of the same firms that held these

instruments (Mügge 2010a). The accounting firms, however, overlooked the potential that these price model might be laden with conflicts of interest stemming from the clear incentives the banks and other financial firms holding these products possessed to inflate the prices of their asset holdings while deflating those of their liabilities. Normative claims to professional status were transgressed as the large UK and US-based accounting firms ultimately privileged their clients by helping to disguise and failing to alert the wider public of the extent of their clients' losses. Lawsuits since 2007 have exposed the failures of the leading Anglo-American to raise red flags and alert the investing public of valuations in the lead up to the most recent financial crisis. PricewaterhouseCoopers (PwC), for instance, was sued by investors for its failure to reveal the massive financial imbalances at AIG, the giant insurance company that eventually received more than $182 billion in subsequent bailouts by the American government.[35] Meanwhile, in its preparation of financial statements, Deloitte and Touche (D&T) was alleged to have uncovered little of the problematic asset valuations that eventually led to the 2008 bankruptcy of the US investment bank Bear Stearns.[36] Such neglect of the fundamentally poor valuations of synthetic financial products was not merely confined to valuations of American financial institutions. According to an international report commissioned by Iceland's special prosecutor for the financial crisis, PwC demonstrated "negligence" in its endorsement of faulty accounts and financial misstatements of the country's largest two banks (Ward 2010). These cases in which the large accounting firms seemingly "did

[35] See *Mimms v. PricewaterhouseCoopers LLP et al*, U.S. District Court, Southern District of New York, No 11-00030 as well as *Financial Crisis Inquiry Commission* (2011).
[36] See for instance, *re Bear Stearns Companies, Inc. Securities, Derivative, and ERISA litigation*, U.S. District Court, Southern District of New York, 08-1963.

nothing to prevent, detect, warn, or mitigate the impact of the financial crisis" (McKenna 2012) raised concerns regarding their overall independence (Rapoport 2010).

Besides their complicity in the misvaluation of assets and liabilities prices, other manners through which the leading Anglo-American accountancy firms assisted banks and other financial firms to remove massive losses from public balance sheets also became exposed after 2007. For example, controversial accounting techniques helped to hide liabilities from public balance sheets through special off-sheet investment vehicles. The most egregious instance of such dubious accounting practices involved the bankruptcy of Lehman Brothers Holdings Inc. In 2010, a court-ordered report examining the largest bankruptcy in American history revealed that Ernst and Young (EY) had on numerous occasions "improperly" assisted one of the world's largest investment banks to systemically disguise its true financial condition (Valukas 2010). The report detailed how days prior to quarterly financial reports EY employed suspicious accounting manoeuvres to temporarily shift tens of billions of dollars in debt from the bank's balance sheets to a small company regarded as the bank's "alter ego". These accounting techniques were intended to falsely promote confidence in the bank's liquidity position. The Valukas report has since formed the basis of a number of on-going investor and civil fraud lawsuits in a number of American states alleging misleading financial accounting practices.[37] These lawsuits highlight the extent to which both the cognitive and normative

[37] For example by the State of New Jersey and the Alameda County Employees' Retirement Association. In the *People of the State of New York v. Ernst & Young LLP*, 11-cv-00384, U.S. District Court, Southern District of New York (Manhattan), the New York Attorney General has sought that EY "disgorge" the $185 million in fees earned preparing the investment bank's financial statements as well as pay for investor damages, see Sandler (2012) and Fitzgerald (2012).

claims underpinning the pre-2007 authority of the largest Anglo-American accounting firms became contested in the most severe financial crisis since the Great Depression.

Credit Rating Agencies

The authority of the CRAs also became destabilised as the cognitive claims to possession of expert knowledge that underpinned the pre-crisis discursive identities of these actors were transgressed by shortcomings in risk analyses. The major CRAs failed "most miserably" (Nesvetailova and Palan 2009: 173) in exposing the significant risks involved with the complex financial products that were revealed to be 'toxic' at the height of the crisis in 2008. The CRAs were widely derided for not having incorporated sufficient historical information into ratings and for relying on wildly optimistic assumptions that the prices of key assets, such as housing, would incessantly rise (Stiglitz 2010; MacKenzie 2011; Brummer and Loko 2014). Such failures in the ratings of complex synthetic financial instruments such as asset-backed securities (ABS) "showed how complex and incomplete the domestication of uncertainty had been" (Katzenstein and Nelson 2013: 17). Dissonance thus arose between the expert discursive identities of CRAs and poor risk analyses of the financial products at the heart of the crisis.

The technical discursive identities of the CRAs were transgressed in a second instance as claims to the unique possession of expert knowledge in the calculation and management of risk became difficult to assert. In the lead up to the crisis new technologies facilitated the wider dissemination and employment of previously circumscribed information that was available primarily to these actors. As the information underlying ratings

increasingly became publicly available (Haque 1998) and could be accessed by individual investors in their own management and calculation of risks, the expert knowledge claims of CRAs became further undermined (Benner 2010; Detrixhe and Robinson 2012). In contrast to the ratings issued by CRAs, a number of market participants, such as hedge funds, began taking into account variables that the ratings agencies had ignored. In turn, a wider range of market actors became aware of the significant risks associated with the highly rated and supposedly risk-free assets that would eventually turn out to be toxic at the height of crisis in 2008. While some market players employed this information to hedge against top rated MBSs and other complex but highly rated assets, others used this information to design and originate debt in manners that would fulfil criteria and the specific "mental framework" required to be granted top ratings (Sinclair 2005: 112; see also Deuchars 2010). Issuers of debt thereby gained the ability to exploit publicly available information as well as gaps in CRA expert knowledge to "game the system" and issue complex financial products that closely matched the criteria of the CRAs (Katzenstein and Nelson 2013: 8). The crisis thereby transgressed the discursive identities of CRAs as unique providers of expert financial services by revealing how these actors simply followed broader market trends, rather than provide market-leading analysis.

Distrust of the expert knowledge of CRAs in turn led to measures to enhance the transparency of ratings processes. Despite not insignificant lobbying campaigns (Porter 2009) in 2009 the European Union began requiring CRAs to divulge the models and assumptions used in their ratings methodologies (*Journal of the European Union* 2009).

Similarly the 2010 US Wall Street Reform and Consumer Protection Act, generally referred to as the Dodd-Frank Act following its Congressional sponsors, ordered the CRAs to increase the disclosure of data and methodologies used in producing ratings (*United States Congress* 2010). These publicly mandated requirements to clarify the ratings process thus challenged the expert knowledge underpinning the pre-crisis authority of the large American CRAs.[38]

The normative traits of professionalism that underpinned the pre-crisis authority of the CRAs were equally transgressed by the blatant manners through which these firms sought to enrich their clients and themselves at the expense of providing the wider public interest with accurate and reliable assessments of investment risk. The switch from the 'subscriber pays' to the 'issuers pays' income models led to reoccurring criticism that the CRAs downplayed the default risks of clients and inflated ratings in order to enhance their market shares. Although CRAs responded to such allegations by denying they would ever risk their hard-won reputations as neutral information providers for the benefit of any single client (Interview U), the most recent financial crisis enabled critics to point to the extremely inflated ratings granted to complex financial products that led to the great market freeze of 2008 (Hill 2010). The integrity and impartiality of ratings were further exposed by the advising services CRAs provided to clients. Critics argued that such close relationships led the CRAs to promote the toxic financial products at the heart of the most recent financial crisis (Engelen 2009: 67; Hill 2010). A number of high-profile lawsuits since 2007 have suggested that Moody's and S&P consistently "colluded" with banks and other originators of ABS by granting inflated ratings to

[38] For more complete accounts see Campbell-Verduyn (2013) as well as Brummer and Loko (2014).

synthetic financial instruments of highly dubious underlying values (Jones 2008; Lattman 2013).[39] While top ratings granted to highly risky instruments provided tremendous profits to the leading CRAs,[40] these actions rendered bundles of bad MBSs liquid and encouraged the spread of such toxic assets throughout global financial markets. The uncertainty that resulted when these markets seized up and froze in 2008 was further exacerbated due to the 'stickiness' of ratings. The CRAs were criticised for their sluggish responses in downgrading assets only once it was widely recognised that many top rated assets were actually nearly worthless (Woo 2012). Investor confidence in credit ratings was then shattered when "cascades" of rating downgrades were eventually issued by the CRAs, which intensified market instability (Hill 2010).

Rather than contributing to the broader public good of stable financial markets in which risk was adequately measured, leading CRAs have enhanced market uncertainty. Their failures have led to public responses illustrating the extent to which the normative traits of professionalism claimed by CRAs prior to 2007 had become destabilised. These initiatives ordered CRAs to disclose any potential conflicts of interest involved in their rating processes. The sum of these processes contributed to the crisis of authority that the CRAs faced as a result of the most severe financial crisis since the Great Depression.

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[39] While a number of investor and state-led lawsuits in American states have failed, some outside America have succeeded in establishing CRA responsibility for misleading ratings (e.g. *Bathurst Regional Council v. Local Government Financial Services Pty*. NSD1268/2010. Federal Court of Australia).

[40] Moody's posted the highest profit margins of any S&P 500 company in the first five years of the new millennium. Shares in this firm increased by nine hundred per cent over the previous decade (Jones 2008).

Technology, information, and news corporations

Despite being subject to little academic scrutiny,[41] the discursive identities of the leading Anglo-American TINCs were further contested in the recent financial crisis. Dissonance initially arose as a result of failures by these actors to critically evaluate and verify the accuracy of financial data they supplied. It was revealed that few reporters and analysts at TINCs possessed the expert knowledge required to adequately understand and scrutinise information and analysis stemming from markets in complex synthetic financial instruments (Thompson 2013). As a result, the largest Anglo-American TINCs in most instances collected data on residential MBSs and the other types of CDOs at the heart of the crisis from the very firms originating, rating, and disseminating these products. For the few journalists, analysts and commentators possessing sufficient expert knowledge of these intricate markets, such as former managing US editor of the *Financial Times* Gillian Tett, the extremely short-term outlook of the TINC industry provided few opportunities for in-depth critical analysis of what were toxic financial products. With very few exceptions, pressures to supply real-time information and analysis prevented any thorough scrutiny of data on key financial instruments (Thompson 2013). Such limited temporal outlooks combined with a general lack of expert knowledge resulted in the major TINCs offering merely "proximate causes and short-term consequences of the crisis but without accounting for its strategic origins and long-term consequences" (Thompson 2011: 4).[42]

[41] Though focused on Ireland, Mercille (2014) is a rare study examining on the roles of media firms.
[42] With revenues in the millions rather than in the billions, the Financial Times Group, parent company of the *Financial Times* and part owner of *The Economist*, is not considered amongst the largest TINCs. It is nevertheless worth noting that this financial news provider "like the rest of the press only focused seriously on securitization and derivatives after things went wrong in 2007" (Engelen *et al* 2011: 43-5).

The transgression of pre-2007 discursive identities stemmed not only from the failures of the major Anglo-American TINCs to predict and adequately describe the recent financial crisis but also from their own contributions to the intensity of most severe period of economic instability since the Great Depression. In addition to relying on data and analysis from the originators of toxic financial products, the major TINCS relied on the cognitive authority of a narrow set of financial experts (Thompson 2013: 214). Yet the Anglo-American major TINCs often failed to investigate or acknowledge the extent to which information and analysis supplied by these expert commentators was riddled with conflicts of interests. Such conflicts of interest afflicted not only the industry participants supplying financial information, but also the supposedly more neutral analysis by prominent academic economists (Ferguson 2012, chapter 8; Carrick-Hagenbarth and Epstein 2012).[43] At the same time, the TINCs ignored or provided very scant attention to the more bearish experts. For instance, the TINCs labelled New York University Professor Nouriel Roubini as 'Dr. Doom' while the views of investors such as Warren Buffett, who described derivatives as 'weapons of mass destruction' (cited in Marron *et al* 2012: 271), were often only very briefly noted in passing. In contrast, much more prominent attention was accorded to experts based at the very firms originating, rating, and disseminating the financial products at the heart of the crisis, as well as to academic economists affiliated with such firms. This industry-sponsored expertise rarely delivered critical analyses as it was often constrained by public relations departments intent on providing only "sanitized information" (Tambini 2010: 167). The largest Anglo-American TINCs in turn offered little critical reflection or investigation of the potential inaccuracies in information or analysis provided by financial firms whose products have

[43] The following chapter details the expert knowledge of economist more fully.

been at the heart of the crisis. To the contrary, the TINCs served as cheerleaders, praising the potential of complex financial instruments to spread risks and improve overall market efficiency (Marron *et al* 2012). With such uncritical outlooks, the TINCs also neglected to investigate abusive and fraudulent practices widespread in the mortgage and securitisation markets in the lead up to the crisis, the criticism of which was primarily left to satirists and comedians such as Jon Stewart (Starkman 2014).

The unquestioning reliance on clearly industry-sponsored information and analysis to compensate for the TINCs' lack of expert knowledge in turn posed important systematic implications for financial stability. Financial market actors, particularly the banks and shadow banks at the heart of the crisis, had provided the TINCs with information and analysis that was frequently based on market transactions that were themselves based the same biased information and analysis that they had themselves provided to the TINCs. A self-referential and "symbiotic relationship" developed between TINCs and their financial market data sources as the latter's market strategies came to rely on the very sanitised information and analysis they had supplied to TINCs (Thompson 2013: 216). Financial market actors then acted upon this information in anticipating strategies that the rest of the market would likely take once the same information had become more widely disseminated via the TINCs. The allusion by British economist John Maynard Keynes to a newspaper beauty contest helps illuminate this process of informational reflexivity (see also Soros 1994) that contributed to the severity of the most recent crisis:

> [t]he information traders use to make investment decisions is derived from financial media and analyst reports (…) Meanwhile, reporters derive most of their information from traders and

> analysts' reports. This suggests that these self-reinforcing flows of information can make market sentiments/perceptions converge and move markets independently of fundamentals, thereby contributing to bubbles and crashes (Thompson 2009: 89)

Similar insights into the performative and pro-cyclical role of the largest Anglo-American TINCs had been foreshadowed well prior to 2007. For instance Clark *et al* (2004: 291) noted the "asymmetrical quality" of firms that are both "constitutive and functionally reinforcing during a speculative bubble while seemingly acting as a bystander rather than as a core 'player' in times of market decline (and its associated increased volatility)".[44] The expert discursive identities of the TINCs were thus unsettled as this third group of financial services providers supplied the crucial interconnections that reinforced and legitimated the data and analyses of financial conglomerates at the heart of the crisis.

Equally unsettled since 2007 have been the subtle normative traits of professionalism underpinning the authority of the major Anglo-American TINCS. Liberal arguments that these actors rendered markets more democratic had long stood in tension with the advanced specialist information, analysis, and trading capabilities that these firms had offered to particular clients. Going back at least until the 1970s advanced access to information via terminals, such as Reuters' *Monitor*, Dow Jones' *Telerate*, and *Bloomberg Professional*, had been granted to clients willing and able to pay subscription fees of ten of thousands of dollars per month. Information asymmetries or "information arbitrage" rapidly emerged as these specialised technological services provided

[44] Further examples are provided by Czarniawska (2011: 190-1).

competitive advantages to market actors that, for higher subscription fees, were able to access, analyse, and act upon information with greater speed and accuracy than other market participants (Rothkopf 1999). Such “infospeed” (Craig 1999) benefits diluted public service claims that TINCs granted *all* market participants similar knowledge and information capacities. Information asymmetries became further acute and controversial as advanced computerised and high frequency trading strategies have emerged, promising to reduce the time involved with relaying information to nearly zero (Haldane 2011; Tangel 2013). In 2013 Reuters Group, which was acquired by Thomson Corporation in 2008 and became Thomson Reuters, came under investigation by the New York State Attorney General following accusations that the firm had for years privileged certain high frequency trading clients that paid thousands of dollars per month to access key data two seconds prior to its more general market release (Massoudi and Edgecliffe-Johnson 2013). Despite asserting that they do not imitate one another, ethnographic studies have revealed how the news production processes of the TINCs are strikingly similar (e.g. Czarniawska 2011). Indeed, claims to enhancing market transparency were further undermined by accusations that the general media divisions of other leading TINCs had served as tools to promote expensive subscriptions to terminal platforms. The fuzzy line between the information and media divisions of the TINCs has become increasingly controversial (Lee 2012), for instance, as Bloomberg was found guilty of having granted its reporters access to proprietary client data for media stories in 2013 (Alloway *et al* 2013). Newsgathering in such manners undermined claims that TINCs collect information ethically, following for instance the “Bloomberg Way”, the firm’s 376-page corporate code of conduct. Dissonance thus further arose between the gathering of

information in such manners and claims by the TINCs to operate ethically, following codes of conduct (Edgecliffe-Johnson 2013).

Like the other two sets of financial services providers examined in this chapter, the authority of the leading Anglo-American TINCs was transgressed by failures since the outbreak of the most recent financial crisis in 2007. Not only were cognitive claims to the possession of expert knowledge undermined, but outside stress on the normative traits of professionalism were also transgressed. The following section details how these actors have responded to the contestation of their authority.

Attempts to Reconfigure Authority in Times of Crisis

How have the largest Anglo-American firms in the financial services sectors examined in this chapter responded to the most recent challenges to their authority? This section examines how leading CRAs, accounting firms and TINCs have discursively sought to reconfigure their authority since 2007. It is argued that in contrast to responses in previous crises, these actors have sought to explicitly emphasise moral rather than merely technical authority. Three initial subsections explore how the leading firms in each group of financial services providers examined have positioned themselves in increasingly overt manners within sustainable and Islamic niches of global finance that consider systemic macro-level concerns. How the self-legitimation of such engagements have re-oriented the discursive identities of these actors and culminated in unintentional attempts to reassert 'moral-technical authority' are explored in a fourth subsection.

Accounting firms

The large Anglo-American accounting firms have in a first instance built on earlier academic efforts to identify with sustainability. Sustainable finance had long figured prominently in the pre-crisis accounting literature. Going back until at least the 1970s (Matthews 1997), "publications linking accounting with sustainability" challenged conventional "limits of the underlying philosophy of accounting" (Burritt and Schaltegger 2010: 831), which had concentrated on "profits and profitability rather than environmental and social concerns" (Schaltegger and Burritt 2010: 376). Sustainability issues had "received continuing attention in the academic accounting literature" (Lamberton 2005: 7) and moved progressively into mainstream debates with the release of the Sustainability Accounting Guidelines at the 2002 World Summit on Sustainable Development. Prior to the crisis, however, this focus was confined to academic scholarship. Intricate and nuanced academic debates regarding sustainability in accounting did not provide firms with sufficiently clear guidelines to integrate sustainability into financial reporting. Lacking definitive measures and definitions, accountants were unable to incorporate sustainable finance into comparable common standards. As was observed towards the turn of the millennium:

> For financial markets, sustainability information remains at best a curiosity. Except in the relatively small social investment community, environmental, social, and nonfinancial economic information is rarely used in investment, lending, and underwriting decisions. The mounting evidence that such "extraneous" factors may affect stock performance has yet to permeate mainstream Wall Street. Such a realization is some years away (White 1999: 42)

Although the Anglo-American accounting firms had been "looking at this area since the early to mid-1990s" (Interview O) and self-regulatory organisations like the International Federation of Accountants (IFAC) as well as the American Institute of Certified Professional Accountants (AICPA) had shown a degree of interest, prior to the turn of millennium "the word sustainability was basically unknown" (Interview V).

Since 2007, however, the trio of large Anglo-American accounting firms have very visibly self-identified with sustainability, a concept that has "has an "inescapably collective character" (Jacobs 1997: 367). D&T, EY, and PwC have become the leading suppliers of sustainability risk assurance (*Environmental Leader* 2011) and opened new business units, such as D&T's Centre for Sustainability Performance in 2009 (*Environmental Leader* 2009c) and EY's Global Cleantech Centre of Excellence in 2010. Through various surveys and market research (e.g. *Deloitte* 2011; *Environmental Leader* 2013b, 2014; *Ernst and Young* 2014) have increasingly considered "the potential of new reporting models for business which include non-financial information" (Schaltegger and Burritt 2010: 376). The outbreak of the financial crisis prompted a "quiet revolution" in the thinking and working of traditional accounting models (Gleeson-White 2015). As described by a former employee of a large Anglo-American accounting firm,

> in 2008 it's more something like you know the whole notion of... this whole reporting is that still something that is sufficient? And what I mean with that is if you look into the whole reporting industry and even the accountancy industry (…) I'm not familiar with any other product that has survived for such a long time without being seriously impacted by you know societal change and whatsoever. The whole notion of bookkeeping is 400-500 years old and hasn't really changed. The

> whole notion of corporate reporting you know hasn't really changed in essence it's still the same. We made it bigger and we made it more complex and we tried to resolve issues or crisis with the same medicine and you know now there's a realisation that this may not work (Interview V)

The leading new reporting model purporting to enhance 'financial stability and sustainability' has been labelled Integrated Reporting, or <IR>. A manager at the International Integrated Reporting Council (IIRC), the umbrella body established in 2010 to develop Integrated Reporting, described <IR> as enabling

> the best way for companies to aggregate and take all of that information that may be available on a company website, in a press release, on an analyst call, in a 10k, in a sustainability report, and so forth, synthesize that information, identify the necessary connections and kind of the relatedness between you know the impact on financial capital when you change or tweak the way that you manage your carbon footprint or the way in which you you know mitigate your employee turnover, or the way that you strategically enter into a new market, and so on and so forth. What we're trying to do is find a way for companies to kind of produce a report that would be a concise communication of how they create value or time (Interview K).

Integrated reporting did spring out of the blue but is the effective mainstreaming of a focus on various forms of sustainability accounting that were gathering momentum in the pre-crisis period. Non-financial reporting and what were alternatively referred to as carbon accounting, sustainable accounting, environmental along with the wider triple bottom line initiatives, however, were marked by a "reluctant engagement" on behalf of the accounting profession prior to the crisis (Lovell and MacKenzie 2011: 713). Yet since the advent of instability in 2007 the large UK- and US-based global accounting firms

have been very closely involved in both developing and piloting <IR> through their roles as members in the IIRC (Interview K; e.g. *Environmental Leader* 2013b) and have promoted <IR> in their own publications (e.g. *Environmental Leader 2012; PricewaterhouseCoopers* 2013a). In doing so, the Anglo-American accounting firms have "stepped up" their focus on sustainability and climate change" (Shankleman 2011).

A second broad area in which the large Anglo-American accounting firms have increasingly identified with since 2007 is Islamic finance. Prior to the financial crisis the involvement of the large UK- and US-based accounting firms in this explicitly normative niche of global finance had been very limited. EY had developed an Islamic Financial Services team in the late 1990s and an interviewee noted that one another large Anglo-American accounting firm "has been active in offering Islamic financial services since maybe before the crisis, mid 2000s and so sometime during 2005 and 2006" (Interview W). However, this interviewee went on to note how "the emphasis heated" as greater emphasis by these firms on their Islamic financial services "coincided with the crisis" in 2007 (*ibid*). Investor guides, surveys, paper series, and annual reports dedicated to Islamic Finance began to be more substantially produced following the outbreak of the most recent crisis in 2007 (e.g. *Ernst and Young* 2007, 2008; *PricewaterhouseCoopers* 2008, 2009). Even D&T, the large Anglo-American accounting firm that was last to produce a mass of "knowledge-sharing reports" (e.g. *Deloitte and Touche* 2010), had hired a Shariah scholar in 2007 (Hughes 2007). Internal institutes dedicated to Islamic Finance within the large Anglo-American accounting firms were also created following the outbreak of the most recent crisis in 2007. For instance, EY developed a Global

Islamic Banking Centre of Excellence in 2012 while D&T announced the creation of a Middle East Islamic Finance Knowledge Center in 2010) offering "high-profile" seminars, workshops and short courses to industry participants seeking to gain specialised knowledge of Islamic financial markets (*This Week* 2012; see also *Deloitte and Touche* 2014). The objective of the Islamic finance activities of the large Anglo-American accounting firms was summarised by the director of one such institute as to "share knowledge and build capacity within the industry and help the industry to grow" (Interview W). Finally, the large UK- and US-based accounting firms have begun offering Islamic finance accreditations, such as EY's certification of financial software products and core banking systems for Islamic banking (*Accounting and Auditing Organization for Islamic Financial Institutions* and *Ernst and Young* 2013), as well as training, for instance of employees of major Islamic banks (*Al Bawaba* 2011) and regulators (Interview W).

Credit Rating Agencies

The leading CRAs have also increasingly explicitly identified with sustainability and religious finance. The major CRAs have increasingly positioned themselves in Islamic finance since 2007. Mild involvement in this niche of global finance was apparent prior to the crisis, as S&P began rating Sharia-compliant debt issuance as early as 2002. However, the overall "reluctance" of the leading CRAs to "rate and recognize Islamic financial products and models" led a number of major players in this niche of global finance to establish the Islamic International Rating Agency in 2005 (Interview W). Growing identification with Islamic finance by the major CRAs following the outbreak of

the worst financial crisis since the Great Depression, however, is reflected in the vastly increased output of S&P previously yearly publications on the subject, which began to be assembled in a yearly Islamic Finance Outlook.[45] In 2007 S&P also established a more formal Global Islamic Finance team and was granted the award for 'Best Islamic Rating Agency' at the inaugural Islamic Finance News Awards Service Providers Poll, which it has subsequently been awarded on two more occasions since. S&P has also won every single 'Best Rating Agency for Islamic Finance' award at International Takaful Awards since 2008 while Moody's was designated 'Best Islamic Rating Agency' by Islamic Finance News in 2009 for its application of "extensive analytical, legal and risk expertise" in offering "superior ratings coverage" of Islamic financial institutions and capital markets (*Moody's Investor Services* 2009). These awards attest to how "very much involved" the major CRAs have become in Islamic finance through rating growing numbers of corporate, sovereign sukuks and Islamic bonds since 2007 (Interview W).

Most prominently, the largest CRAs have built on pre-crisis efforts by smaller CRAs to integrate concepts of sustainability into ratings. Smaller ratings agencies embraced sustainability and gradually expanded markets for sustainable information assessment in the years prior to 2007.[46] For instance, the UK Safety and Environmental Risk Management Rating Agency (SERM), established in 1996, rated 39 areas of social, health and safety, and environmental risk (Mainelli 2004; Spedding and Rose 2008: Appendix A) while CoreRatings, founded in 2002, provided "ethical ratings"

[45] See for instance the overview of articles published on Islamic Finance by Standard and Poor's Ratings Services (2014b: 78-9).
[46] For lists and overviews of pre-crisis ratings agencies incorporating sustainable finance see Beloe *et al* (2004: 8) as well as Observatoire sur la Responsabilité Sociétale des Entreprises (2007: 70-71).

(CoreRatings 2002; Hasselstrom 2008: 171-2; Zarlowski 2007). Similarly in the US Kinder, Lydenberg, Domini & Co. (KLD) rated social responsibility through measurements of corporate social and environmental performance (Schreck 2009: 37-38; Godfrey 2011) while Innovest, founded in 1995, assessed "companies' performance on environmental, social, and strategic governance issues" (*Bloomberg* 2009; Zarlowski 2007). However, these efforts were confined to small firms prior to the crisis. Studies noted that only one major ratings agency had fully incorporated sustainability (Finch 2004: 67) while the rest primarily "focused on immediate gain rather than growth based on sustainable social reproduction" (Sinclair 2005: 60).

Yet since 2007 the largest CRAs have increasingly identified with sustainability. In addition to annual reports emphasising sustainable practices and detailing the impact of environmental and social issues on creditworthiness (*Moody's Foundation* 2011), firms like S&P have continually boasted of their contributions to sustainability conferences and roundtables.[47] The enhanced focus by the major CRAs on socio-economic issues like "social cohesion" has also been noted (Tett 2010), particularly as these firms have become involved in microfinance. In 2013, for example, Moody's provided a grant to the Grameen Foundation (2013) "to enable poverty data to be used more effectively by social sector organizations to measure, track and report on their clients' poverty levels". Research reports by CRAs have also highlighted the risks involved with various social problems. For instance an S&P report entitled "How Increasing Income Inequality Is

[47] For instance, in 2010 S&P co-hosted a Climate Change Financing roundtable discussion that was intended "to assess investor appetite for climate change financing, identify innovative financial structures that could be applied to fund climate change projects, and examine the risks and barriers that might prevent their implementation" (Parhelion and Standard and Poor's 2010).

Dampening U.S. Economic Growth, And Possible Ways To Change The Tide" (Maguire 2014) gained widespread media attention in 2014. Judgements of creditworthiness have also increasingly emphasised sustainability, particularly in sovereign ratings (e.g. *Standard and Poor's Ratings Services* 2011; Magtulis 2013), and research reports have sought to highlight the credit risks involved with various environmental problems (e.g. *Standard and Poor's Ratings Services* 2014a).

Since the outbreak of the most recent financial crisis the largest CRAs have also become involved in environmental finance. CRAs have for instance rated and developed indices for green bonds (*Environmental Finance* 2014a), which has helped this market in "coming of age" (*Environmental Finance* 2013). Of the largest CRAs S&P been by far the most active in developing water-indices[48] and an Environmental and Socially Responsible Index "designed to offer investors enhanced exposure to securities meeting sustainability investing criteria" (*PRNewswire* 2015). In addition to publishing reports detailing climate risks for ratings (*Standard and Poor's* 2010) representatives of the firm have argued publicly that investors must consider "carbon risks" and called for a "'comprehensive analysis of carbon price risk', including assessment of direct and indirect exposure to risks, as well as acknowledgements of the cost of carbon liability as it passes along the supply chain" (Robinson-Tillett 2014). The firm has warned governments that climate change poses a risk to their sovereign ratings (Kraemer and Negrila 2014) while also warning oil firms and other "high carbon" companies that the bursting of a "carbon bubble" and increased focus on renewable energy sources might undermine their business models and lead to ratings downgrades (*Environmental Finance*

[48] <http://www.spindices.com/indices/equity/sp-global-water-index>.

2014b). The president of S&P even sat on the International Advisory Council on UNEP's Inquiry into the Design of a Sustainable Financial System.[49] In 2007 this firm issued its first ratings of carbon funds (*Environmental Finance* 2007) and two years later began "mulling a service targeting structured carbon finance transactions" as well as emissions reduction projects (*Environmental Finance* 2009a, 2009b). In 2011, S&P announced that it would for the first time be "routinely including an assessment of climate risk into its corporate credit ratings across all industrial sectors" (Nicholls 2011). This inclusion involved the incorporation of 'emissions profiles' of all companies rated, such as the location of emissions and the ability to mitigate these emissions (*ibid*). S&P also boasts of its establishment of an "Environmental Finance Global Industry Focus Team (GIFT) to promote the global consistency and analytic rigor of our environmental finance sector analysis, including global carbon markets, climate change finance and clean energy" (*Standard and Poor's Ratings Services* n.d.). Other major CRAs such as Moody's have not been left out but have released reports noting the "increasing impact" of climate change (*Moody's Investor Services* 2015). In beginning to consider climate change "as a systemic risk for credit worthiness, for sovereigns and for banks and for corporates" the major CRAs have clearly begun to put "more brain power" into issues of sustainability (Interview I).

Technology, information, and news corporations

Foreign ownership of two of the major Anglo-American TINCs has been the most visible sign of change in this financial services industry since the outbreak of widespread

[49] < http://www.unep.org/newscentre/default.aspx?DocumentID=2758&ArticleID=10698#sthash.9WM3ZvtW.dpuf>.

economic instability in 2007. As mentioned in passing in the previous section, the Canadian controlled Thomson Corporation acquired Reuters in 2008 while Dow Jones was taken over by the Australia-based News Corporation one year earlier. Despite foreign ownership, both firms remain headquartered in New York City along with current industry leader Bloomberg (Tims 2014). Yet, besides changing ownership structures, much subtler shifts have been afoot as the major UK- and US-based TINCs have enhanced their identification with the explicit normative fields of Islamic and environmental finance over the past half-decade.

In a first instance, the UK- and US-based TINCs have undertaken significant expansions into environmental finance since the outbreak of the most recent financial crisis. The major TINCs have enhanced their presence in environmental finance through numerous acquisitions of smaller firms. In 2009 Bloomberg purchased New Energy Finance, a UK company providing specialised data on low-carbon technologies and carbon markets, while Thomson Reuters acquired the environmental, social and governance data firm Asset4. Similar acquisitions have continually been undertaken over the past half-decade. For instance in 2010 Thomson Reuters bought Point Carbon, a Norwegian company providing specialised news and analysis of carbon markets to the financial industry. Following these acquisitions leading UK- and US-based TINCs began offering an array of environmental financial information and analysis services. Sustainability data along with "real-time pricing calculators" and "in-depth fundamental analyses" of environmental markets were added to *Bloomberg Professional* terminals to help customers

> analyze trading patterns and supply-demand balances in carbon markets, use our proprietary models to incorporate immediate to long-term time horizon, dive into the fundamental data with our tools to quickly search industrial installations and global carbon projects – then just as quickly link the two (*Bloomberg* 2012: 14).

In 2013 Bloomberg launched the Carbon Risk Valuation Tool, another service providing terminal subscribers "with a greater insight into the climate change and other environmental risks companies face". Sustainability news sections were also added to the websites of Bloomberg in 2011 and of Thomson Reuters the following year as these firms sought to compete with established web-based platforms that provided access to "environmental-related news" by offering additional tools for registering, monitoring and benchmarking carbon emissions as well as the trading of carbon credits (*Commodities Now* 2010).

Enhanced identification with environmental finance by the major UK- and US-based TINCs since the outbreak of the financial crisis in 2007 has been paralleled by a similar emphasis on Islamic finance. Following the 2010 launch of an Islamic Finance Gateway offering a "full suite of Islamic finance solutions", Thomson Reuters acquired a leading Middle Eastern firm specialising in Islamic financial data (*Thomson Reuters* 2012b). This TINC proceeded to develop an Islamic Finance Industry Development Award in 2013 as part of its sponsorship of the Ethical Finance Innovation Challenge and Awards. Meanwhile, in 2012 Bloomberg began publishing a weekly newsletter that assembled information from its "comprehensive" Islamic finance platform boasting "news and data

covering more than 1,500 Islamic bond issues, 35,000 stocks and 500 funds, as well as a database of sharia scholars and their fatwa endorsements" (Edgecliffe-Johnson 2011; e.g. Bershidsky 2013). Dow Jones finally was also voted best Islamic Index provider at Islamic Finance News Awards 2009.

Several initiatives by the leading TINCs in these explicitly normative fields of global finance had of course begun prior to the onset of the crisis in 2007. Dow Jones was the earliest industry frontrunner, developing a "landmark" Islamic Market Index in 1999 (Fang and Foucart 2014: 484), sustainability indeces in the late 1990s, and an Islamic Sustainable Development Index in 2006 (Perez 2011: 566). Just prior to 2007 Bloomberg also created a Global Sustainability Strategy Group that analysed "the impact of sustainability issues on financial markets and areas like sustainable investing, carbon trading, and clean energy research" (*City Atlas* 2013). However, Bloomberg as well as Thomson Reuters only initiated efforts to catch up with Dow Jones following the outbreak of the most recent financial crisis in 2007 as the former two firms began offering similar environmental and religious indeces in 2011 and 2013, respectively (Morris 2012; *Environmental Finance* 2013). Since the outbreak of the recent crisis the TINCs have also greatly expanded their support for wider industry initiatives to develop ethical financial markets. For instance, since 2011 Thomson Reuters has played a central role in establishing and maintaining the Islamic Interbank Benchmark Rate (Burne 2011; *Thomson Reuters* 2013: 14-15) and in 2012 joined the Green Growth Action Alliance, a World Economic Forum-linked group working "with governments to help them adopt a systematic approach that rewards innovative green sectors through sound policies and

improves their access to finance" (*Thomson Reuters* 2012a). These initiatives highlight the enhanced identification of leading TINCs with macro-level ethical issues since 2007.

The following subsection proceeds to highlight how the period of instability that began with the outbreak of financial crisis in 2007 created openings encouraging moments of reflexivity and possibilities for reconstituting the 'core' discursive identities of leading Anglo-American accounting firms, CRAs and TINCs beyond a solely 'rational core'.

Self-Legitimation

This subsection addresses how internal and external self-legitimation of the enhanced engagements with explicitly normative niches of global finance have reshaped the 'core' discursive identities of leading firms in the three groups of professional actors examined since 2007 and culminated in attempts to reassert 'moral-technical authority'. The reshaping 'all the way down' of the discursive identities of the leading UK- and US-based financial services providers examined is illustrated in a first step through the internal self-legitimation of enhanced identifications with explicitly normative niches of global finance the most recent financial crisis. While the main business of these actors remains profit seeking, the internal self-legitimation of enhanced identifications with normative niches have shifted the discursive identities of leading accounting firms, CRAs, and TINCs towards an enhanced consideration of the wider common good since the outbreak of the most recent financial crisis. However, the crucial internal first step of self-legitimation precedes attempts to establish the broader acceptability of discursive identities through external self-legitimation, the process of fixing actors' internal ideas in

wider 'legitimising communities'. To achieve external self-legitimated in a narrow community of industry actors the professional actors examined have persistently positioned themselves as technical experts and not entirely abandoned their orientations towards profit.[50] Such efforts to stabilise and self-legitimate discursive identities combining overt emphases on cognitive and normative traits of professionalism have in culminated in unintended attempts to reassert 'moral-technical authority' since 2007.

Internal changes have in a first instance internally self-legitimated the identification of leading Anglo-American accounting firms and with normative niches of global finance. EY in 2008 created a director of environmental sustainability position (*Environmental Leader* 2008) and also created a "network of grassroots green teams called 'EcoCare'" that build "awareness of green initiatives" across its offices (Albanese 2012). In D&T 2010 created the internal post "global head of climate change and sustainability" (Everett 2010) and began to list sustainability reporting as one of its four main categories of services. Following the crisis, PwC developed a "global sustainability and climate change team consisting of around 800 people" who "are not simply resprayed auditors, but drawn from a wide range of subject experts, auditors and economists passionate about their topic" (Shankleman 2011). The internal re-production of emphasis on explicitly normative issues by the largest Anglo-American accounting firms was confirmed in interviews with both current and former employees who described Integrated Reporting as "incredibly important" (Interview D) and "revolutionary" (Interview V), respectively. Asked about the role of sustainability in his firm, a current director also replied "if you're

[50] Examples of the persistence of technical expert discursive identities are elaborated in Chapter Six.

asking is sustainability important to our organization it's a renowned yes" (Interview D). This interviewee went on to stress the various internal initiatives undertaken by his firm,

> we've made significant investments in lead-gold certified buildings and have just completed our three year energy and carbon reduction strategy which really set out how we're monitoring and measuring our energy use, our greenhouse gas emissions. When we look at how we engage our employees and environmental stewardship work whether it be thinking differently about when and how to travel because we do travel a lot on airplane given the nature of our work all the way down to paper reduction because we use a significant amount of paper in our operations (Interview D)

Such internal re-production of enhanced emphasis by leading UK and US accounting firms on explicitly normative niches of global finance establishes relational differences with their pre-2007 self-identities as expert, unbiased providers of financial services.

Internal changes since 2007 have equally contributed to the self-legitimation of the enhanced identification by the leading CRAs and with explicitly normative niches of global finance. In its first ever Corporate Social Responsibility report (*Moody's Investor Services* 2011) the CRA asserted its wider normative outlook: "we believe that companies have a responsibility to look at their economic, social and environmental impact, to share their findings with others and to drive ongoing improvements in each of these important areas of focus". Since the financial crisis the leading CRAs have developed internal sustainability programmes and enhanced their ethics training (e.g. *Moody's Investor Services* 2012: 15). While some "generic training" in ethics was required for employees of CRAs prior to the crisis, a former employee of one of the large CRAs noted that there is "a lot of mandatory training now" and that "across the board

you know all of us are required to do a lot of different types of training" that shows employees "how to behave" (Interview U). This interviewee went on to minimise the expert knowledge of the CRAs: "You know people make mistakes, people make errors, people get ratings wrong (…) you know we're humans we make mistakes". In contrast, the interviewee stressed the "integrity" of not only his former firm but that of the wider credit rating industry:

> I got to tell you in the 10 years that I worked there, all of the people I worked with- and as I said to you before, I worked on both sides of the Atlantic twice- very high integrity in that organisation. And I can't imagine that it's different at other firms in the industry

This concern with integrity and more generally with "prospering ethically" (*Moody's Foundation* 2012: 24; *Moody's Foundation* 2011: 25) has been frequently repeated throughout the industry as the CRAs have sought to integrate a long-term focus as "an opportunity to rebuild the reputation of the organisation and the industry after the financial crisis" (Interview I). Such emphasis by the leading Anglo-American CRAs on explicit normative traits of professionalism has thus established relational differences with their pre-2007 self-identities as expert, unbiased providers of financial services.

Internal changes have further self-legitimated the enhanced identification of the major TINCs with overtly normative niches of global finance. Since the crisis commitments to normative issues have begun to be explicitly incorporated into the internal policies of the major Anglo-American TINCs. With the declared goal of drastically reducing its carbon footprint, Bloomberg, for example, in 2008 set in motion a major internal sustainability

program branded as "BGreen" while in 2009 Thomson Reuters began outlining a series of internal environmental initiatives, such as "greening" data centres through an internal network of "Green Teams" and a "Green Advisory Council" (*Thomson Reuters* n.d.). In addition to such internal institutional initiatives, the positioning of the TINCs in explicitly normative discursive fields over the past half-decade has also been notable. On its website Thomson Reuters (n.d.) has stressed that its operations remain "in accordance with the highest ethical standards", fostering "honesty, integrity and good judgment", while endeavouring "to do the right thing (…) in every business decision and transaction". This leading TINC has furthermore explicitly defined its role in society as "helping companies improve their performance and investing behaviors along environmental and ethical lines" (*Thomson Reuters* 2012a). Thomson Reuters has also emphasised its "invaluable contribution to the efforts of the global community on issues like climate change" (*Thomson Reuters* 2012a). Bloomberg's identification with environmental issues meanwhile was most overtly highlighted by its endorsement of Barack Obama for US President in a front cover headline of *Bloomberg Businessweek* with bold and underlined letters declaring "It's global warming, stupid" (Goldenberg 2012). Such emphasis by the leading Anglo-American accounting firms on explicitly normative issues establishes relational differences with their pre-2007 self-identities as unbiased providers of financial services.

Leading Anglo-American financial services providers examined in this chapter have exercised agency in tilting their 'core' identities beyond merely profit maximisation. Persistent commitment to the stagnating environmental and Islamic financial niches by

these actors has highlighted a subtle re-orientation of these firms towards the common social benefit above the sole rational pursuit of profit. The enhanced identification by the major Anglo-American TINCs, CRAs and accounting firms with normative traits of professionalism that ‘other’ their pre-2007 neutral, expert self-identities illustrate the extent to which subtle changes have gone ‘all the way down’ beyond ‘essential’ rationalist core identities and towards relation discursive identities that render these market actors more akin to *homo interpreters* than simply *homo economicus*. However, to achieve external self-legitimation in the industries in which the Anglo-American TINCs, CRAs and accounting firms participate these actors have nevertheless continued to position themselves as technical experts. The agency exercised in engaging overtly normative spaces have thus combined with discursive structures in unintentional manners to produce identities blending normative and cognitive traits of professionalism.

Such blended normative and technical discursive identities have been self-legitimated in a wider community of industry actors consisting of rival firms and professional bodies. The most prominent rising challenger in the TINC industry has increasingly positioned itself in the same overtly normative discursive fields as its large competitors. Markit, the rapidly expanding London-based TINC majority owned by a consortium of global investment banks (*Financial Times* 2014), has undertaken several acquisitions that echo those of Bloomberg, Dow Jones and Thomson Reuters since 2007. In 2009 Markit, for example, took over a firm that records carbon credit transactions (*Environmental Finance* 2009a). In 2010 the newest entrant to the TINC industry also established a web-based platform called Markit Eco that provides access to “environmental-related news” along

with tools for registering, monitoring and benchmarking carbon emissions as well as trading carbon credits (*Commodities Now* 2010). Such services have facilitated, for instance, the cap-and-trade auction programme in the American state of California (*Business Green* 2012). Markit has also begun offering data and analysis of Islamic financial markets since 2007 (e.g. Rhode 2008; Grifferty 2013)

The enhanced identification of the leading CRAs with explicitly normative niches of global finance have also been self-legitimated by the activities of smaller firms as well as the growth of and efforts to harmonise sustainability ratings since 2007. Fitch, the CRA majority owned by a French holding company but dual-headquartered in New York and London, has also become involved in Islamic finance in the years following the crisis, for instance issuing statements regarding its ratings of Islamic financial instruments (*Fitch Ratings* 2013a, 2013b). Meanwhile, in a 2010 research project entitled "Rate the Raters" the think tank SustainAbility (2010a, 2010b) revealed that sustainability ratings had exploded from less than two-dozen at the turn of the millennium to over one hundred following the most recent financial crisis. With no widely agreed upon industry standards of performance indicators it was argued that comparison between ratings had become extremely difficult. Moreover, the multiple sustainable credit ratings enabled companies and investors to 'shop' and 'cherry-pick' their most favourable ratings, a process that undermined the value of stricter ratings (White 2013). This niche of the ratings industry at this time could thus be likened, as one interviewee put it, to "a little bit of a 'wild west'" in which "nothing has been fully certified yet" (Interview V). Efforts were subsequently undertaken to set benchmarks and best-practice standards for 'ethical credit ratings'. The

most prominent initiative to accredit sustainability ratings has been the development of the Global Initiative for Sustainability Ratings (GISR), a non-profit organisation established in 2011 closely advised by the leading Anglo-American CRAs.[51] The GISR released a set of twelve voluntary principles in 2013 and will release a standard set of metrics and indicators by the end of 2015 in order to have CRAs embracing, "at a deeper level than is the case today", the widest range of risks that may impact long-term creditworthiness (White 2013).

Global and national professional accounting bodies that have positioned themselves as standard setters for Islamic and environmental finance have also self-legitimated the enhanced normative focus of the leading Anglo-American accounting firms since 2007. A former employee of a major Anglo-American accounting firm suggested in an interview that the accounting profession is "definitely pushing this [sustainability] forward and more and more" (Interview V). However, the lack of centralised body overseeing the integration of sustainable into Anglo-American accounting has resulted in "jostling for attention" by a range of organisations (Lovell 2014: 81). The most prominent national-level organisation involved in standard setting for sustainability accounting has been the Sustainable Accounting Standards Board (SASB). Since its establishment in 2012 this US-based non-profit organisation has worked with American private sector accounting organisations like the Public Company Accounting Oversight Board and held monthly meetings with public organisations the Securities and Exchanges

[51] Bloomberg is a founding partner of the GISR, which also signed a Memorandum of Understanding with the IIRC in 2014 "to promote and support the global alignment of corporate reporting and ratings frameworks" (Cohn 2014). The large Anglo-American accounting firms are also 'strategic sponsors' and contribute representatives to the GISR's steering committee.

Commission "to come up with standards for the external assurance of sustainability reporting" (Bogoslaw 2013) that are specific to over one hundred industries. For example, in 2013 the SASB's Financials Working Group, composed of nearly a dozen representatives of the large Anglo-American accounting firms, released provisional standards for the financial sector (Eyden 2013). Other initiatives undertaken by national accounting bodies since the outbreak of the most recent financial crisis include the 2009 release by the Institute of Chartered Accountants in England and Wales of a guide for companies to report "green issues" through "environmental key performance indicators" (Singh 2009); the publication by the AICPA of numerous FAQs and papers clarifying sustainability accounting (e.g. Ballou et al 2013); and an open letter to politicians attending the Copenhagen climate change summit signed in 2009 by fifteen professional accounting associations that called for the development of standards on climate-change causing emissions (*Environmental Leader* 2009).

Professional bodies at the global have equally contributed to the external self-legitimation of the more explicitly normative positioning of the large Anglo-American accounting firms since the most recent financial crisis. The first Islamic finance designation issued from a professional accountancy body was established in 2007 by the Chartered Institute of Management Accountants (CIMA) (*Accountancy Age* 2007), which proceeded to launch an Arabic Certificate in Islamic Finance and an advanced diploma in Islamic Finance in 2009 and 2011, respectively (*Chartered Institute of Management Accountants* 2009; Orlik 2011). Along with the IFAC, the CIMA has also contributed personnel the advisory boards of organisations launched since the crisis such as the Natural Capital

Coalition and has participated in as well as funded a host of events and publications promoting the inclusion of non-financial information in accounting.[52] The director at one global-level professional association meanwhile noted how "integrative [sic] reporting is appealing to a lot of people" in the accounting profession since the crisis as it has been "a natural extension and continuation" of the value-added of accountants (Interview B).

The global body that has been most active in sustainability accounting has been the Association of Chartered Certified Accountants (ACCA). Already at the turn of the millennium ACCA had argued for "limited forms" of compulsory environmental reporting for companies with more than 250 employees (Hinks 2000). The ACCA also co-authored a 2002 United Nations report that chastised the accounting profession for "not getting its environmental act together" (Hinks 2002b) and for falling "to make out the business case environmental reporting" (Hinks 2002a). Yet the ACCA's own involvement in sustainability became visibly enhanced only since the outbreak of the most recent financial crisis. A memorandum of understanding was signed with the World Wildlife Federation in 2009 calling on the accounting profession to develop methodologies to measure water footprints and which subsequently led to the release a report entitled "Water: the next carbon?" (Murray 2009). In 2013 the ACCA released a report with the Carbon Tracker Initiative highlighting the roles that accountants in exposing climate-change related risks, including the 'carbon bubble' (ACCA and Carbon Tracker 2013). In addition to such reports, the ACCA has hosted conferences that have investigated the financial reporting of reduction of carbon (*Accountancy Age* 2009);

[52] See Lovell and MacKenzie (2011) for an overview of initiatives undertaken immediately following the outbreak of the most recent financial crisis.

released studies, such as the 2012 survey with the NGO Flora and Fauna that highlighted barriers to including 'natural capital' in corporate reporting (*The Accountant* 2013); developed briefings intended to help enhance understanding of sustainability reporting (*Environmental Leader* 2009); and integrated the non-financial reporting metrics of <IR> into its global syllabus, which from December 2014 will be included in its examinations (*The Accountant* 2013). Overall, one interviewee noted that in the Anglo-American accounting profession

> there are ongoing fairly high-powered groups trying to continue to do the work that was set up pre-financial crisis, but they were only embryonic pre-financial crisis. They've become much more visible since then, and partly because they're talking about accountancy standards and risk management. People have talked about them a lot more, but they started pre-crisis (Interview P)

The set of global private bodies governing the International Financial Reporting Standards (IFRS) have further contributed to the external self-legitimation of the enhanced identification of the large Anglo-American accounting firms with explicitly normative niches of global finance since 2007. The 2002 ACCA report on the integration of the environment in accounting chastised the wider accounting profession particularly singled out the International Accounting Standards Board (IASB) for its "uninterested… lack of involvement" and actively "shirking its responsibility for developing standards recognising sustainable development" (Hinks 2002b). Since the outbreak of the crisis, however, the IASB and other institutions of IFRS governance have re-produced the positioning of the large UK and US-based accounting firms in explicitly normative fields. In 2007 the IFRS Interpretations Committee published a series of reports on emission

allowances and in 2008 initiated a joint emissions trading project with the American Financial Accounting Standards Board (Lovell 2014). Meanwhile in 2013 the IASB signed a memorandum of understanding with the IIRC pledging “to develop an integrated corporate reporting framework that includes financial, governance, management commentary and sustainability reporting” (Cohn 2013). A manager at the latter organisation asserted that the financial crisis had been a significant “driving forces” behind the enhanced attention to the integrated reporting (Interview K). This claim was echoed by another interviewee who confirmed the recent involvement of IFRS governance institutions in broadening financial reporting and likened <IR> to “an idea whose time has come” (Interview L). Although undertaken by private bodies, such “expanded engagement by professional accountants in shaping sustainability reporting” addresses systemic macro-level ethical issues in manners that scholars have likened to a reconstitution of public space “as accounting assumptions about sustainability reporting are treated as ‘public practices’” (Thistlethwaithe 2015: 15). Overall, such explicit focus on systemic normative issues by professional associations has developed alongside micro-level normative changes, such as revising existing codes of conduct (Goria 2014; *Institute of Financial Accountants* 2013) and defining in specific detail what constitutes the public interest (*International Federation of Accountants* 2012).

The echoing in smaller firms and industry associations of the enhanced identification by the leading TINCs, CRAs and accounting firms with explicitly normative niches of global finance since 2007 has contributed to the external self-legitimation of reshaped discursive identities. The sum of such efforts to self-legitimate discursive identities that

are explicitly normative yet nevertheless persistently positioned as expert providers of technical financial services culminates not in a single decision to 'go moral' but to an unintentional emphasis on 'moral-technical authority' since 2007.

Chapter Summary

This chapter analysed the shifting authority of the leading firms in three groups of financial services providers: the Anglo-American accounting firms, CRAs and TINCs. A first section detailed how prior to the outbreak of the latest financial crisis the authority of these actors was most explicitly based on cognitive traits of professionalism. Although outside actors emphasised the normative qualities of these firms, the accounting firms, CRAs and TINCs themselves stressed their possession of expert knowledge capacities. A second section then illustrated how the discursive identities produced by such claims to cognitive traits of professionalism have subsequently been unsettled and transgressed since 2007. The varying efforts to enhance identification with explicitly normative fields of global finance was highlighted in a third section, which detailed the increased engagements of the UK- and US-based accounting firms, CRAs, and TINCs on Islamic and sustainable finance since the outbreak of the most recent financial crisis. This section also emphasised how the self-legitimation of discursive identities has culminated not in a single decision to 'go moral' but in unintentional efforts to assert a combination of 'moral-technical authority' since 2007. The following chapter traces the shifting authority of the set of actors that have informed the models of financial service providers.

Chapter Four: Economists[53]

This chapter traces the changing authority of broad group of actors whose ideas have long informed global governance. At the height of the Great Depression John Maynard Keynes (1936: 376) famously asserted that the ideas of economists "both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else". This prominent twentieth century economist further emphasised the power of his profession in contending that "[p]ractical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist" (*ibid*). While likely overstated by Keynes, the authority of these actors is often understated by political scientists who tend to focus, as another British economist has put it, on "the actions of politicians, government officials, voters, pressure groups, but usually allows [sic] no role for economists, either as advisers, or as officials, or as public commentators" (Atkinson 2011: 160).

This chapter builds on and advances the small but growing inter-disciplinary literature in which sociologists (e.g. MacKenzie *et al* 2007; Hirschman and Berman 2014), legal scholars (Dezalay and Garth 2002), political scientists (e.g. Chwieroth 2010; Seabrooke 2011), as well as economists themselves (e.g. Colander 2007; McCloskey 1998) have examined the roles of the most prominent and influential social scientists in contemporary governance. This literature has revealed how Anglo-American economists have not always remained "caged" (Callon *et al* 2002) in academia but played roles well beyond the ivory tower, such as in public diplomacy (Seabrooke 2011), financial advising (Helleiner 2010b), and global governance institutions (Fourcade 2006). Economists also

[53] Portions of this chapter are drawn from Campbell-Verduyn (2014b).

frequently became involved in think tanks, policy institutes, international development bodies, non-governmental organisations, and other foundations (Mitchell 2005; Scholte 2013). The "corporatization" (Froud *et al* 2010) of the profession meanwhile led Anglo-American economists to play equally prominent roles in the private sector, and particularly in the financial services industry. In the lead up to the most recent financial crisis, the Anglo-American economist was "no longer a professor against the background of a book case but the 'chief economist' of a giant investment bank against the background of a dealing room" (Froud *et al* 2010). Moreover, economists held crucial positions in technocratic organisations responsible for the governance of global finance, such as the Bank of England and the American Federal Reverse system as well as international financial institutions such as the IMF and the World Bank (Baker 2013; Bryan *et al* 2012; Chwieroth 2010). The widespread pervasiveness of mainstream Anglo-American economists granted these actors "great power" and influence (Fox 2013) prior to 2007 and led to arguments that pre-crisis governance was best characterised as an "econocracy" (Engelen *et al* 2011; Self 1976).

The analysis of this chapter proceeds in four sections. A first section highlights how, prior to the most recent financial crisis, the 'technical-market authority' of mainstream orthodox UK and US economists was underpinned by ideas that produced the discursive identities of these actors as neutral, unbiased observers of 'the economy'. The incongruence of such discursive identities with failures to provide expert foresight and insight in the period of economic instability that began with the outbreak of financial crisis is then traced in a second section. A third section explores how the selection of

prominent Anglo-American economists outlined in Chapter Two have sought to reconfigure authority through what is described as an explicitly *moral economese* since 2007. Leading mainstream economists have increasingly engaged with issues that had been previously largely ignored, such as the environment and wealth distribution. This penultimate section highlights how the self-legitimation of explicitly normative yet nevertheless persistently technical discursive identities has unintentionally culminated in efforts to assert 'moral-technical authority' before a final section concludes.

The Pre-Crisis Authority of Economists

This initial section outlines the underpinnings of economists' authority in Anglo-American finance prior to the period of economic instability that began with the outbreak of financial crisis in 2007. Overtly emphasised cognitive traits of professionalism and subtle normative claims underpinned the 'technical-market authority' of these actors.

Expert knowledge

Cognitive traits of professionalism underpinned the authority of orthodox Anglo-American economists prior to 2007. The earliest professional British economists, such as Adam Smith and David Ricardo, framed their famous treatises in classical narratives of moral philosophy that since Aristotle in ancient Greece had explicitly engaged with political and ethical concerns (e.g. Smith 2010 [1759]). However, in the early twentieth century what sociologists have labelled as a "rhetoric of quantification" (Fourcade 1996) involving abstract "mathematical representation of a more complex reality" (Klamer 1990) came into vigour. Prior to the 1930s the complex mathematical techniques that had

been previously been pioneered by obscure Continental European economists were generally regarded by mainstream Anglo-American economists "as useless and arcane" (McCloskey 1985). Yet the use of such mathematical techniques increasingly "became routine" (*ibid*) in the late nineteenth century as a particularly group of what had until then been heterodox or dissident economists rose to prominence.

The so-called 'marginalists', whose ranks consisted of John Bates Clark, William Stanley Jevons and most prominently Alfred Marshall, sought to dissociate from such prior discursive positions by attempting to refrain from explicit engagements with questions of morality and ethics. The influence of these economists led mathematical and statistical techniques along with "science-like procedures" to become extensively used and by the 1930s mainstream Anglo-American economists increasingly presented "themselves as benign umpires" (Smith 2010) possessing expert knowledge that was "hardly accessible to lay-people" (McCloskey 1985). In drawing on the "neutral language of science" (Heilbroner 1990), mainstream British and American economists communicated their ideas through references to biology, later regarding "physics and chemistry as models" (Klamer 1990, see also Mirowski 1989, 1991). Orthodox economists then began abandoning ordinary English language as supposedly value-free ideas were communicated through a difficult to understand linguistic jargon. This specialised technical discourses has been disparaged by economists and their critics alike as "economese" (Lloyd 1949), a jargon which heterodox economists have likened to a belief system, an ideology, and even a religion as a result of its reliance on specialised codes, symbols, and myths (Samuels 1990; McCloskey 1998; Nelson 2001).

That technical economese would become orthodoxy was not inevitable and resistance to the growth of such discourse did persist. For instance, economists in the Austrian tradition remained wary of equations (Fox 2009: 301) while those in Marxist tradition continued to engage with politics and morality. Prominent orthodox economists themselves even warned that with mathematisation since the 1930s economists had become increasingly disconnected from real world processes and events. Milton Friedman, dubbed "the most influential economist of the second half of the 20th century" (*Economist* 2006), argued that economists were increasingly avoiding "real economic problems" (cited in Hodgson 2011). Several years earlier another influential economics Nobelist also cautioned that the theories of economists were bearing "little relation to what happens in the real world" (Coase 1997; cited in Hodgson 2011). Yet technical economese ultimately settled in the professional orthodoxy as the objections of dissenters became "sidelined" (*ibid*).

While discourses of morality and ethics that constituted the self-identities of early UK and US economists as a moral philosophers, from the early twentieth century onwards technical economese produced the identities of mainstream economists as neutral and unbiased professionals. With abstract ideas communicated in a specialised and difficult to understand language, Anglo-American economists were likened to "medieval priests who had a special relationship with God and spoke in Latin to the average punter, and said, 'This is way above your head. Don't worry about it'" (Irish economist David McWilliams cited in Kuper 2013). Over the century preceding the outbreak of financial

instability in 2007 mainstream economists established authority by positioning themselves in a discursive field wherein technical language was distinguished from language overt considering morals. Economese constituted the discursive identities of economists as neutral and unbiased professionals,.

Normative claims

Despite claims that their expertise was neutral and objective, the pre-crisis authority of orthodox Anglo-American economists was equally derived from subtle yet historically contentious normative claims. This subsection highlights how the authority of economists in the period preceding the outbreak of the most recent financial crisis in 2007 was built on backgrounded moral claims regarding human nature and the efficiency of markets. Consequences of these assumptions for the authoritative influence of economists on pre-crisis financial governance are then noted.

<u>Market participants are RARE</u>

Since the 'marginal revolution' orthodox economists had sought to frame the supposedly value-neutral scientific assumptions underpinning their cognitive traits of professionalism as uncontested and effectively universal. Their arguments were presented as "as non-ideological, not directly dictated by moral motives" (Boltanski and Chiapello 2005: 12). Yet as both orthodox and heterodox economists emphasised, such assumptions were grounded in a specific strand of utilitarian philosophy (e.g. Boulding 1969; Eatwell and Robinson 1974; Sen 1988; Vickers 1997). This normative grounding was most clearly illustrated by the prioritisation of an assumption in nearly all theoretical models

employed by orthodox Anglo-American economists in the lead up to 2007. Mainstream UK and US economists assumed that human beings are inherently egoistical, homogenously hyper-rational, self-interested actors bent on accumulating capital and focused solely on maximising utility (Fox 2009: 178; Collander *et al* 2010). These economists incorporated such conceptualisations of human nature into the representative rational agent using rational expectations (RARE) model that formed the basis of other market behaviour models. In short, the theories promulgated by orthodox economists prior to 2007 built "upon a common foundation of self-interested individuals or companies seeking to maximize something or other (utility, profit)" (Fox 2013).

The RARE assumption was, however, not uncontested in the wider profession. Despite being presented as natural, numerous prominent economists, including Keynes and Friedman, as well as scholars in disciplines such as psychology and sociology, continually challenged the notion of humans as rational, self-interested actors (Fox 2009; Collander *et al* 2010). Most prominently, Karl Polanyi (1944) integrated historical, anthropological, and philosophical observations going back to Aristotle and the ancient Greeks to illustrate how rather than *homo economicus* humans beings should be conceived as *homo sociologicus* due to a social nature that, prior to the rise of capitalism, had historically shunned greedy and self-interested behaviour. Mainstream economists largely ignored such contrarian views of human nature (Fox 2009: 182-3) as the RARE assumption was persistently presented as a settled and uncontested assumption.

Prioritisation of liberal values

The pre-crisis authority of mainstream UK and US economists was also grounded in liberal values that most centrally promoted unfretted markets as central to the attainment of the most efficient capitalist societies. The most prominent example of liberal bias in the supposedly neutral theories of leading mainstream Anglo-American economists supporting the growth of financial markets was the Efficient Market Hypothesis (EMH). The "centerpiece" of economists' pre-crisis expert knowledge (MacKenzie *et al* 2007), the strongest of the three variants of the EMH held that prices always perfectly reflected all information available to the market for a financial asset. As prices correctly mirrored all information known to market participants, deviations from price equilibriums would last only temporarily.[54] Although its originator (Fama 1970) had argued that the more nuanced weak and semi-strong versions of the EMH were correct, the strongest variant was picked up initially by investment strategists[55] and subsequently by designers of financial risk management tools used in the securitisation models for CDOs as well as for calculating the prices of CDSs and other derivatives discussed in the previous chapter (Colander *et al* 2010: 253). The EMH became essential in reassuring both the creators of and investors in complex instruments that such financial innovations were not merely speculative, but rather fulfilled "heroic" (Engelen 2011: 40) public functions in "making the financial system *safer* and the economy *healthier*" (*Economist* 2009b; italics added). As G/IPE scholar Daniel Mügge (2013; italics added) observes, "the efficient market hypothesis was powerful as it aimed not so much at providing an encompassing guide to

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[54] This claim implied, first, that the formation of that asset bubbles was unlikely since "some wise investor would spot them and pop them" as well as, second, that "trying to beat the market was a fool's errand for almost everyone" since all information available to the market was reflected in prices (*Economist* 2009b).
[55] Who were inspired by the translation of the EMH into English by Princeton economist Burton Gordon Malkiel, (Fox 2009: 129-130).

economic reality but a template for optimizing market design in search for economic efficiency *and hence societal welfare*".

Consequences of backgrounded normative claims for financial governance

The technical theories, equations, and formulas of academic Anglo-American economists not only prioritised markets but assisted in making markets by facilitating the pricing that helped establish markets for complex financial instruments. For example, the Black-Merton-Scholes model helped to calculate prices of derivatives such as put options (Fox 2009: chapter 8; Quiggin 2010: 40).[56] Through "impressive displays of probabilistic and mathematical skill" (Fourcade and Khurana 2013: 149), economic sociologists have observed how financial markets became "interwoven intimately with theory, in particular with modern financial economics" (MacKenzie 2005: 556). Former IMF chief economist Simon Johnson has also noted how by contributing "sophisticated mathematics to bear on such problems as determining the optimal capital structure of a firm (the ratio between debt and equity), pricing financial assets, and separating and hedging risks" economists "helped to transform the financial sector" (Johnson and Kwak 2009: 114).

The technical yet subtly normative claims of mainstream Anglo-American economists not only supported the development of markets for complex financial products that became widespread in the 1990s; they also provided crucial justifications for the light touch public governance of financial markets. Coined by two American Ivy League economists (Stock and Watson 2003) the idea that a 'Great Moderation'- a two decade

[56] Other important models elaborated with the help of economists included Value at Risk and capital asset pricing model (CAPM), see Lockwood (2015).

period of low inflation and volatility- had been ushered in due to the expert knowledge of economists was promoted in a presidential address to the American Economic Association in 2003 (Lucas 2003: 1) and widely popularised by a leading economist 'in the wild', Ben Bernanke. The belief that the technical expertise of economists had helped to achieve this historic feat solidified the authority of economists, granting them, as economist Dani Rodrik (2009b) described, "privileged position as opinion makers, as well as access to the corridors of power". Based on the EMH and the "control illusion" that their models were impeccably precise and rigorous (Colander *et al* 2010: 254), leading orthodox Anglo-American economists then promoted the view that excess regulation of financial markets should be avoided since, left to their own devices, markets would correct themselves. In this way, the strong variant of the EMH became "the vanguard of a broad movement in economics arguing for decreased regulation and increased liberalization of markets" (Johnson and Kwak 2009: 117). In attempting to make capitalism as efficient as possible orthodox economists in general and particularly those in "academic finance provided the intellectual justification for financial nonregulation" (*ibid*: 124). The EMH promoted the view that it was "socially desirable that the financial sector should grow" (Quiggin 2010: 46) and that "the introduction of new classes of derivatives can only be welfare enhancing" (Colander *et al* 2010: 252). While certainly not the sole contributor to financial de-regulation, leading mainstream Anglo-American economists certainly helped to "spread the idea (initially unpopular but widely accepted by the 1990s) that more power for financial markets *had to be good*" (Fox 2013, emphasis added).

Two examples help illustrate the consequences of the pre-2007 'technical-market authority' of economists for financial market governance in the lead up to the most recent crisis. In the late 1990s a group of American economists consisting of US Federal Reserve Chairman Alan Greenspan as well as Robert Rubin and his protégés Larry Summers and Timothy Geithner at the US Treasury played key roles in promoting derivatives and preventing their public regulation. Following the logic of the strong variant of the EMH that markets would tend towards stable equilibriums and function most efficiently if left to their own devices, Greenspan and Summers helped persuade Congressional lawmakers to exempt derivatives from federal regulation in the passage of the 2000 Commodity Future Modernization Act (Johnson and Kwak 2009).

Another prominent example illustrating how subtle normative claims enhanced the authority of economists and led these actors to advocate for 'light touch' governance of financial markets was their roles in the late 1990s abolishment of the Glass-Steagall Act. Since 1933 this legislation had separated American commercial deposit banking from more speculative securities trading. Although the barriers between more securities firms and banking had become quite fluid due to the progressive deregulation of the financial services industry undertaken by various administrations since the 1980s, the repeal of the Glass-Steagall Act "effectively demolished the remaining barriers separating commercial and investment banking" (Johnson and Kwak 2009: 146). With support from mainstream Anglo-American economists, the Financial Services Modernization Act of 1999 ushered in a period of mergers in which new 'universal' financial institutions gained the ability to undertake proprietary trading that backed speculation in securities markets with funds

from traditional deposit banking. Though financial interests were of course also involved in these processes, particularly through the lobbying of large banks, mainstream economists provided crucial intellectual logic to justify such deregulatory processes.

These examples illustrate how the theories of mainstream Anglo-American economists that "ascribed to market processes and institutions a superior capacity (superior to regulators)" (Froud *et al* 2012) *helped* "to justify the ideology of free financial markets" (Kwak 2013: 94). While mainstream Anglo-American economists had long sought to remove themselves "as much as possible from the subjectivity of normative concerns" (Best 2003: 580), the authority of these actors nonetheless remained underpinned by liberal market values. These values held that for the best interests of society all markets, including financial markets, *should* be left unregulated by governments. As the following section illustrates, however, these normative claims contributed to the transgression of economists' expert technical discursive identities as a result of major failures in the most severe period of economic instability since the Great Depression.

Crisis and Contestation

Despite various challenges, technical discursive identities continued to underpin the authority of mainstream Anglo-American economists into the twenty-first century. Moments of contestation occurred in the late 1990s when orthodox economists at the IMF and the large American credit rating agencies were blamed for neither foreseeing nor providing sufficient responses to the Asian Financial Crisis. The interrelated failure

of American hedge fund Long Term Capital Management (LTCM), however, provided the most direct challenge to the authority of mainstream Anglo-American economists.

LTCM had employed a strategy of taking large, highly leveraged market positions to exploit information asymmetries stemming from minute differences in the prices of similar assets in various world markets. In the expectation that such assets would gravitate towards true or 'right' prices reflecting all available market information LTCM incorporated the main insights of mainstream Anglo-American economists as its business model. The hedge fund was founded by and had on its Board of Directors a number of leading orthodox Anglo-American economists, including the Nobel Memorial Prize[57] winning Myron Scholes and Robert Merton who along with Fischer Black had developed the Black-Merton-Scholes formula mentioned in the previous section. Market turbulence during the Asian Financial Crisis eventually resulted in the hedge fund losing nearly half a billion dollars daily. Fear that the bankruptcy of this LTCM would instigate market contagion led to a multi-billion dollar bailout by its major creditors. While political economists and others regarded this event as a "damning verdict of complex financial modelling" (Mügge 2009), the failures that led to the downfall of LTCM were regarded by mainstream orthodox economists as mere outliers and anomalies caused by unpredictable external events that did not refute the soundness of their theories and formulas (MacKenzie 2003).

[57] Unlike the Nobel prizes for contributions to chemistry, literature, medicine, peace, and physics that have been awarded since 1901, the Nobel Memorial Prize in Economic Sciences was not endowed in the will of Alfred Nobel but by the Central Bank of Sweden, which established the prize in 1968. The economics Nobel prize has been criticised by descendants of Alfred Nobel as a public relations move to enhance the reputation of economists as well as by recipients of prize itself for biases towards mainstream orthodox economics, see von Hayek (1989), Millmow (2002, 2003), *The Local* (2005), Shiller (2013).

The Asian Financial Crisis and LTCM debacle did not undermine the EMH nor completely unsettle the discursive identities of economists. As political economists have observed, these events were merely regarded by mainstream economists as evidence of "timely and totally expected correction" (Nesvetailova 2007: 27) that enhanced the perception that economists' models were not "contestable constructions", but rather the "discovery of financial truth" that markets were inherently efficient (de Goede 2001). Despite prominent challenges from heterodox academic economists (Fullbrook 2008; Lawson 2003, 2008), the technical expert identities of orthodox Anglo-American economists were stabilised and persisted well into the early years of the new millennium.

With the outbreak of instability in global financial markets during 2007, however, the technical discursive identities of orthodox Anglo-American economists became much more widely contested. The wider legitimising community consisting of journalists (e.g. Cassidy 2009; Fox 2009), current and former financial market practitioners (e.g. Cooper 2008; Smith 2010), jurists (e.g. Posner, R 2009: chapter 8) and regulators (e.g. Interview S; Haldane 2012) all lambasted the "special role" (*ibid*) played by mainstream economists in the most severe period of economic instability since the Great Depression. Economists themselves have noted the "great mortification" of their profession (Mirowski 2010), some even remarking that "[i]f you want to hang anyone for the crisis, hang me – and my fellow economists" (Cambridge economist Victoria Bateman cited in Chakrabortty 2013). This section traces how the discursive identities of Anglo-American

economists became incongruent with their pre-crisis claims to cognitive and normative traits of professionalism during the most recent period of dislocation.

Challenges to expert knowledge

As noted, a wide array of commentators ranging from journalists to jurists and from market practitioners to monarchs have placed the expert knowledge of orthodox UK and US-trained economists at the forefront of blame for the outbreak of the most recent crisis. This subsection argues that the transgression of mainstream Anglo-American economists' expert discursive identities stemmed from their twin failures in providing neither foresight nor insight into the financial crisis and recent period of economic instability.

Dissonance arose in a first instance between the scientific discourses constituting the expert identities of Anglo-American economists and the failure of these actors to warn of the most severe period of financial instability since the Great Depression. While critics had long pointed to the "poor predictive track record" of mainstream economists (Benton 1990: 71), the expert discursive identities of the former were stabilised through arguments that they are not mere forecasters of short-term market movements (Rajan 2011). Yet such defences were clearly incongruent with the wrapping of economists' expert identities in scientific discourses quintessentially concerned with prediction.

The forecasts of even the most critical of mainstream economists turned out to be widely off target.[58] For instance, in a 2002 discussion of banking capital adequacy standards,

[58] As previously noted in the introductory chapter, IR, G/IPE, and Global Governance scholars influenced by economists and economics also fared little better in foreseeing such financial instability.

Nobel Memorial Prize-winning economist Joseph Stiglitz and his colleagues argued that "based on historical data, the probability of a shock as severe as embodied in the risk-based capital standard is substantially less than one in 500,000- and may be smaller than one in three million" (cited in Zingales 2013: 147). At the dawn of the crisis, mainstream Anglo-American economists were unfazed by slow downs in the American mortgage market and continued making predictions that financial markets would remain stable. Prominent contributors to the "reign of error" (Fox 2009: 315) included central bank economists such as US Federal Reserve chairman Ben Bernanke who argued in 2006 that the housing market was "headed for a safe landing" as well as the Nobel Memorial Prize-winning academic economist Robert Lucas Jr. who remained "'skeptical' that a subprime mortgage crisis would 'contaminate the whole mortgage market'" even in the fall of 2007 (cited in Posner 2009, R: 254). As late as the spring of 2008 mainstream economists continued to believe that the business cycle had been tamed due to the 'Great Moderation' (Quiggin 2010: 27). Prominent Anglo-American economists not only overlooked important warning signals, which included the rising level of sub-prime mortgage defaults in 2006 and 2007, they also mocked, denounced, and rebuffed the cautionary forecasts of the most prominent of their more alarmist colleagues (Bezemer 2009: 35-43; Smith 2010: 9-10; Fergusson 2010: 2; *Financial Crisis Inquiry Commission* 2011: 17). Meanwhile, as observers from outside the profession note, "the heterodox economists who did see [the crisis] coming were a marginal internal group within the profession who had lost out in thirty years of movement to and strengthening of the mainstream in prestige economics departments" (Engelen *et al* 2011: 126).

Dissonance with the technical discursive identities of orthodox Anglo-American economists also arose due to failures to offer useful insights into the causes of the financial meltdown that began in 2007. Caught "asleep at the switch" (Posner, R 2009) and generally perplexed at the extent of the financial collapse, orthodox economists retreated into their equations and formulas in order to identify variables that had been overlooked or insufficiently considered. There turned out to have been a plethora of important oversights and "blind spots" (Rodrik 2009). Factors such as uncertainty (Hodgson 2011), changes in social context (Colander *et al* 2010: 250), or even corruption and fraud (Black 2013), had been left out of the central mathematical formulas underpinning the "ubiquitous" Dynamic Stochastic General Equilibrium (DSGE) model (Blanchard 2008: 24). Rather than having incorporated measures that were difficult to quantify, these models had relied on seemingly straightforward 'sociotechnical devices' such as Gross Domestic Product (GDP) and the Consumer Price Index (CPI) without considering the shortcomings and performative effects of such instruments (Hirschman and Berman 2014: 18; see also Häring and Douglas 2012: 28-36; Mügge 2015). The models, equations and formula of mainstream economists also prioritised particular forms of risk, such as rises in inflation, while neglecting more complex counterparty and systemic risks as well as the significant risk of financial instability (*Economist* 2009b).

The technical models underlying the scientific discourses of orthodox Anglo-American economists were perhaps most greatly unsettled by failures to include finance. These models frequently overlooked financial intermediaries such as banks and the important 'financial plumbing' that permitted financialised capitalist economies to function

(*Economist* 2009b; Coase 2012). As leading economists have admitted, in models such as the DSGE, “financial factors (asset prices, money and credit) played distinctly second fiddle, if they played a role at all” (Haldane 2012). Anglo-American economists omitted from their models the “profit-seeking firms that make loans opportunistically and may themselves affect the economy” while conceptualising a “simple ‘veil’ between savers and borrowers” which included households, non-financial businesses and governments, yet not banks (*Economist* 2013c). Even in the EMH, developed by financial economists, “the financial sector did not exist as an industry” (Quiggin 2010: 45) since “in informationally efficient markets, intermediaries like banks should not exist” (Engelen *et al* 2011: 99). Finally, economists in the ‘wild’ at the US Federal Reserve, the UK Treasury, the IMF and other institutions “rarely, if ever, mentioned explicitly” the complex financial instruments that became central to the crisis (Engelen *et al* 2011: 43).

Of equal importance to the contestation of the expert identities of Anglo-American economists was the insufficient inclusion of history in the models and formulas that underpinned the technical discursive identities of these actors. As earlier decried by economist John Kenneth Galbraith (1990: 13), there are “few fields of human endeavour in which history counts for so little as in the world of finance”. The neglect of history stemmed partially from the short-term outlook of modern financial markets themselves, and partially from the belief that economists had mastered the business cycle (*Economist* 2013c). As their technical discourses relied on the twin ideas that major market fluctuations were a thing of the past and that, left to their devices, markets tend towards stable equilibriums, mainstream economists downplayed as ‘irregular statistical events’

(Watson 2014: 13) the extended history of financial booms and busts that had only grown more severe with the post-Bretton Woods deregulation of finance (Minsky 1986; Galbraith 1990). As a result the modelling used for sub-prime mortgage securitisation as well as the pricing of derivatives “relied on only two or three years of historical data” (Fox 2009: 314) and became biased towards optimally stable periods of low volatility while underestimating the probability of catastrophic “black swan” events (Taleb 2007).

The retrospection undertaken by mainstream Anglo-American economists at the outbreak of the most recent financial crisis has failed to improve their cognitive traits of professionalism. Orthodox economists have been continually unable to provide sound advice in the midst of the most severe financial crisis since the Great Depression. These economists have been criticised for appearing “uncertain about how to place the economy on the path to recovery” (Posner 2009, R: 232) and for failing “to provide helpful guidance in steering the world economy out of its current mess” (Rodrik 2009b; see also Lawson 2009). Other observers have argued that when “the keening public just wanted simple answers […] the economists didn’t seem to have any answers whatsoever” (Mirowski 2010). The most prominent insights offered by mainstream orthodox Anglo-American economists, however, have further undermined their expert knowledge claims.

The most prominent example of the failure of cognitive traits of professionalism has been the widely cited work of Harvard University economist Kenneth Rogoff and Carmen Reinhart (2010), which had examined eight centuries of financial crises and concluded that a debt to GDP ratio above ninety per cent was a tipping point or ‘debt ceiling’ that

historically had been detrimental to post-crisis economic growth. This research informed the decisions taken by key policy-makers confronted with high deficits and debt-to-GDP ratios following the unprecedented public support of the financial sector at the height of the 2008 panic. Referencing this expert knowledge, budgets cutbacks rather than more counter-cyclical deficit financing were pursued at the first sign of economic recovery in the US and UK (Black 2013; Herndon *et al* 2014: 4). When austerity became contentious as the US economy witnessed only very modest growth and the UK slid into a double-dip recession scrutiny was levelled on the intellectual support for these measures (Lysandrou 2013). An economics graduate student at the University of Massachusetts Amherst, replicated the study undertaken by Reinhart and Rogoff and revealed fundamental flaws in the calculations and conclusions of the Harvard economists (Herndon *et al* 2014). Data entry omissions and problematic calculations by these leading economists revealed the "crude" and "limited state" of prominent mainstream economists' expert knowledge (Fox 2013). The scandal this revelation provoked undermined not only the intellectual case for austerity but the cognitive claims of leading orthodox Anglo-American economists.

The miscalculations of Reinhart and Rogoff have not been isolated cases of cognitive failures. The expert knowledge of mainstream economists has been further undermined as IMF economists admitted to underestimating the effect of the "fiscal multiplier" in the conditionality programs for the indebted European nations of Greece, Ireland, and Portugal (Blanchard and Leigh 2013; *International Monetary Fund* 2013).[59] Similarly, economists at the UK Office for Budget Responsibility presented faulty forecasts of both

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[59] As economist Bradford DeLong (2012) put it, those who predicted that "immediate fiscal austerity would be expansionary were wrong. Not just a little wrong. Completely wrong."

economic growth as well as the effects of quantitative easing programmes and fiscal austerity, necessitating repeated revisions that have casted "strong doubt on the validity of the economic models being used" (Skidelski 2012).

The technical discursive identities of mainstream Anglo-American economists prior to 2007 thus became incongruent with failures to either predict or offer insight into what has been the most severe financial crisis since the Great Depression. The crisis ensured that economists took "a beating" as they were derided for their arrogance and began to be viewed "with more scepticism than before" (*Economist* 2009b). Previously ardent supporters in the mainstream business press "turned openly hostile in 2008" (Mirowski 2010), accusing orthodox economists of "hubris" (Coy 2009), of being "disillusioned" (*Economist* 2012; see also Harvey 2012), and being "false prophets" (Watson 2010). Furthermore, "[m]ainstream macroeconomic theorists came under heavy fire for having spent decades on work of almost no relevance to the current predicament" (Fox 2013).[60] Most prominently, the Queen of England, estimated to have personally lost £25 million in the crisis, confronted economists with their failure of foresight during a visit to the London School of Economics (Pierce 2008). In sum, the 'technical-market authority' of mainstream Anglo-American economists has become widely contested since 2007 as these actors were faced with the potential that they would no longer be considered professional observers of 'the economy'.

[60] The *Journal of Economic Perspectives*, founded on the need to "serve as a scholarly economics journal for the general audience of economists", had included articles that "worried about systemic issues posed by Fannie Mae and Freddie Mac, though it did not suggest imminent failure" (Shiller and Shiller 2011: 10-11). As economist Richard Dale (2008) has lamented, "[t]here are some 4000 university finance professors worldwide, thousands of finance research papers are published each year, and yet there have been few if any warnings from the academic community of the incendiary potential of global financial markets".

Challenge to ethics

The backgrounded yet nonetheless highly normative claims of mainstream Anglo-American economists have become equally contested in the period of economic crisis that began in 2007. Orthodox economists experienced an "ethical breakdown" (Colander *et al* 2010: 252) as that the assumptions underlying their technical discursive identities were shown to the primarily benefit major financial conglomerates while fostering costs onto the public.

In the lead up to the crisis that began in 2007 mainstream Anglo-American economists elaborated abstract mathematical equations and formulas that built upon the RARE assumption. Despite being almost continually confronted with evidence "in the run-up to the crisis investors, consumers, banks and regulators all exhibited behavior that is hard to reconcile with the hypothesis of rationality as it is incorporated in most standard models" (Stiglitz 2011, see also Orrell 2011), orthodox economists persisted in constructing theoretical models that relied upon notions that individuals and institutions were inherently self-interested. In doing so, mainstream economists became "more and more comfortable with ignoring widely recognized realities of human behavior in order to build better models of it" (Fox 2009: 28).

That real world evidence could be ignored stemmed from another "heroic assumption" (Lawson 2009) underpinning the pre-crisis discursive identities of mainstream economists: that 'the economy' could be conceived as entirely separate from society. In

depicting 'the economy' as isolated from society mainstream economists essentially removed themselves and their theories from real world relevance. Their models and formulas would only be valid and "provide any relevance in to society" when a host of stipulations were fulfilled (Mügge 2013). These numerous 'ifs' included whether 'the economy' could be "fully isolated from emotions, from opportunistic behaviour, from rent-seeking, from asymmetric information, from distorted incentives and so on" (*ibid*). As such conditions were rarely if ever fulfilled, the increasing abstract ideas of mainstream Anglo-American economists were revealed as no longer being in the best interest of society. Such ideas could not be in the best interest of society if, as a Harvard economist asserted, "[a]nything you can't measure- like community- simply doesn't exist" (Marglin 2009). In continually refining the formulas and models that depicted an abstracted economy largely disconnected from the real world, orthodox economists became viewed as working for themselves, rather than for the benefit of the broader society in which they operated. As Citibank chief economist Willem Buiter (2009) notes,

> Most mainstream macroeconomic theoretical innovations since the 1970s […] have turned out to be self-referential, inward-looking distractions at best. Research tended to be motivated by the internal logic, intellectual sunk capital and aesthetic puzzles of established research programmes rather than by a powerful desire to understand how the economy works - let alone how the economy works during times of stress and financial instability.

In sacrificing "relevance to technical rigor" (Rodrik 2009), Nobel Memorial Prize winning economists such as Krugman (2009a) have conceded how they "mistook beauty,

clad in impressive-looking mathematics, for truth". In doing so orthodox economists undermined their own subtle yet nonetheless significant normative claims.

Rather than the broader public, the theories of mainstream economists primarily supported the interests of large financial conglomerates. As the previous section noted, based on theories that assumed away highly contentious assumptions and ignored real world evidence, orthodox economists in academia, financial services firms, and various think tanks had promoted market self-governance (Quiggin 2010: 76). The EMH was not only important for developing markets for complex financial instruments, it also played a "crucial role" in informing the approach to the governance of such products as well as the regulation of the financial services industry more generally (*ibid*: 73; see also Rodrik 2012). The degree to which assumptions that underpinned changes in the governance of financial markets were not in the public interest was revealed in a number of processes described in what follows that led to the outbreak of the most recent financial crisis.

First, the giant 'universal' financial institutions that had formed through mergers in early years of the new millennium made a great deal of extremely risky loans for housing and cars that were then bundled and 'securitised' into synthetic ABSs that were subsequently sold not only amongst one another but also throughout global financial markets in attempts to 'spread' risk. This process, however, concentrated risk and rendered the overall financial system more fragile by "creating links between formerly unconnected players" (Colander *et al* 2010: 262). A prominent instance of financial innovations increasing risk through interconnectivity were the CDSs sold by the world's largest

insurer, AIG, to financial conglomerate. As speculative hedge funds within these "financial juggernauts" (Johnson and Kwak 2009: 139) began to experience major loses as a result of rising defaults on risky loans in 2007 the larger parent companies became infected. Trading and liquidity within the global financial system as a whole began to freeze up when market actors became unsure of the extent of the losses as well as the very solvency of their counterparties. Unprecedented levels of public support were extended in the UK, US, and elsewhere to ensure that the losses of giant financial institutions did not contaminate and compromise the multiple counterparties to their speculative transactions. With public support many of these financial conglomerates have not only continued to exist but were in many cases, such as Bear Stearns, have been swallowed up by competitors who have in turn became officially designated as systemically important financial institutions. The giant financial institutions that have become even larger since the beginning of the crisis in 2007 continue to benefit from explicit state guarantees against their failure. While the origins of the 'too big to fail' problem may appear quite far removed from the theoretical models and formulas of developed and popularised by mainstream Anglo-American economists, the influence yielded by these professional actors undermined the barriers separating speculative financial activity from ordinary deposit taking and lending that had existed for decades since the Great Depression as well as promoted the concentration of power in the financial services industry.

Mainstream Anglo-American economists have of course not been the sole contributors to processes that led the collapse and costly public interventions in the financial services

industry since the outbreak of the financial instability in 2007. Laws, regulations, and other actions were lobbied for by leading corporations and passed as well as repealed by legislators and regulators in the UK and US. However, in the lead up to the crisis, leading mainstream Anglo-American economists strongly supported and advocated such actions, contending that society would from improving the 'efficiency' of market transactions. Yet such normative claims have been have been shown to benefit the interests of large financial conglomerates at immense costs to the public interest.[61] The following section illustrates how a subset of mainstream Anglo-American economists have exercised agency in altering their discursive identities in response to contestation of their authority.

Attempts to Reconfigure Authority in Times of Crisis

Just as the end of the Cold War re-opened discursive space for new ideas to permeate mainstream IR, G/IPE, and Global Governance, what has been referred to as an "economics spring" (Gay 2013) following outbreak of the most severe financial crisis since the Great Depression has created openings in the discourses of prominent orthodox Anglo-American economists. Dissonance between the technical discursive identities of these actors and their failures of insight and foresight has encouraged moments of reflexivity. Several orthodox economists have begun explicitly recognising the idiosyncrasies of their views, lamenting for instance how they "have too often conveyed their own social and political preferences" or how "[i]nstead of being analysts, they have been ideologues, favoring one set of social arrangements over others" (Rodrik 2009b).

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[61] Calculated by Dallas Federal Reserve economists to have cost the US alone $14 trillion (Atkinson *et al* 2013).

This section highlights an overlooked manner in which mainstream UK and US economists have responded to the widespread unsettling of their 'technical-market authority' since 2007. Analysing the economese of a subset of prominent orthodox Anglo-American economists, it is suggested that technical economese has been repositioned within more overtly normative discursive fields. What is described as an explicitly *moral economese* is illustrated through the combination of enhanced attention to macro-level systemic issues that had previously been largely overlooked and ignored, such as the environment and wealth distribution, with persistent of technical discourses. The self-legitimation of such dispersed efforts to stabilise discursive identities as technical experts in overtly normative fields is then regarded as culminating in unintentional attempts to reassert 'moral-technical authority' since 2007.

Overtly normative considerations

To recall, technical discourses that sought to minimise explicit considerations of morality and ethics had long produced the identities of mainstream economists as neutral expert actors. Since the 'marginal revolution' mainstream British and American economists sought to cast their expert knowledge as purely technical, neutral and value-free. Despite frequent challenges during the decades leading up to the most recent financial crisis, this technical economese legitimated the expert discursive identities of Anglo-American economists and succeeded in downplaying any "normative conceptualizations of how economies should be organized" (Chwieroth 2010: 86; see also Best 2003; Häring and Douglas 2012). Meanwhile, literature emphasising the grounding of the ideas of mainstream economists in a specific strand of utilitarianism remained well outside of

orthodox training curricula while very little overt discussion of ethics took place in prestigious economics journals (Colander 2007; Häring and Douglas 2012). The normative underpinnings of economists' expert discursive identities were nevertheless revealed by the prioritisation of the RARE assumptions and liberal market values.

Since 2007, however, prominent orthodox Anglo-American economists have more explicitly engaged with the ideas of scholars whose outlooks had remained explicitly normative. Attempts to foster dialogue with heterodox economists were most significantly institutionalised through the launch of the Institute for New Economic Thinking (INET) in 2009.[62] With leading Anglo-American economists including Kenneth Rogoff and Joseph Stiglitz on its advisory board, INET (2013) declared that "economists must focus on addressing humanity and morals and ethical dilemmas". Orthodox economists have also increasingly considered scholarship in disciplines that have continued to explicit engage with normative issues despite the pressures and "imperialism" of mainstream economics (Fine and Milonakis 2009). Robert Shiller and his psychologist wife have acknowledged that there has been an enhanced engagement by orthodox economists with "findings in other fields, including history, psychology, and sociology… via interdisciplinary forums, cross-fertilization and broad-spectrum thinking" (Shiller and Shiller 2011: 11). Former Federal Reserve Chairman Alan Greenspan, for instance, has "delved into behavioural economics, anthropology and psychology" (Tett 2013) while N. Gregory Mankiw (2010: 286) has discussed the

[62] INET is "charged with the task of restoring to academic economics its standing" after "[t]he failure of the dismal science to predict and explain the worst financial crash since the Depression" (*Financial Times* 2013).

"inextricable linkages between philosophy and economics". These and other[63] intra- and inter-disciplinary interactions have surprised both media commentators (Walker 2013; Porter 2013) as well as scholars (e.g. Ver Eecke 2013: 83-91).

More explicit consideration of normative themes since the outbreak of the financial crisis has equally been evident in the economese of other leading Anglo-American economists. Raghuram Rajan (2012c) has reflected on the virtues of money as well as issues of fairness involved with its distribution, asking "how do we instill more social values in the [financial] industry?" (Rajan 2010a). Robert Shiller (2012: 10) has assembled a volume based on a series of lectures delivered to students of finance that "raises a series of questions about the morality and substance of finance in an evolving society". This more overt focus on ethics has extended beyond the research of "caged" academic economists. For instance, the Executive Director of Financial Stability at the Bank of England, British economist Andrew Haldane (2010), has undertaken very detailed attempts to calculate of the social costs of systemic financial risk. Though substantial attention remains placed on what are still considered as purely technical matters, such as the money supply or CPI, prominent Anglo-American economists have since 2007 made significant strides in responding to calls "to engage with moral considerations" (Atkinson 2011: 160). This enhanced attention granted to macro-level ethical issues is illustrated in the re-engagement with distribution of wealth and the environment.

[63] For instance, economist Michael Bordo has emphasised the importance of history for understanding the crisis (Bordo and James 2010) while Rodrik (2014) engaged with constructivism in arguing that "preferences are tightly linked to people's sense of identity […] What the economist typically treats as immutable self-interest is too often an artifact of ideas about who we are, how the world works, and what actions are available".

Rediscovering Wealth Distribution

While previous generations of prominent UK- and US-trained economists had provided some attention to issues of wealth distribution (Wisman and Smith 2011; e.g. Fischer 1917; Keynes 1936; Kuznets 1955), in the years preceding the outbreak of financial instability in 2007 the most prominent Anglo-American economists set aside and at times even derided a focus on such issues. For instance, Mankiw (2007) declared that "[f]airness is not an economic concept". Lucas (2004) meanwhile disparaged any consideration of such topics, warning that "[o]f the tendencies that are harmful to sound economics, the most seductive, and in my opinion the most poisonous, is to focus on questions of distribution". Granted, some leading Anglo-American economists had taken note of "the explosion of inequality since the 1970's" (Krugman 2005; see for example Rogoff 2004; Shiller 2003, chapter 11). Yet as Krugman (2012: 43) observes, prior to 2007 "there was a sense among many economists that the incomes of the very rich weren't a proper subject for study, that the issue belonged in tabloids obsessed with celebrities rather than in the pages of sober economics journals". Other prominent economists have supported this assertion, noting that "[f]or years, the dominant paradigm in macroeconomics ignored inequality" (Stiglitz 2012a: 31; see also Wade 2014b: 111-3).

Yet since 2007 leading mainstream Anglo-American economists have increasingly considered issues of wealth distribution. Lucas began discussing issues of inequality immediately following the outbreak of the financial crisis (King 2008) while Mankiw took a "bold leap into normative analysis" (Mankiw 2010: 290) and even insisted "that the subject of income distribution can be adequately addressed only as an explicitly

ethical issue" (Ackerman and Beggs 2013). Rogoff (2013) has similarly discussed fairness of wealth taxes while the inclusion of wealth imbalances amongst the "fault lines" posing on-going threats to the world economy identified by Rajan (2012a). Lawrence Summers (2014a) has similarly cautioned of the pitfalls of becoming a "Downton Abbey economy", warning that inequality is an urgent (Summers 2011) and "critical issue" (Summers 2014c). Meanwhile, though his first book published near the outbreak of the financial crisis Krugman (2009b) only briefly mentioned wealth distribution in passing, in a follow-up book (Krugman 2012) this leading economist devotes an entire chapter to discussing this issue. Most prominently, Stiglitz followed a widely cited 2011 article on wealth inequality that has been credited with influencing the 'we the 99%' slogan of the Occupy movement (Berrett 2011b) with two entire books devoted to this subject (Stiglitz 2012, 2015) as well as widespread commentary that included moderating a *New York Times* op-ed series on inequality (Stiglitz 2014). Even Greenspan, who had commented only very sparingly on wealth distribution prior to the crisis (e.g. Greenspan 1998), has provided a heightened focus to such issues (Cruitsinger 2007; *Economist* 2007), even devoting an entire book chapter (Greenspan 2013) to what he now considers to be "the most dangerous part of what's going on in the United States" (*Bloomberg Businessweek* 2014).

Such enhanced consideration of issues relating to wealth distribution was confirmed with the widespread attention granted by prominent UK and US-based economists to the English translation of a seven hundred page volume identifying wealth inequality as a critical feature of capitalism since the eighteenth century. *Capital in the Twenty-First*

Century by French economist Thomas Piketty (2014) has not only been noted in passing (Haldane 2014b) and used to confirm earlier arguments (Shiller 2014a) but has been subjected to both elaborate praise (Krugman 2014c; Summers 2014b) and defences (Krugman 2014b) by leading Anglo-American economists. The "phenomenal" (Wade 2014a) and "relentless" (Ackerman 2014) attention granted to this volume confirms the "reignited" interest of contemporary leading mainstream economists "in the dynamics of wealth and its distribution – a topic that preoccupied classical economists such as Adam Smith, David Ricardo, and Karl Marx" (Rodrik 2014).

Rediscovering Environmental Concerns

Since the outbreak of the most recent financial crisis prominent UK- and US-trained economists have provided similarly enhanced attention to environmental concerns. Though considered by an earlier generation of leading Anglo-American economists (e.g. Solow 1974; Nordhaus 1974), environmental problems were long ignored or at best treated as secondary issues by the contemporary generation of prominent UK and US economists (Spash and Ryan 2012: 1096; Spash 2011: 341). In his infamous 1991 World Bank memo Summers considered, in an allegedly sarcastic manner, how dumping toxic waste and exporting "dirty industries" to the developing world would be "welfare enhancing" (Clapp 2001). Meanwhile Stiglitz co-authored the Intergovernmental Panel on Climate Change third assessment report (Arrow *et al* 1996) and also commented on a range of environmental concerns prior to the financial crisis (e.g. Stiglitz 2006).

Yet only with the outbreak of the crisis does it appear that prominent Anglo-American economists have focused more extensively on environmental concerns. Besides Stiglitz, Mankiw (2013a; Johnson 2012), Rogoff (2008), Shiller (2014), and Summers (2007, 2015) have all provided enhanced consideration of environmental issues, particularly with regards to climate change. Krugman (2008) has contemplated the "sheer irresponsibility not to do whatever we can to eliminate [the climate] threat" while Haldane (2009) has argued "that financial systems should be understood on the model of complex adaptive ecosystems". In the latter's engagement with ecological understandings of complex systems, global finance has been compared to a "tropical rainforest" that is a robust "source of richness" yet "fragile" and susceptible to threats (Haldane 2009; see also Haldane and May 2011). With such commentary Haldane has been likened to "a Victorian losing faith in the Almighty" who "now rejects an economics with physics-based models of markets and proposes instead more ecological and epidemiological biology-based understandings of finance" (Bryan *et al* 2012: 302-303).

There have thus been subtle discontinuities in the discursive identities of both progressive and conservative leading mainstream UK and US economists prior to and following the trauma of the most recent period of economic instability. The inability of these actors to offer adequate foresight and insight into this economic instability transgressed their self-identities as professionals possessing expert knowledge of 'the economy'. Yet, these actors have exercised agency in dispersed manners by explicitly engaging with normative issues in manners that have established relational differences with pre-2007 identities.

Self-Legitimation

Internally self-legitimated by leading orthodox Anglo-American economists themselves, the agency exercised in considering more overtly normative themes and reconstituting discursive identities towards wider the common good has been constrained by technical discursive structures from which these actors have been unable to dissociate. In order to externally self-legitimate their reconstituted discursive identities in the profession and by industry employers mainstream Anglo-American economists have continued to rely on mathematical models that position their discursive identities as technical experts. Despite criticisms of economists for their "obsession" with "petty mathematical problems of interest only to themselves" (Piketty 2014: 32), *Capital in the Twenty-First Century* has been widely praised by leading Anglo-American economists for framing its findings "in a form that is fairly comfortable for conventional economists" (Krugman 2014b), in which "the reader will encounter mainly an economist's dry prose and statistics" (Rodrik 2014). Even behavioural economists working in more descriptive research paradigms have insisted that "economics has an important quantitative side, which cannot be escaped" (Shiller 2013).[64] The evolving discursive identities of leading American economists can therefore best be considered as relying on a *moral economese* merging persistently quantitative focus with enhanced reflections on moral philosophy and more explicit considerations of macro-level ethical concerns.

Discursive identities positioning leading Anglo-American economists as technical experts within explicitly normative fields have been externally self-legitimated by academic

[64] Chapter six provides more specific examples of the persistence of technical expert discursive identities.

economists as economics conferences and professional economics associations[65] as well as economics journals[66], policy portals (e.g. Carraro *et al* 2014), and weeklies (e.g. *Economist* 2014) have increasingly considered issues related to the environment and wealth distribution. Indeed, economists more generally "have been at the forefront of the study of inequality in the recent period" (Hopkin 2014: 679). As themes such as Haldane's financial markets-as-ecology have received greater attention (Walker and Cooper 2011: 152), environmental problems, wealth distribution, and ethics more generally have increasingly been considered by prominent Anglo-American economists in the "wild" (e.g. Bernanke 2015; Carney 2014; Rubin 2014: Yellen 2015). Orthodox economists employed at the major international financial institutions, such as the IMF, have also increasingly positioned themselves within such macro-level ethical debates. Despite avoid the issue of inequality (Momani 2010: 73-4) several IMF economists had granted attention to explicitly normative concerns prior to 2007 (e.g. Milanovic 2006; Cordoba and Verdier 2007). However, as the consideration of issues such as wealth distribution has shifted from largely "taboo" to "hot" (Wolf 2014) reports by economists employed by the IMF (e.g. Ostry *et al* 2014; Coady *et al* 2015) have referenced work by Stiglitz (2012) and Rajan (2012a) while even at the leadership level has the Fund has become increasingly vocal of the perils of wealth inequality (Giles 2014; Lagarde 2014).

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[65] The World Economics Association hosted an online Ethics Conference in 2012 (http://weaethicsconference.wordpress.com/) while inequality was central focus of the 2014 Lindau Meeting on Economic Sciences (http://www.lindau-nobel.org/upload/Press_Release_Inequality___A_Key_Issue_of_Economic_Research_8591.pdf).
[66] For instance a search of keywords "environmental" and "inequality" in the *Quarterly Journal of Economics*, the top economics journal according to IDEAS May 2014, yields two and ten articles, respectively, in the seven years prior to the outbreak of the recent financial crisis compared to three and sixteen, respectively, in the seven years since 2007. Meanwhile, the American Economic Association's *Journal of Economic Perspectives,* described in footnote 71, published two articles with 'inequality' in the title between 2000 and 2007 compared to four articles since 2007 in issues with dedicated symposiums examining "Economics and Moral Virtues" and "The Top 1 Percent".

In positioning themselves within such discursive fields these individuals have contributed to the external self-legitimation of the relational differences that prominent Anglo-American economists have established with their pre-2007 self-identities as merely neutral, unbiased and objective observers of 'the economy' that have culminated in unintentional attempts to reassert 'moral-technical authority' since 2007.

Chapter Summary

This second empirical chapter began with a synthesised and updated overview of the varying authority of Anglo-American economists. The shift from the early twentieth century adoption of a technical and esoteric language known as economese to the widespread contestation of their technical expert discursive identities in the wake of the most recent financial crisis was first examined. The more explicitly moral economese of a particular subset of the most prominent orthodox Anglo-American economists was then identified as a response since 2007 that can be contrasted with prior moments of contestation. Though certainly not all have done so (e.g. Lucas 2009), leading mainstream economists have exercised agency in self-legitimating their discursive identities in wider normative debates. Yet in doing so, leading economists have continued identifying themselves as technical experts and have retained a key pre-crisis discursive structure. The sum of these dispersed efforts has culminated in unintentional attempts by prominent orthodox economists to assert 'moral-technical authority' since 2007. The following chapter turns towards a group of actors that have received the least amount of attention in IR, G/IPE and Global Governance.

Chapter Five: Advisories[67]

A wide and seemingly ever-growing variety of advisories exist, from those specialising in strategy and management to those focused on marketing and public relations. This chapter analyses the changing authority of three specific groups advising the actors traditionally considered to be at the 'core' of the Anglo-American financial services industry: legal firms, consulting firms as well as actuaries. Though separated into three distinct categories, overlaps remain amongst these three groups of actors. Consultants for example, are often practicing lawyers while consulting firms such as Oliver Wyman employ large numbers of actuaries.[68] Though tempting to aggregate these actors into a single category, disaggregation serves to amplify their important differences, such as the varying degrees to which each group of advisories has professionalised. While the professionalisation of actuaries and legal groups is comparable to that of accountants, the much more underdeveloped consulting profession is more akin to the CRAs as well as TINCs examined in Chapter Three of this study.

The three groups of advisories examined in this chapter overlap not solely amongst themselves, but also with the actors traced in the previous chapters of this dissertation. The leading Anglo-American TINCs[69] as well as CRAs[70] both offer advisory services. The large UK- and US-based accounting firms greatly rely on profits from their

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[67] Portions of this chapter have appeared in Campbell-Verduyn (2015a).
[68] See for instance <http://www.oliverwyman.com/what-we-do/actuarial.html> and <http://www.oliverwyman.com/insights/actuarial.html>.
[69] Legal 'knowledge management' services have long been offered by a subsidiary of Thomson Reuters, see <http://legalsolutions.thomsonreuters.com/law-products/solutions/westkm>. Meanwhile as part of a nearly $1 billion as deal to further develop Bloomberg Law legal research firm Bureau of National Affairs was acquired by Bloomberg LP in 2011.
[70] The major CRAs have advised their clients how to improve their credit ratings, a service that has heightened the conflicts of interest between raters and issuers that were detailed in Chapter 3, see also Campbell-Verduyn (2013).

consulting practices developed following the Second World War (Engwall 2006; Campbell-Verduyn 2014a).[71] Actuaries are also often trained economists and consulting firms frequently employ economists, actors that commonly undertake independent consultancy work, as the previous chapter of this study illustrated.

Further overlaps exist between the three groups of advisories examined in this chapter and the actors traditionally considered in political science and the fields of IR, G/IPE, and Global Governance. In the British and American political systems, politicians and bureaucrats are frequently trained as lawyers and hail from legal firms (e.g. *Economist* 2009a). Public officials in these countries also tend to marketise their experience following careers in the public service by moving on to work in private sector advisory firms.[72] The groups in turn will often advise the public and private entities that long regarded as central to Anglo-American finance, such as regulatory agencies, banks and insurers. Specifically, advisories often disseminate the knowledge and 'thought

[71] The advisory services, including actuarial consulting, offered by the large Anglo-American accounting firms have long "strained" the ability of these actors to represent their expert knowledge as purely objective (Interview R). Following the US corporate governance scandals early in the new millennium, accounting firms were banned from consulting the clients that they audited, divorcing more "imaginative" consulting from "rational" accounting (Amoore 2013: 80). Yet in the UK overlaps between accounting and consulting persisted. The *Financial Times* recently reported that these firms were "encroaching on the territory of consultants, law firms and banks" and that "[a]lthough audit remains at the heart of the big four brand, their tentacles continued to expand in 2014 into capital markets, consultancy and cyber security" (Agnew 2014). Given their sheer size, the continued advisory services of the large Anglo-American accounting firms have been significant. At the outbreak of the most recent financial crisis, PwC for example, with over 140,000 employees working in 771 offices in 149 countries greatly exceeded the size of even the largest Anglo-American legal firm, Clifford Chance, a firm of approximately 3,200 lawyers working in 29 offices in 20 countries (Flood 2007: 49-50). Despite their continuing presence in advisory services, the large Anglo-American accounting firms are only mentioned in passing in this chapter and were subject to analysis in Chapter 3. The focus of this chapter is on firms whose central lines of business are advisory services.
[72] Since leaving office former UK Prime Minister Tony Blair for example has earned millions of pounds advising governments and financial service firms like JP Morgan Chase (Mendick and Malnick 2014). A less prominent example in the US meanwhile is Benjamin Lawsky, who left the head of the New York Department of Financial Services government to start a 'fin-tech' consulting firm (Chon 2015).

leadership' that frequently informs financial services firms, their regulators, as well as popular and scholarly analysis of these industries.

Despite such widespread roles in advising actors and areas traditionally at the heart of political analysis, consultancies, legal firms and actuaries have largely been overlooked in academic studies. The significance of these three types of advisories has only infrequently been identified in passing in IR, G/IPE, and Global Governance scholarship (e.g. Chwieroth 2010: 250-1; Elias 2013: 161; Gilpin 2001: 285) with in-depth focus granted primarily in regards to their roles in areas beyond finance, such as security (e.g. Amoore 2008; Amoore and de Goede 2005), intellectual property (Sell 2003) and tax regimes (Webb 2004), as well as international trade law and arbitration (Cutler 2003, 2014). Meanwhile, studies by other social scientists that have more attentively considered advisories have remained quite abstract (e.g. Engwall 2006; Olds and Thrift 2004), though several exceptions are noted below (e.g. Morgan 2006). One recent analysis of consultants in particular emphasised that scholarly understanding of the roles of these actors "remains limited, with little detailed empirical conceptual research on the subject" (Beveride 2012: 52). Similarly, as "little has been written" about actors that have remained "substantially outside of public view", such as actuaries, the "very specialized and complex" nature of their services they provide has remained "mysterious" (Gunz *et al* 2009: 77). As such, one central objective of this chapter is to open these black boxes through an analysis of the changing authority of these three groups of advisories.

In focusing attention on these three particular groups of advisories, this chapter builds on the sparse yet notable public administration (Saint-Martin 1998) and public policy scholarship (Speers 2007; Beveridge 2012; Momani 2013) that has examined the roles of consultants in national and local governance. The analysis undertaken in this chapter extends these studies to actors whose roles at the boundaries of Anglo-American finance has not widely been recognised in political science. A first section introduces each group of advisory by revealing the underpinnings of their pre-crisis authority. The contributions of legal firms, actuaries, and consultants to the most recent financial crisis and challenges to their authority are then traced in a second section. The penultimate section analyses the dispersed responses of advisories to challenges to their authority since 2007 before a final section concludes.

The Pre-Crisis Authority of Advisories

This section introduces the three sets of advisories examined in this chapter by outlining the underpinnings of their authority in the lead up to the financial crisis that began in 2007. A first subsection argues that legal firms, consultancies and actuaries exercised ‘technical-market authority’ prior to the outbreak of the most recent financial crisis through explicit identifications with cognitive traits of professionalism and the backgrounding of liberal market values. Such associations produced the discursive identities of each set of actors as neutral, expert advisors. A second subsection illustrates how more subtle normative claims by outsider observers also underpinned the pre-crisis authority of these actors.

Expert Knowledge

Lawyers and legal firms long derived authority through explicit identification with cognitive traits of professionalism that produced their discursive identities as expert actors. As far back as Roman times lawyers identified themselves as independent experts (Brundage 2008). Though "perceived by outsiders as a technical, complex and arcane" (Morin 2013), the expert knowledge claimed by these actors was considered valuable "social capital" (Dezalay and Garth 2011a). Indeed, in societies based on the rule of law technical expert knowledge was particularly valued for clarifying what precisely could and could not to be done (Morgan 2006). Over centuries, lawyers then avoided "obsolescence or competition from other technologies of power, regulation and governance" by constantly readjusting their corpus of expert knowledge and reaffirming the necessity of the need for legal intermediation (Dezalay and Garth 2011b: 3). By continually integrating new insights regarding the development and interpretation of the law, lawyers and their firms thereby persistently identified with expert knowledge and claims to cognitive traits of professionalism.

Technical languages underpinned the expert knowledge and pre-crisis authority of this this first group of advisories. Like economese, the arcane and hard-to-penetrate dialects of legalese were long based on idiosyncratic modes of reasoning and implicit assumptions (Morin 2013) that rendered lawyers "privileged purveyors of expertise" akin to the Latin-trained clergy (Sell 2003: 99). The global spread of particular forms of legalese was then enhanced by the enhanced transnational interactions that have broadly been associated with the process of globalisation. Led by transnational corporations

(TNCs) and most centrally by post-Bretton Woods global financial actors demanding laws clarifying common "rules of the game", global capitalist expansion underpinned a drive for legalistic standardisation and the development of a "common legal language" (Dezalay and Garth 2011b). Despite the clarity provided by European legal languages in the civil law tradition, it was Anglo-American legalese that became particularly widespread in part due to the hegemonic power of the UK and then US, but also due to what scholars have identified as the "freedom" and flexibility afforded by common law (Flood 2007: 48). Regardless of the precise reasons, the technical language that eventually became entrenched in global business practices enhanced their perceived technical expert authority of lawyers and their firms prior to the outbreak of the most recent financial crisis. Intensified transnational commercial exchange came to rely on the "sacred role" of the large globally oriented legal firms that became "pillars of globalisation" (*ibid*: 38). In addition to overseeing important affairs such as mergers and acquisitions as well as the restructuring of large TNCs (Morgan 2006), the expert knowledge of these actors was mobilised in order to harmonise laws pertaining to everything from contracts and competition to litigation and lawsuits (Morin 2013). Specifically in global finance, the expert knowledge of lawyers and legal firms would come to play a "central role in lubricating financial markets" (Falconbridge and Muzio 2009: 641). One illustration of such 'lubrication' has been the provision by legal firms of the technical documentation underpinning markets for derivatives as well as other 'exotic' financial products (Flood 2007; e.g. Riles 2008). Through the global spread of financial capitalism in the pre-crisis period therefore the expert knowledge of Anglo-

American legal firms became transplanted around the world (e.g. Dezalay and Garth 2011a,b).

In stark contrast to lawyers, one of the oldest professions, the identification with cognitive traits of professionalism by consultants developed only much more recently. The expert knowledge of this second type of advisories became recognised only in the second half of the nineteenth century as engineering and accounting consultants began being paid for the advice they provided (Saint-Martin and Kipping 2005).[73] Dedicated consulting firms that were established in the UK and UK early in the twentieth century "experienced a considerable expansion" (Engwall 2006: 173) with the rise, from the 1960s onwards, of technocratic "government by expertise" (Amoore 2013). The discursive identities of these firms were originally produced from the expert knowledge of individual 'oracles' and 'gurus' that personified their cognitive traits of professionalism as they "packaged business ideas as aspects of themselves" (Olds and Thrift 2004: 273; e.g. Edersheim 2004; Pinault 2001). However, firms that regarded themselves as unbiased and neutral consultants eventually became much less personalised as they spread worldwide in the lead up to the most recent financial crisis.

Despite concern being expressed elsewhere (Loxley and Saul 1975) prior to 2007 belief in the uniqueness of the specialised expert knowledge of consulting firms became widespread in the UK and US as traditional public and private actors came to rely on this second category of advisories. Governments employed Anglo-American consulting firms to enhance their "perceived managerial and economic competence" (Christensen 2005:

[73] The Latin *consulto* suggests "to ask the advice of" (Amoore 2013: 79).

451; e.g. Momani 2013) while private sector firms, especially those in the financial services industry, employed the expert knowledge of consultants for specific tasks, such as education (Hall and Appleyard 2012) or to determine executive remuneration (Roose 2012). Such reliance was particularly evident in the financial investment sector in which Anglo-American consulting firms advised large institutional investors on whom best to manage their giant pools of savings (Louche and Lyndenberg 2010). Such important gatekeeping functions of consultants only slowly became recognised in pre-crisis academic scholarship where it was eventually contended that contemporary governance was becoming akin to a "consultocracy" (Hood and Jackson 1991; Hodge and Bowman 2006).

Finally, like lawyers and consultants, Anglo-American actuaries also harnessed authority through explicit self-identification with cognitive traits of professionalism in the pre-crisis period. This third set of advisories relied on "esoteric knowledge" (Collins *et al* 2009) of statistical and financial theories to convert future uncertainties into quantifiable projections of risk. Specifically, actuaries developed "crucial predictive data" for estimating liability claims through "specialized knowledge… of sophisticated mathematical, statistical, and modeling techniques" (Gutterman 2002: 47). By then advising, amongst other, on the design and pricing of financial products, on the calculation of executive bonuses, as well as on the level of financial reserves required to be set aside in order to honour future obligations (Collins *et al* 2009), actuaries helped businesses, and financial services firms in particular, avoid decisions that could jeopardise the future solvency (Szabo 2004). The work of actuaries was widely regarded

as mysterious not only due to their reliance on complex theories and models but as a result of their "extensive" use of shorthand symbols and "combination of right and left sub- and superscripts, attached to designated upper- and lower-case Roman and Greek letters" representing various mathematical functions (*ibid*: 1). Self-identification with such complex calculative techniques for the management and assessment of risks produced the discursive identities of Anglo-American actuaries as impartial experts that were able to make cognitive claims to traits of professionalism in the pre-crisis period (Knights and Vurdubakis 1993).

Thus, prior to the outbreak of the most recent financial crisis, the authority of the three groups of Anglo-American advisories examined in this chapter was underpinned by self-identifications with technical, expert knowledge. Such associations in turn produced the discursive identities of these actors as neutral and unbiased advisors. The following subsection illustrates how the pre-2007 'technical-market authority' of the consultants, actuaries and lawyers also derived from the identification, stressed primarily by outside observers, of these advisories with normative traits of professionalism.

Normative claims

Normative claims to professionalism to a lesser extent also underpinned the authority of advisories in the period preceding the outbreak of the most recent financial crisis in 2007. This subsection illustrates how the advice provided by legal and consulting firms as well as advisories was understood by external observers as balancing individual preferences with those of society more widely. The three groups of advisories were also shown to rely

on similarly backgrounded moral claims regarding human nature and the efficiency of markets that the previous chapter noted also informed the discursive identities of prominent Anglo-American economists.

In their study of the influence of lawyers, Dezalay and Garth (2011a) employ the term "double agents" to describe actors who successfully balance fiduciary duties to their clients with wider obligations to society. The 'double agency' of lawyers and legal firms has been more widely been noted and praised for limiting "the authority of a powerful client" (Munger 2011: 480) and providing "a public safeguard service" (Faulconbridge and Muzio 2009: 646). Despite the supposed neutrality of expert knowledge, Dezalay and Garth (2011: 284) argue that lawyers and legal firms were not simply neutral translators but activist "moral entrepreneurs". In 'brokering' or 'translating' between the interests of their clients, their own preferences, and the interests of society more generally, lawyers and legal firms made clear references to specific normative and epistemological values entailing what actions were ethical and just (see also Kratochwil 1989; Morin 2013). A range of theorists have argued that international law, for instance, derives less from technical legalese than from linguistically expressed dimensions of fairness and justice (Franck 1998; Higgins 2010; see more generally Habermas 1996). Nevertheless, the judgments of lawyers and legal firms became increasingly based on the rational calculations of economistic analysis with the increasing prominence of the subfield of law and economics in the UK and US prior to the crisis (Cutler 2003; Morgan 2006).[74]

[74] Hirschman and Berman (2014: 17) note that "[s]ince the 1970s, it has become standard for law and public policy students to receive basic education in economics, and many programmes are heavily grounded in economic reasoning", see also Davies (2011) as well as Hersch and Viscusi (2012).

Consultants were equally praised for their contributions to the wider public good in the lead up to the most recent financial crisis. Most centrally, the neutral and 'purely' technical advice provided by consultants was widely celebrated in the UK and US prior to 2007 for depoliticising decision-making and governance overall. Also acknowledged was how these actors of "shadow governance" (Guttman and Willner 1976) remained "merchants of meaning" (Czarniawska-Joerges 1990) whose advice was based on particular ethical considerations of "what is good and useful knowledge" (Prince 2015). Like lawyers, consultants privileged rationalisations that, following utility calculations imported from the 'dismal science', sought to render private and public sector process more economically efficient. Though presented as neutral the advice of consultants was thus most often based on rational choice theory, as illustrated by the 'rational planners' of the post-war British Keynesian state, the enthusiasm New Public Management in the 1980s, and the "partners in governance" reforms of the 1990s (Beveridge 2012). As such, the attempts of this second group of advisories to reform society and governance based on efficient utility rational calculus was underpinned by implicit moral undertones, which were considered as contributing to the wider public good.

Normative traits of professionalism further contributed to the authority of actuaries in the pre-crisis period. Though presented as impartial and unbiased, the technical expert knowledge of actuaries was nevertheless based on assumptions that involved moral choices (Gunz *et al* 2009) that were not dissimilar from that informed those of the mainstream Anglo-American economists (Day 2004). Most centrally, the cognitive traits of professionalism of this group of advisories had an implicit "normative dimension" that

involved "a belief in the inherent superiority of a technical or scientific way of doing things" (Porter 2005b: 4). Despite backgrounding such normative underpinnings, the technical expert knowledge of actuaries was nonetheless well regarded for providing benefits not only to clients and employers, but also society more widely in the form of enhancing public trust that pension and insurance policies would be upheld despite the uncertain future (Bellis 2000). By providing the broader "governmental conditions" (O'Malley and Roberts 2013) to discipline (Ericson *et al* 2003) the underwriting practices of insurers as well as the investment strategies of pension funds, actuaries helped to ensure that these actors remained sufficiently solve to make good on claims. In providing both "financial stability and profitability" underpinning Anglo-American economies from "the earliest phases of capitalist development" (Strange 1996: 124), actuaries thereby became more widely considered as "heroes" that performed a "pivotal function in the modern economy" (Collins *et al* 2009: 249).

In sum, prior to 2007 the authority of advisories was also underpinned by outside emphasis that the self-identification by these actors with expert knowledge that prioritised liberal market values nevertheless fulfilled a public good. The following section details how the expert technical discursive identities of legal and advisories firms as well as actuaries became transgressed as a result of major failures in what has become the most severe period of economic instability since the Great Depression.

Crisis and Contestation

Though attracting far less attention than the 'too big to fail' banks, and significantly less scrutiny than the private actors examined in the other chapters of this dissertation, the authority of advisories nevertheless became profoundly destabilised since the outbreak of the most severe financial crisis since the Great Depression. This section illustrates how the 'technical-market authority' of all three groups of advisories traced in this chapter has become undermined due to the incongruence with their discursive identities. Three subsections in turn explore how long-standing problems affecting the ability of the large Anglo-American consulting firms, legal firms, and actuaries to provide objective and unbiased advice to clients became exposed and transgressed pre-crisis claims to cognitive and normative traits of professionalism.

Consultants

Well documented by academics, the limits of the expert knowledge and normative claims of consultants were largely overlooked prior to the crisis. Saint-Martin and Kipping (2005: 449) had illustrated the "at best questionable, sometimes even disastrous results" stemming from the advice of consultants. Other observers meanwhile argued that consultants were merely "money wasters" that simply endorsed existing practices and even contributed to the very drain of institutional expertise that necessitated their employment in the first instance (Crouch 2004 described by Beveride 2012). Overall, the limited academic literature analysing the roles of consultants had highlighted how these actors were often hired to diffuse blame should reforms fail to achieve intended results (Saint-Martin and Kipping 2005). In other words, the technical expert knowledge of these

actors was arguably valued less for its substance than for the cushion it provided other actors against blame. Scholarship furthermore questioned the normative outlook of consultants, noting the self-interested behaviour and "arrogance" of these actors (Sturdy 2009: 460, cited in Beveride 2012). Despite such criticisms, however, Anglo-American consultants continued to be extensively relied on and widely employed, particularly in finance.

The technical expert discursive identities produced by cognitive and normative claims of consultants to traits of professionalism became destabilised with the outbreak of the most recent financial crisis in 2007. The scapegoating strategies described above became apparent in 2008 when at least one shareholder report blamed "external consultants" for recommending that Switzerland's largest bank, UBS, invest in MBSs (*Economist* 2013a). Similarly, the former head of Citigroup blamed unspecified "outside consultants" for advising that the American financial conglomerate invest in CDOs (*ibid*). The misguided advice of leading financial consultancies also came to the fore when the chief executive of the American consulting firm Promontory Financial Group declared in August 2007 that "[b]anks have generally been cautious, and the bank supervisory agencies have been appropriately prudent" (cited in Horwitz and Aspan 2013). Media investigations meanwhile revealed the failed expert knowledge of 'gatekeeper' investment consultants such as NEPC, a firm which had steered the savings of pension fund clients into Bernard L. Madoff Investment Securities LLC without warning of the numerous, and in hindsight quite obvious, red flags that led investigators to uncover the largest financial fraud in American history (Wayne 2009). The technical expert discursive identities of

compensation consultants became further contested as a range of commentators decried the high remuneration packages granted to executives of financial firms that were rendered insolvent in the crisis. For instance, prominent US House Representative Henry Waxman pointed to biases and conflicts of interests afflicting the consulting firms hired to design executive pay packages year after year (Morgensen 2008). Finally, academic studies further challenged the perceived expert discursive identities of consultants, illustrating, for example, how the investment funds recommended by consultants did no better than, and in some cases even underperformed, the wider market (Martinez *et al* 2013). Such studies led financial media commentators to denounce the "throwing away billions of dollars a year on worthless advice from investment consultants" (Johnson 2013). These events highlight the extent to which both the cognitive and normative claims that produced the pre-2007 discursive identities of Anglo-American consulting firms became contested in the most severe financial crisis since the Great Depression.

Legal firms

As the cognitive and normative traits of professionalism underpinning the pre-crisis discursive identities of UK- and US-based legal firms have been transgressed since the outbreak of the most recent financial crisis, the authority of this second group of advisories has equally been destabilised. Like the expert knowledge failures of consultants in the lead up the most recent financial crisis, the failures of lawyers and legal firms had been documented yet largely overlooked in the lead up to the outbreak of instability in 2007. Studies as far back as 1990 revealed "a considerable level of concern about the ethical predispositions of lawyers over a significant period of time" (McPhail

2006: 9). It was equally suggested that the rise of "megalaw firms with their business-orientated outlook" diluted any remnants of the public spirit outlooks these firms previously possessed (Faulconbridge and Muzio 2009: 647). Indeed, by concentrating primarily on measures to increase short-term value, these large multinational legal firms had arguably come to resemble the financially motivated clients they advised. Rather than upholding their long-term reputation of adequate public service, a more individualist focus on performance-orientated remuneration had led Anglo-American legal firms to become increasingly concerned with "the extraction of short-term profits to enhance the firm's success in financial terms" (*ibid*). These short-term outlooks along with the lack of concern with the wider public interest were most prominently exposed with the "legal engineering" services that assisted Enron, WorldCom, and others clients to circumvent regulatory controls (McBarnet 2010). Despite culminating in what, at the time, became the largest bankruptcies in American history, the 'creative compliance' services of lawyers were not discarded. Rather, they were widely applied to Anglo-American finance in the lead up to the most recent financial crisis.

Large Anglo-American legal firms employed innovative techniques in advising financial services industry clients on how to design the products that became central to the outbreak most recent crisis in ways that bypassed regulatory scrutiny. This second group of advisories not only helped to draft contracts for securitised financial products but equally advised on how to design the products themselves in ways that would help avoid capital adequacy controls. McBarnet (2010: 74) has addressed how such behind-the-scenes "circumvention strategy" were "at the heart" of the processes that led to the most

recent financial crisis. In enhancing the complexity and opacity of financial products in ways that facilitated the avoidance of public risk disclosure, legal firms helped "engineer" financial products "deliberately and systematically to thwart regulation and bypass regulatory control" (*ibid*). These actors advised banking clients to create special purpose entities and special purpose vehicles that would remove loans and risky assets from official balance sheets and function as "escape route[s] from the constraints of capital adequacy regulation" (*ibid*: 72). In addition to the creation of such labyrinth structures, "areas of law and regulation not hitherto seen as relevant" were frequently invoked by legal firms in order "to construct new ways out of [regulatory] control" (77). Finally, such legal engineering relied heavily on the technical and complex character of legalese. As McBarnet (2010: 72) argues, "[c]lose scrutiny to the wording of laws and regulations" was undertaken "to work out how to package a transaction in such a way that it can claim to meet the technical demands of the regulation even if the result is not what the creators of that regulation had in mind".

By aiding clients in the financial services industry design dynamic and innovative markets for securitised financial products through 'creative compliance' strategies legal firms undermined claims to their possession of normative traits of professionalism. Advising clients in the circumvention of laws clearly failed to balance the narrow interests of clients with those of society more broadly. By viewing the law more as a nuisance, an "obstacle to be overcome", or "a material to be worked with and reshaped to one's advantage" rather than as "command to be taken at face value, respected and obeyed" it is palpable, as McBarnet (2010: 80) has contended, that "responsibility, the

public good, morality, ethics or integrity do not enter into the equation". The "cavalier approaches to the law" that were based on manipulation and circumvention strategies encouraged the development of market practices whose devastating costs have been clearly exposed since 2007 (*ibid*: 81). As a result, both the normative claims to professionalism and expert knowledge that underpinned the pre-2007 discursive authority of legal firms have been destabilised.

Actuaries

Despite attracting perhaps the least degree of visibility of any of the actors examined in this study, the pre-crisis authority of actuaries has nonetheless been challenged since in the outbreak of the most severe financial crisis since the Great Depression. This final subsection illustrates how the discursive identities of actuaries have become destabilised as their cognitive and ethical claims of professionalism were transgressed.

The role of actuarial models in the financial crisis that began in 2007 challenged the expert knowledge underpinning authority of this third group of advisories. Particularly subject to contestation were the financial risk pricing models developed by David Li, who became considered as the most influential actuary in the world (Jones 2009). The Guassian copula model developed by Li were "embraced enthusiastically" in the Anglo-American financial services industry due its simplicity and ease of use, as well as the speed with which it enabled the pricing of derivatives, such as credit default swaps (CDS), as well as other innovative financial products whose novelty prevented value from being gauged by historical market prices (Donnelly and Embrechts 2010). What this

actuarial model contributed then was a pricing mechanism that allowed actors to trade these complex financial instruments (Watson 2014: 34). Financial institutions could then trade credit default insurance at prices based on formulas rather than on market supply and demand, a practice which persisted even as the market, and historical data, for these products exponentially grew in the run-up to 2007. The Guassian copula model would also indirectly enable the giant US-based insurer, AIG, to become the world's largest underwriter of credit insurance for the financial instruments that were at the heart of the outbreak of the crisis in 2007: collateralised debt obligations.

At the height of the market panic in 2008 it became clear that the Financial Products Division as well as the Trading Group of AIG had failed to either adequately price financial instruments or to ensure the firm held reserves sufficient to cover massive payouts (Harrington 2009; Baluch *et al* 2011). As the company was unable to meet its obligations in regards to outstanding CDS contracts AIG was propped up by the American government through a $85 billion bailout in 2008 that was succeeded by a further $200 billion in support over the following year. Observers quickly turned to the actuarial formula that had enabled the conglomerate to underwrite such credit insurance. Criticisms of the mathematical models used in the pricing of CDSs became voiced in prominent media publications (e.g. Jones 2009; Salmon 2010*)* as well as in government reports (e.g. Turner 2009), the latter of which concluded that "[m]athematical sophistication ended up not containing risk, but providing false assurance that other prima facie indicators of increasing risk (e.g. rapid credit extension and balance sheet growth) could be safely ignored" (*ibid*: 22). The assumptions underpinning actuarial

evaluations of credit risk also came under increased scrutiny (Gunz *et al* 2009), in particular the "tenuous assumption that all the assets in the underlying portfolio have pairwise the same correlation" (Donnelly and Embrechts 2010: 12).

The normative traits of professionalism underpinning the pre-crisis authority of Anglo-American actuaries subsequently also became destabilised. The outbreak of the most recent financial crisis in 2007 revealed how this third set of advisories had failed to clarify and voice concerns of the limitations of the Guassian mode for the pricing of complex financial instruments. Actuaries and other professionals in the management at AIG had put the Guassian copula model into practice (Interview F) while the wider actuarial profession revelled in their enhanced relevance to contemporary financial markets. Little actuarial effort was expended to warn of the risks involved with using such tools, highlighting the culpability of this profession in enabling the use of their tools in mispricing the financial instruments at the heart of the most recent crisis. One interviewee replied thus when asked whether actuaries had provided sufficient caution regarding the risks that eventually led to the crisis: "No. It's a very uniform no" (Interview P). Another interviewee responded similarly, stating, "I don't think the international actuarial profession, as a profession did much in really calling out or warning people that it [the crisis] was about to happen or anything like that" (Interview S). Meanwhile, in an article published in the immediate aftermath of the outbreak of the crisis entitled "The Actuary as a Fallen Hero", Collins *et al* (2009) compared the "challenges" faced by actuaries to "those that faced the audit profession" at the turn of

the century and predicted that further public regulation of the largely self-regulated profession would be forthcoming.[75]

The outbreak of financial instability in 2007 thus undermined the cognitive and normative claims to professionalism and contributed a crisis in the authority of actuaries. The use of actuarial formulas in the pricing of credit insurance had boosted the status of the profession and its clients rather than the general public welfare, the latter of which was harmed as the disastrous mispricing of these financial instruments contributed to the outbreak of the most severe market instability since the Great Depression.

Attempts to Reconfigure Authority in Times of Crisis

How have the three groups of advisories examined sought to respond to the destabilisation of their authority since the outbreak of the most recent financial crisis? This section examines the discursive attempts by leading Anglo-American actuaries, consulting and legal firms to reassert authority since 2007. It is argued that these actors have exercised agency by increasingly engaging with overtly normative discursive fields. Three initial subsections explore how the leading firms in each of the three groups of advisories examined have increasingly identified with niches of global finance that explicitly consider religious, environmental, and socio-economic issues affecting not merely their particular industries but society more widely. A fourth subsection then analyses how the self-legitimation of such emphasis has culminated in efforts to reassert 'moral-technical authority'

[75] Gunz *et al* (2009) note that prior to the crisis "the actuarial profession has managed to remain relatively immune from external oversight, at least in North America".

Consultancies

Following the outbreak of the financial crisis reports surfaced indicating that a niche sector called sustainability consulting was "expanding rapidly" (*Environmental Finance* 2009). Studies noted how while sustainability consulting had been "the stronghold of boutique consulting firms until 2008", with the outbreak of the financial crisis numerous "big firms entered the market" (*Environmental Leader* 2013a*)*. Many of the small boutique consultancies that had created this niche began to be acquired by large global firms that have since come to dominate sustainable consulting services, notably the Anglo-American accounting firms.[76] However, consulting firms such as US-based McKinsey also became leaders in sustainability strategy consulting while consultancies that specialise in finance, like AT Kearney, were praised for offering "the most compelling capabilities for responsible supply chain and product life-cycle assessment advisory" (*Environmental Leader* 2013a).

Since the outbreak of the financial crisis leading Anglo-American consultancies have begun emphasising their sustainability advisory services to clients in the financial services sector and elsewhere. The services offered by Oliver Wyman provide an illustrative example. At the end of 2007 this New York City-based financial consulting firm released a report urging financial institutions to respond to the "changing demand" that stemmed from climate change (*Environmental Leader* 2007). The company established a Sustainability Center that in combination with its Financial Services

[76] For example in 2009 PwC purchased Sustainable Finance LLC while in 2010 D&T took over dcarbon8 as well as Domani Sustainability Consulting LLC.

Practice seeks to provide "tools that enable transparent risk assessment and mitigation, with strong backing from experts who understand the sustainability issues".[77] In other words, Oliver Wyman began advising clients to incorporate "sustainability into strategic and daily decision making" by "developing a holistic understanding of sustainability and selecting the right sustainability strategy" (*Oliver Wyman* 2013). Sustainability has been regarded as "An Absolute Must" by the firm, which also provides a "step-by-step Sustainability Assessment Framework" intended to "help companies clearly understand how sustainability impacts their business; how big the potential value pool may be; and what options are available to reduce their environmental footprint, conserve resources, and promote social equity while lowering costs or generating new growth" (*ibid*). Finally, Oliver Wyman has argued that any "fig-leaf approach" that merely "provide 'green' credentials is no longer enough to show commitment to the sustainability agenda" (*Oliver Wyman* 2014: 4).

Leading Anglo-American financial consultancies have also disseminated sustainability research, or what is branded as 'thought leadership'. For instance, in 2009 AT Kearney released a study detailing how the stock prices of businesses in the financial services industry with the most developed green strategies have outperformed their rivals since the outbreak financial crisis in 2007 (Maher *et al* 2009). This consulting firm has moreover investigated the increasing use of sustainability Key Performance Indicators (KPIs) (*Environmental Leader* 2014b); partnered with various organisations in developing a series of research papers that have investigated sustainability in procurement and supply chain management (Bruel *et al* 2013); and has examined rising commodity prices, or

[77] <http://www.oliverwyman.com/what-we-do/sustainability.html>.

what is termed ‘ecoflation’, resulting from climate change with the World Resource Institute, an American think tank (Murray 2009b). Similarly, in 2013 competitor Oliver Wyman contributed to an influential World Economic Forum report that warned of serious consequences for the global economy resulting from extreme weather events, such as increased income inequality. Then Chief Executive Officer John Drzik also explicitly criticised delays in climate change action due to the perceived greater need to solve more consequential economic problems (Murray 2013). These initiatives illustrate how large Anglo-American consulting firms have increasingly positioned themselves in and explicitly identified with normative spaces since 2007.

Actuaries

Explicit identification with normative spaces and an emphasis on normative traits of professionalism are also visible in attempts by Anglo-American actuaries to reconfigure authority over the past half-decade. Unlike the other advisories examined in this chapter, environmental issues had long been a concern for actuaries. In modelling risks, these actors had long considered environmental disasters, such as property-damaging hurricanes (Interview F). However, prior to the crisis only limited wider attention was provided to the issue of climate change, with such attention focused on how it would “affect traditional actuarial areas of work” (*The Actuary* 2005). Rather than the wider repercussions it posed for society more generally, climate change was primarily considered by actuaries for the increased uncertainty it entailed for actuarial projections, such as long-term growth and asset returns. One actuary for instance lamented that for his work, “[t]he only certainty is that uncertainty will increase” (Interview F). Despite

recognition of this major environmental problem, little further consideration or action was undertaken by Anglo-American actuaries prior to 2007. Indeed, at the turn of the millennium "there were just a few actuaries and non-actuaries who considered that the best way to help the theoreticians and practitioners to ascertain the financial effects of climate change and other environmental issues was to perform some research, write some articles and get people together in one room to get things moving" (Bettis 2011). As a result, employers of actuaries, notably insurers, lamented that actuarial models were "unable to take climate change into account" and thereby posed "a major obstacle to insurers taking action on climate change" (Mills and Lecomte 2006: 17, cited in Thistlethwaite 2012: 14).

Since 2007 actuaries have more explicitly emphasised their commitments to the wider public good by positioning themselves overtly within discursive spaces that consider environmental issues. One interviewee noted that failures to foresee and to draw attention to risks at the core the financial crisis has drawn Anglo-American actuaries into a series of wider "discussion about what other forms of risk might there be that aren't being modelled" (Interview P). This interviewee contended that a number of "very vocal individuals" have initiated a wider movement to incorporate environmental risks into actuarial models (*ibid*). For instance, general insurance actuaries such as Oliver Bettis have sought to "provide financial protection for those most affected" by climate change by going beyond historical data and integrating new assumptions about rate of change in weather patterns. In 2009 Bettis presented an influential report entitled "The Risk of Ruin From Climate Change" to the Copenhagen Climate Congress. One of the co-authors of

this report, pensions actuary Nick Silver, later became director of Green Bonds Initiative, and has undertaken considerable actuarial analysis to develop green bond markets (Interview P; Kieve 2012).

Further examples of how traditional Anglo-American actuaries have increasingly positioned themselves and identified with environmental issues since 2007 abound. In one instance since 2008 actuaries at the International Labour Organisation have used meteorological mathematics in developing crop microinsurance "to design and price a product that farmers understand and value and which can be implemented and insured on a sustainable basis" (Kieve 2012). A focus on sustainability has been equally apparent as actuaries from America financial conglomerate AIG have sought to provide more "holistic views" of the "full spectrum of risks" through "sustainable insurance and sustainable enterprise risk management" (Wang 2014). Such "holistic" views have sought to incorporate longer-term risks. As one actuary claimed in an interview, "the biggest difference we've seen as a result of [the crisis is]… actually thinking about longer term issues and longer term activities and taking decisions that have a longer time horizon at the centre… that has driven people to think much more around this word sustainability or sustainable action" (Interview M). This longer term disposition was confirmed in further interviews with Anglo-American actuaries who regarded the most recent financial instability less as "the real crisis" than the "much larger", but currently less "visible", longer term issue of environmental limits and resource constraints (Interview H; also Interview C). The increased engagement of actuaries with environmental issues thus

highlights the attempts of these actors to identify with normative rather than merely cognitive traits of professionalism since 2007.

Legal firms

Overt emphasis on normative traits of professionalism since the outbreak of the most recent financial crisis in 2007 has been further apparent in the engagements of large Anglo-American legal firms with macro-level ethical domains. Most broadly, these private actors have taken notice of the "growing awareness of and strong objections to the practice of technical compliance with the letter but not the spirit of the law" and affirmed "a new respect for the rule of law, for a new legal integrity" (McBarnet 2010: 68-9). As part of this rediscovered integrity UK and US-based legal firms have emphasised the wider public service of education. Allen & Overy (A&O), for example, have provided enhanced attention to issues of wider social concern such as human rights. In 2012 this London-based legal firm began publishing an interdisciplinary journal bringing together academics, businesses, NGOs and multilateral bodies to debate issues pertaining to the relationship between business and human rights. The cover story of the first issue was entitled "banking on human rights", written by the general counsel of UK-based bank Barclay's (Harding 2012). An interviewee from one leading Anglo-American legal firm illustrated the enhanced emphasis by these private actors on their contributions in educating

> the regulators as to the impact of, you know, the choices that they're making. Without particularly trying to advance one agenda over the other simply pointing out to them if you do X here are the likely consequences, if you do Y here are other consequences, if you do Z here's something else

> that may happen. So a lot of it is really just education… to the extent we, you know, work with the regulators a lot of what we do is just education. We spent, you know, months and months with the FDIC [Federal Deposit Insurance Corporation] and Federal Reserve and the OCC [Office of the Comptroller of the Currency] working on you know how to do the single point of entry recapitalization of major financial institutions. It was just, you know, we worked through hypotheticals. So a lot of it is just education (Interview A)

In addition to this pedagogical role, the legal firms examined in this chapter have since the outbreak of the recent financial crisis increasingly self-identified with both environmental and religious finance.

Distinguishing legal firms from the other advisories assessed in this chapter has been their explicit positioning within Islamic finance. While consultancies and actuaries have self-identified only very modestly with religious finance since 2007 (though see Garbois *et al* 2012; *International Actuarial Association* 2012), legal firms have increasingly developed and emphasised their Islamic finance practices. Granted, these practices had begun to be developed prior to the most recent financial crisis. For example, the world's largest legal firm, Baker & MacKenzie, had since the 1980s been active in the Middle East. Similarly, the London-based legal firm Clifford Chance had been active in advising actors in Islamic finance transactions since the 1990s (Latiff 2011) and began expanding its Islamic finance practice in the Gulf region on the eve of the outbreak of the financial crisis by transferring senior personnel to its Dubai office (Hoare 2006).

However, in expanding their Islamic finance advisory services since the outbreak of financial instability in 2007 legal firms have increasingly self-identified with this overtly normative space. A&O were the first Magic Circle firm to open an office in Abu Dhabi in 2007 (Goswami 2008*)*, a move which was immediately followed in the following year by Clifford Chance as it began to "scale up" a Middle East operation (Parker 2008). Though involved in Islamic finance with an office in Dubai prior to 2007, an interviewee confirmed that A&O's Islamic finance practice was not "that structured at the time" and only developed in earnest after 2007 (Interview J). The Islamic finance services of major Anglo-American legal firms are not merely add-ons but have been recognised for their leading quality since 2007. For instance, A&O has received dozens of awards at the Islamic Finance News Awards, such as for best law firm in Takaful & re-Takaful, best law firm in Islamic asset & Fund Management, as well as best law firm in Islamic banking and capital markets. The firm was also recognised at these awards as the 'Best Overall Law Firm in Islamic Finance' for three years straight.[78]

How precisely have leading Anglo-American legal firms positioned their advisory services within Islamic finance? Baker & MacKenzie for one offers advice "on a wide range of Sharia-compliant products used by Islamic banks and financial institutions in transactions ranging from project finance, trade finance, real estate and asset finance, structured and corporate finance and debt capital markets".[79] Meanwhile the Global Islamic Finance Group at A&O "advises clients on Islamic finance transactions across a number of practice areas, including capital markets, project finance, banking" and so

[78] <http://islamicfinancenews.com/awards.asp>.
[79] <http://www.bakermckenzie.com/de-DE/IslamicFinance/>.

on.[80] An interviewee suggested that these firms provide "practical expertise" to ensure the "robustness" of the structures and products defining this normative space (Interview Z). The advice of Anglo-American legal firms, while not at the level of Islamic scholars, was nevertheless recognised as stemming from their "deep understanding of the principles" of Islamic finance (*ibid*).

Like the other types of advisories examined in this chapter, leading Anglo-American legal firms have also increasingly self-identified with services to improve environmental problems since 2007. A scholarly analysis published towards the outbreak of the crisis noted how "bulge-bracket legal firms", such as Baker & MacKenzie and Clifford Chance, had begun to increase the range of environmental advisory services offered (Knox-Hayes 2009: 758). Such services had certainly been initiated by the leading Anglo-American legal firms in the years prior to the crisis. The global climate change practice of Baker & MacKenzie, for instance, began to be developed in the late 1990s. However, the status and identification with such practices became significantly enhanced only well into the first decade of the new millennium as the firm developed a team with hundreds of environment lawyers and a dedicated Environment and Environmental Markets Practice Group that combined more traditional environmental law practice with climate change, carbon markets and water practices.[81] Likewise, A&O has established a Global Environmental and Regulatory Law Group that provides clients "high quality environmental advice wherever in the world you need it" (*Allen & Overy* 2014: 4). New

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[80] <http://www.allenovery.com/expertise/practices/islamic-finance/Pages/default.aspx>.
[81] <http://www.bakermckenzie.com/hu-HU/Environmental/>.

York-City based legal firm Davis Polk & Wardwell also developed a climate change practice that addresses environmental "issues in all areas of our practice".[82]

How have leading Anglo-American legal firms more precisely positioned themselves within environmental discourses? Interviews with partners at the large Anglo-American legal firms considered in this chapter revealed that "legal advice on the climate change, environmental markets space" primarily involved market guidance, such as "doing strategy on green bonds, also working with banks and others who are trying to invest in a financially responsible manner" (Interview N). One interviewee confirmed that his firm provides "a whole bunch" of advice to "the banks, either on the sell, equity side or on the lending side, in connection with doing so many projects" involving environmental finance (Interview T). Another interviewee noted the regulatory compliance advisory services of firm in providing

> basic regulatory advice that are used in emerging trends but also just new requirements for companies that they need to comply with that are new regulations of one sort or another, disclosure requirements, whether they'd be reporting on greenhouse gas emissions under the reporting rules, or just general incorporation of climate risks in public disclosures with public companies filing with FCC. There's lots of different legal advisory services that go into helping clients manage the risks and compliance obligations of companies now with carbon and climate (Interview T)

Since the outbreak of the most recent financial crisis leading Anglo-American legal firms have more explicitly emphasised and provided a more explicit focus on their

[82] <http://www.davispolk.com/practices/corporate/environmental/>.

environmental and Islamic finance practices. The following subsection details how such engagements have been self-legitimated, first by the firms themselves and secondly with the wider industries in which these actors operate.

Self-Legitimation

This subsection argues that the self-legitimation of the enhanced engagement with explicitly normative fields by legal and consulting firms as well as actuaries since 2007 has produced discursive identities reconstituted towards the wider common concerns yet that nevertheless still positioned as technical expert 'knowers'.[83] Such efforts to stabilise identities have culminated in unintentional efforts to reassert 'moral-technical' authority.

The identification of the leading UK- and US-based consulting and legal firms with normative niches of global finance have, in a first instance, been *internally* self-legitimated.[84] One illustrative example is AT Kearney, which in 2007 announced that it intended to render its entire operations carbon-neutral, an objective it subsequently achieved in 2010 through the development of "alternative delivery mechanisms" and "sustainable policies and practices" overseen by a global network of "sustainability czars" (*Environmental Leader* 2007, 2010). Internally re-producing the enhanced emphasis on explicitly normative niches of global finance further establishes relational differences with the pre-2007 self-identities of such actors as expert, unbiased providers of financial advice. This subtle reshaping of the discursive identities of the leading

[83] Specific examples of the persistence of technical expert discursive identities are elaborated in Chapter Six.
[84] As individuals rather than firms, the actuarial emphasis on normative traits of professionalism already illustrates their internal self-legitimation of changing discursive identities.

Anglo-American advisories goes beyond 'core' or 'essential' rational identities that liken market actors solely to *homo economicus*. While of course still pursuing profit in most areas of their business, advisory firms such as T Kearney have continued to develop and identify with Islamic finance despite noting that declining profits and slowing growth were potentially "exhausting their natural share" of the global financial market (Garbois *et al* 2012: 3). Persistent commitment to such stagnating niches has highlighted the orientation of the leading Anglo-American advisories towards the common social benefit above the mere rational pursuit of profit maximisation. The enhanced identification by the major Anglo-American legal and consulting firms, as well as actuaries with normative traits of professionalism that 'other' their pre-2007 self-identities as merely neutral experts illustrate the extent to which subtle recent changes have gone 'all the way down' beyond a rationalist core identity and towards relational discursive identities that render these market actors more akin to *homo interpreters*.

Discursive identities positioning the leading consulting and legal firms as well as by actuaries as technical experts in overtly normative fields since the outbreak of the most recent financial crisis have been externally self-legitimated within a narrow community of industry actors. The changing discursive identities of the main advisories analysed in this chapter have been most visibly echoed in the wider legal services industry. For instance, numerous smaller UK legal firms specialising in finance, such as Eversheds, Herbert Smith, King & Spalding, and Latham & Watkins all followed Clifford Chance and A&O in setting up offices in the Middle East following the outbreak of the most recent financial crisis (Parker 2008). Wall Street legal firms like White & Case as well as

Magic Circle firms such as Linklaters also opened offices in Abu Dhabi in 2008 (*ibid*). Linklaters even advised the UK government on its first ever sovereign Islamic bond issue.[85] In 2013, Washington, D.C.-based legal firm Squire Patton Boggs became part of the London-based Islamic Markets Advisors which is the "world's leading platform of law firms specializing in Islamic Finance, investments from and to the Muslim world and the Halal industry".[86] Meanwhile, legal firms such as Brown Rudnick have developing internal organisations with names like Climate and Energy Group that ostensibly "provide fully integrated solutions to participants in the growing carbon and renewable energy marketplace" (Knox-Hayes 2009: 758). One interviewee pointed out that despite reduced interest in environmental finance since the financial crisis, there remain "a lot of firms doing renewables work and renewables finance work" (Interview N).

Professional bodies have equally contributed to the external self-legitimation of the explicitly normative positioning of the large Anglo-American advisories since the most recent financial crisis. For instance, the US-based Institute of Financial Consultants now offers, via affiliates, professional training to obtain the designation of Certified Financial Consultant in Islamic Finance.[87] The American Bar Association (ABA) meanwhile has an active Environment, Energy, and Resources section that includes committees on Energy and Environmental Markets and Finance, as well as on Climate Change, Sustainable Development, and Ecosystems. The latter committee seeks to "propose new source performance standards for greenhouse gas emissions from new and existing sources". It

[85] < http://www.linklaters.com/News/LatestDeals/2014/Pages/UK-Government-debut-sovereign-sukuk.aspx>.
[86] http://www.isfin.net/node/434
[87] See < http://www.ifconsultants.org/dipib.html> and <http://www.ifconsultants.org/certif.htmls>.

has, however, been professional bodies in the actuarial profession that have been the most active in self-legitimating the enhanced focus on environment and sustainability since the outbreak of financial instability in 2007. One actuary noted that since the crisis sustainability has been granted a "higher profile in the profession" (Interview H). This profile had been quite limited prior to the outbreak of the most recent financial crisis in 2007. *Contingencies*, the journal of the American Academy of Actuaries (AAA), had published a few articles that considered the implications of climate change for actuaries (e.g. Newhoff 2000; Peara and Mills 1999). The author of one of these articles, Andrew Peara, a Fellow of the US Society of Actuaries, has been characterised as a "policy entrepreneur" for outlining "the case for proactive engagement on climate change risk" (Thistlethwaite 2012: 15) in this as well as subsequent contributions, including a US Department of Energy-sponsored publication entitled "U.S. Insurance Industry Perspectives on Global Climate Change" (Mills *et al* 2001). Since the outbreak of financial crisis, however, *Contingencies* has provided a continuous platform for articles considering environmental issues (e.g. Tverberg 2007; Woerner 2009). In 2013 meanwhile sustainability was declared to be a strategic initiative by the incoming president of the AAA.

Other professional American actuarial bodies have also self-legitimated the enhanced focus of actuaries on the environment since 2007. For instance, the research department of the Society of Actuaries formed an International Working Group on Actuarial Sciences and Sustainability in 2011 to focus on the "financial implications" of climate change and other environmental problems (Rudolph and Stryker 2013: 25). Similarly, the Casualty

Actuarial Society set up a task force on climate change in 2008 that led to the establishment of a permanent Climate Change Committee in 2009 (Baxter *et al* 2010). The three main American professional bodies of actuaries have also collaborated with the Canadian Institute of Actuaries in sponsoring committees "to recommend, support and perform research on climate change and assess the potential risk management implications" (Guerard 2013). The reports developed as a result of this sponsorship have sought to develop insights not solely oriented towards the primary employers of actuaries, insurers, but also to the wider "global community" (Curry *et al* 2012). A central product of this collaboration has been to develop what has been dubbed an Actuarial Climate Risk Index "that reflects the risk to *populations* and capital due to climate change" (*ibid*) as well as raises "awareness of the potential risks associated with climate change and the risk management implications within North America and globally" (Baxter *et al* 2010: 69).

The enhanced identification of actuaries with the environment since the outbreak of financial instability in 2007 has been further echoed by professional organisations in the UK. Through its magazine, *The Actuary*, the leading professional body for young British actuaries, the Staple Inn Actuarial Society,[88] has published articles documenting the initiatives of individual actuaries in the previous section of this chapter (e.g. Kieve 2012). This publication has promoted ideas for enhancing the focus of actuaries in sustainability. For instance, in a 2008 editorial *The Actuary* argued for developing indicators to scientifically interpret the sustainability performance of firms. Since the outbreak of the

[88] The SIAS represents and serves "the interests of younger members of the actuarial profession, whilst also acting as the London region actuarial society" (<http://www.sias.org.uk/>).

most recent period of financial instability, the other main professional body of actuaries in the UK, the Institute and Faculty of Actuaries, has commissioned a number of literature reviews in order to ensure the profession is able to "keep pace with the rapidly changing financial views of climate change, energy and resource depletion and associated areas" (Bettis 2011). The first review of the "substantial volume of research on climate change and resource depletion" lamented that "the actuarial Profession's contribution to this important debate appears so far to have been relatively minimal, even in the financial sector" (Baxter *et al* 2010: 1). The review noted that despite "an awareness of the importance of climate change and resource depletion to the work of actuaries and the advice they give" there was "frustration that more work was not being done" (*ibid*). A report three years thereafter considered the implications of resource constraints for actuaries then urged actuaries "to become conversant in a number of issues which are not within their traditional range of expertise, such as the relationship between energy and other resources and the economy and the economic impacts of climate change" (Jones *et al* 2013).

Finally, at the global level the International Actuarial Association (IAA) has further echoed the identification of individual actuaries with environmental sustainability since 2007. Though much slower to act than the national bodies (Interview S), in 2011 the IAA developed an Environmental Research Group to "[i]dentify and analyze the various ways changes in the environment can affect the factors that need to be taken into consideration by actuaries to estimate risks and potential variations in financial impacts". This group has organised seminars investigating how the actuarial profession has prepared for

environmental challenges. These have for instance noted how actuaries need to adapt their methodologies and assumptions to continue serving society and the public interest (Grace 2012). One interviewee (Interview S) argued that, overall, the IAA has "certainly been making sure people are aware of helping people to disseminate that understanding" of sustainability. For instance, sustainability was made a leading discussion topic at the 2014 International Congress of Actuaries, a conference organised every three years by the IAA.

The echoing of the enhanced identification by the leading legal and consulting firms as well as actuaries with explicitly normative niches of global finance since 2007 in a narrow professional community has contributed to the external self-legitimation of these reshaped discursive identities. The variety of organisations re-producing the discursive identities of leading advisories positioned as technical experts in explicitly normative fields has culminated in unintentional advisories to assert 'moral-technical authority'.

Chapter Summary

This chapter analysed the shifting authority of three specific groups of Anglo-American advisories: consulting and legal firms as well as actuaries. A first section detailed how prior to the outbreak of the latest financial crisis the authority of these actors was most explicitly based on cognitive traits of professionalism. Although outside actors emphasised the normative qualities of these firms, the legal and consulting firms, as well as actuaries themselves stressed their possession of expert knowledge capacities. A second section then illustrated how the discursive identities produced by such claims to

cognitive traits of professionalism were subsequently unsettled and transgressed with the outbreak of the most severe financial crisis since the Great Depression in 2007. Attempts to reconfigure authority by enhancing their identification with explicitly normative fields of global finance were then highlighted in a third section, which detailed the increased emphasis of the UK- and US-based legal and consulting firms, as well as actuaries on Islamic and sustainable finance since the outbreak of the most recent financial crisis. Following the trauma of the most recent financial crisis, leading Anglo-American actuaries, consulting and legal firms established relational differences with their pre-2007 self-identities as expert providers of financial advice. A final section described the self-legitimation of these changing discursive identities. It was argued in a first instance that this internal reshaping of discursive identities has gone beyond a 'rational core' as these firms have exercised agency by continually engaging with explicitly normative niches of global finance. The enhanced identifications with normative niches of global finance by the leading consulting and legal firms as well as by actuaries since the outbreak of the most recent financial crisis was shown to have been self-legitimated within a narrow community of industry actors. Such dispersed efforts have culminated not in a single decision to 'go moral', but rather in unintentional attempts to reassert a combination of 'moral-technical authority'. The following penultimate chapter of this study proceeds to highlight several limits to the wider reassertion of such authority beyond narrow professional communities

Chapter Six: Limits and Implications

The previous three chapters of this dissertation traced how three sets of sentient private actors have exercised agency at moments of dislocation by increasingly identifying with explicitly normative spaces, and reflexively altering their positions in broader discourses. Structural constraints were noted to have limited the shift away from technical expert identities in attaining external self-legitimation of the enhanced engagement of leading advisories, economists, and financial service providers with niches of global finance that explicitly address macro-level ethical issues. This chapter identifies further structural constraints imposed by discourses lingering at 'surface' levels that persistently prioritise dominant pre-crisis ideas and values. Rather than seek to ascertain or predict whether or not the actors examined have been successful in reasserting authority more widely, the three sections that follow outline structural impediments to the wider reassertion of 'moral-technical authority'. In highlighting the contingency of attempts to settle discursive identities this chapter also highlights possibilities for further altering them.

An initial section begins by exploring two significant limits to the changing discursive identities of the three sets of private actors examined in this dissertation. First, flaws in the pre-crisis expert knowledge of Anglo-American financial services providers, economists and advisories have failed to be reformed. Second, UK- and US-based financial services providers, economists and advisories have maintained their pre-crisis prioritisation of liberal market values, despite increasingly positioning themselves in explicitly normative spaces characterised by alternative values. Despite a slight re-

orientation of their 'core' identities, discourses lingering at the 'surface' level have persistently prioritised pre-crisis liberal market values.

A second section proceeds to identify two manners through which the wider reassertion of 'moral-technical authority' by the actors analysed in this study may be undermined by these elements of ideational continuity. In a first instance, the failure to address cognitive traits of professionalism and the persistent reliance on liberal market values undermines the wider reassertion of private authority by leading these actors to continually provide faulty predictions and inadequate descriptions of on-going financial, social, and environmental problems. The attempts to reconfigure authority since 2007 may equally be undermined as a result of explicit associations with values perpetuating instability. The authority of the UK- and US-based actors examined in this study may be undermined as the explicitly normative spaces with which they have increasingly positioned themselves since 2007 become exposed to enhanced volatility.

The following sections therefore identify further structural limits to the agency exercised by the professional actors examined in the previous three chapters. Although the re-production of discursive identities internally and externally *narrowly* enhances the authority of private actors, the persistence of discourses prioritising pre-crisis market values and pre-2007 expert knowledge restrains *wider* authority. The authority of leading UK- and US-based advisories, economists and financial services providers, and in turn their profession and employers, may thus hinge not solely on re-orienting 'core' discursive identities towards systemic ethical concerns but upon the ideas and values

prioritised in lingering discourses at the more 'surface' level. In highlighting alternative ideas and values this chapter also seeks to illustrate further possibilities for altering the discursive identities of the professional actors examined.

Limits to Self-Legitimation

The enhanced positioning of leading Anglo-American financial services providers, economists, and advisories within explicitly normative niches of global finance system since the most recent financial crisis can, on the one hand, be commended. Merely by providing services, analysis, and advice incorporating a focus on environmental and religious issues the private actors examined in this study may enhance awareness of and attention to a broader range of normative concerns in Anglo-American finance. For instance, the adage that 'what is measured gets managed' suggests that simply by including data and analysis of socio-economic, environmental and religious issues the leading UK and US-based accounting firms, CRAs and TINCs may contribute to an enhanced awareness of and attention to a broader range of normative concerns in Anglo-American finance (Tullis 2011). As was noted by one interviewee in regards to climate change and environmental problems, "if a rating agency starts talking about these issues as potential risks, then investors everywhere start to wake up to them" (Interview I).

Several of the private actors examined in this dissertation have publicised their contributions to the wider recognition of normative issues since 2007. American rating agency Moody's, for example, boasts of its "high-profile role in enhancing global market awareness and understanding of Islamic finance through its prolific research on trends

and developments in Islamic Finance" (*Moody's Investor Services* 2009). Likewise, by offering a range of 'critical" databases, networks, and tools, Thomson Reuters (2013: 25) claims to assist Anglo-American institutions navigate the "daunting challenges" involved with participating in this explicitly normative niche of Islamic finance. In an interview, a director at one of the large Anglo-American accounting firms stressed that "the ethical framework of the industry is quite important… [for] a lot of things, it's the incentives, it's the what gets measured and rewarded within an organization" (Interview Y). Global accounting firms such as PwC also promote the assistance they provide to companies and financial centres seeking to participate in explicitly normative market niches like Islamic finance (Parker 2009; *PricewaterhouseCoopers* 2011). In doing so, as several interviewees from this sector put it, financial services providers can exercise a "huge influence on companies" both financial and non-financial (Interview Q) in prodding them to "be more transparent and ethical in terms of their financial controls and processes" (Interview D). Emphasis on explicitly normative issues may thereby "inspire individual companies to not only report about sustainability because reporting is not a goal by itself but really to implement sustainability business strategies to make a company more sustainable, and more efficient, more innovative" (Interview V). As another interviewee from a large accounting firm concluded,

> I think that our profession is considered by the financial service institutions as a significant source of how to do things better, emerging issues, and so I think that what we can contribute is letting them know this is something you need to start paying attention to. In helping them to develop strategies and learn how to do this more efficiently (Interview O)

Yet, on the other hand, the following two subsections elaborate on two significant limitations of the enhanced emphasis on explicitly normative niches of global finance since 2007. First, attention to normative traits of professionalism can be starkly contrasted with failures of these actors to more substantially address flaws that continue to afflict their expert knowledge. Emphasis on the former has distracted from reforms required to reclaim the latter as the central traits asserted in claiming professional status and authority in Anglo-American finance. Second, lingering 'surface' level discourses that prioritise the long dominant liberal market values that contributed and been unable to resolve on-going social, environmental and financial problems have persisted.

Failure to Reform Flawed Expert Knowledge Claims

In contrast to their enhanced emphasis on normative traits of professionalism, the three groups of private actors examined in this study have enacted much more limited "knowledge repair" (Erturk *et al* 2011: 389). These actors have undertaken little in the way of reform of the technical expert knowledge flaws that have contributed to the most recent period of financial market instability. Continuing expert knowledge failures are key indicators of such lack of cognitive change, which this subsection argues continue to undermine the wider private authority of UK- and US-based financial services providers, economists and advisories.

<u>Financial services providers</u>

Persistent flaws in the technical expert knowledge asserted by leading Anglo-American financial services providers have since 2007 continually undermined the cognitive claims

by these private actors to traits of professionalism. In a first instance, a seemingly continuous series of scandals since 2007 has persistently undermined the expert knowledge claims of UK- and US-based accounting firms. These private actors have been widely criticised for scandals that echo their failures to reveal suspicious and fraudulent client behaviour in the lead up to the most recent financial. For instance, PwC was fined £1.4 million by UK regulators in 2012 for its failure to "discover that billions of dollars of client money had not been ringfenced properly at JPMorgan Chase, the US bank" (Jones 2012). The world's largest accounting firm was also criticised for failing to raise red flags when $1.2 billion in client funds went missing at MF Global, the derivatives broker that went bankrupt in 2011 (McKenna 2011). Leading Anglo-American accounting firms were furthermore decried for having "kept mum about weak or nonexistent controls over riskier activity" that led US bank JP Morgan Chase to lose billions of dollars in its infamous 'London Whale' trades; for failing to reveal "regulatory compliance issues like anti-money laundering faults at HSBC and Libor manipulation at Barclays and at least 12 other banks" (McKenna 2012); and for appearing to have been "more eager to please a bank involved in a regulatory action rather than stand tough as the proxy for the regulator" in reviewing processing of payment protection insurance (McKenna 2013).

Meanwhile, the accuracy of credit ratings has continued to be widely questioned since the outbreak of the most recent financial crisis. The large American CRAs reacted to criticism that they were too slow in downgrading the ratings of toxic securities at the height of the financial panic in 2008 by subsequently downgrading the creditworthiness

of major sovereign nation-states such the United States and France. In addition to widespread criticism of the rashness of these particular downgrades (e.g. *Der Spiegel* 2012; Norris 2011; Stephens 2012) and other sovereign ratings (Paudyn 2014; Vernazza *et al* 2014), flaws have persistently been highlighted with the ratings of ABSs (Marriage 2013). The impartiality of CRAs has also been highlighted as these private actors have continually been accused of inflating ratings (Michaels and Robinson 2013; Norris 2013; Popper 2013).[89] Persistent questioning of the valuations of both complex financial instruments and sovereign ratings illustrates the failure of these financial services providers to address technical flaws in the expert knowledge and claims cognitive traits of professionalism unsettled in the most recent financial crisis.

Economists

Very little has changed in the expert knowledge asserted by leading Anglo-American economists since 2007. Granted, some heterodox ideas have made their way and become integrated into the mainstream. Yet these ideas have primarily been those "of the dissident scholars who were all safely dead" and unable to issue rebuttals (Engelen *et al* 2011: 126). Practitioners and scholars as well as media commentators have all noted continued adherence to the ideas that underpinned the pre-crisis expert knowledge of mainstream Anglo-American economists. Observers have argued that there has been a "barely discernible" (Rodgers 2011) movement in the ideas of orthodox economists, who since the crisis have continued "wagon-circling" since the outbreak of instability (Konczai 2013). At a 2013 IMF conference a Nobel Memorial Prize-winning economist

[89] Ratings inflation has most notably been documented in commercial mortgaged-backed instruments, such as re-securitised real-estate mortgage investment conduits (Robinson *et al* 2013).

compared the mainstream economist to a cat stuck in a tree, too paralysed with fear to move (Porter 2013). The chief economist of the World Bank meanwhile noted a "stasis" "an aversion to analytical creativity" by orthodox economists (Basu 2014). Such observations support claims that leading economists have persevered "without any loss of faith" in "the virtues of the "global invisible hand" and the inherent virtues of financial markets, with the financial crisis cast as merely an incident" (Bryan *et al* 2012: 303).

Broad elements of cognitive continuity can be observed in a first instance through the persistent emphasis by leading orthodox Anglo-American economists on the EMH. Hyman Minsky is the deceased economist whose ideas, besides those of Keynes (Mankiw 2008), have been most enthusiastically hailed as prophetic by contemporary mainstream Anglo-American economists (e.g. Lahart 2007; *Economist* 2011; Thomas 2007). Minsky, who "operated far out of the mainstream" (Fox 2009: 311-2), built upon Keynes' insights regarding uncertainty and animal spirits in financial markets to develop the thesis that stability endogenously instigated instability. The financial instability hypothesis directly challenges the EMH in that it assumes that markets are *not* inherently efficient, but rather highly unstable. However, the enhanced attention by mainstream Anglo-American economists to Minsky's work has tended to focus on the instability of the moments in which a substantial number of financial actors suffer from liquidity and solvency problems and attempt to de-leverage simultaneously (Vercelli 2011). Rather than the more general critique that financial markets are inherently unstable and that crises are inevitable, it is solely the "Minsky moment" that has captured the imagination of many prominent Anglo-American economists (Cassidy 2008; Wolf 2008). Leading

mainstream economists have therefore incorporated a Minskian analysis of the *peak* of financial crises, while ignoring the late economist's more profound critique of market instability that challenges assumptions of market equilibrium advanced in the EMH.

Broad elements of ideational continuity can equally be observed in the continued emphasis by prominent mainstream Anglo-American economists on the RARE assumption. The ideas developed by Minsky were closely related to what has more recently became the field of behavioural economics. Using descriptive rather than mathematical models, behavioural economists documented "systematic violations of axioms of rationality" (Kahneman 2011: 271), such as emotional and hormonal reactions by actors in financial markets (Colander *et al* 2010: 257), which illustrated the fundamental irrationality of economic actors well prior to the outbreak of most recent financial crisis.[90] Research in this field also questioned the self-interest expectations of RARE by illustrating the extent to which traits such as reciprocity are fundamental elements of human behaviour (Shiller 2013). The insights of these so-called econo-psychologists were granted little consideration by mainstream Anglo-American economists prior to the most recent financial crisis. Despite publications in mainstream economics journals that "poked a lot of holes in the edifice of rational market finance" (Fox 2009: 300), the influence of behavioural economists on the orthodoxy of the profession was "strictly limited" (Buiter 2009) as mainstream Anglo-American economists had been generally unwilling to abandon the RARE assumption. However,

[90] For instance, in a series of 1970s experiments psychologist Daniel Kahneman and his economist colleagues illustrated how "people are prone to make all sorts of irrational judgements when it comes to money" (Orrell 2011). These studies were followed by an "outpouring of behavioral economic research" in the 1980s (Fox 2009: 291) and an increasing institutionalisation of this research paradigm with the founding of the Society for the Advancement of Behavioral Economics in 1982.

with the advent of the most recent period of economic instability attention to behavioural economics by the mainstream profession has "boomed" (*Economist* 2009b).[91] Nevertheless, mainstream Anglo-American economists have incorporated insights from behavioural economics in manners that have created a "muddle" of behavioural and RARE assumptions (Fox 2009: 300). For example, through models of "bounded rationality" and "adaptive rational equilibrium", flawed but still rational actors have been conceived as *sometimes* deviating from stable preferences when learning from experience and new information occurs (*ibid*). By simply adding what has been dubbed "marginal deviations from standard assumptions" (Fine 2010), mainstream Anglo-American economists have merely sought to account for anomalies that can perpetuate the RARE assumption, which continues to form the basis of their observations (Davies 2012).

Further ideational continuity is illustrated in the discourses of the most prominent mainstream Anglo-American economists. Blamed by his colleagues for contributing to the recent crisis (Harvey 2012), Alan Greenspan did admit to "a flaw" in his intellectual model of how the world functions (Greenspan 2013; Tett 2013; Fox 2014). Yet Greenspan has nevertheless persevered "without any loss of faith" in "still extolling the virtues of the "global invisible hand" and the inherent virtues of financial markets, with the financial crisis cast as merely an incident" (Bryan *et al* 2012). Similarly, the financial economist primarily responsible for developing the EMH, Eugene Fama, has denied that finance theories were at all responsible for the crisis (Davies 2012), while a number of other mainstream economists have viewed the most recent crisis as a "transitory volatility

[91] Volumes expounding the irrationality of human actors also became popular best sellers (e.g. Akerlof and Shiller 2010; Airely 2008, 2013; Thaler and Sunstein 2008) while behavioural ideas were integrated into the public policy platforms of both the Democratic Party in the US and Conservative Party in the UK.

blip" and continue to subscribe to the idea of an on-going "Great Moderation" (Quiggin 2010).

A final broad indicator revealing how orthodox Anglo-American economists have not fully dissociated from the ideas underlying their pre-crisis expert discursive identities has been the defence of existing economic ideas and the re-directing of blame for the crisis. Krugman (2013b) has, for example, argued that what is less required is "different economics as much as we need different economists". Rodrik (2009) has similarly contended that "fault lies not with economics, but with economists. The textbooks – at least those used in advanced courses – are fine." Meanwhile an initiative by prominent economists to imagine what the economics textbooks two decades in the future would contain yielded content that "would not differ fundamentally in structure or approach from today's economics" (Eichengreen 2013). Student walkouts of introductory courses (*Harvard Political Review* 2011) and movements to elaborate alternative course syllabi (*Post-Crash Economics Society* 2014) have highlighted not only dissatisfaction but the persistence of ideational continuity in the training curricula of orthodox Anglo-American economists. Finally, in responding to criticism from the Queen of England a group of leading British economists admitted to failures (Besley and Hennesey 2009). Yet as G/IPE scholar Timothy Sinclair (2009) observed they were "not willing to accept that their "perfect bicycle" was in need of any "serious repair". Rather than returning to classical narratives of moral philosophy orthodox economists have perpetually embraced quantitative tools and techniques. Identification with the EMH and the RARE assumption

reveal the extent to which discourses at the 'surface' level remain tied to and not completely dissociated from pre-crisis values and ideas.

In sum, the wider mainstream economists profession has persisted in analysing the economy as if "old rules would still apply" (Fox 2013). Even with the incorporation of elements of behavioural economics and Minskian instability along with the promotion of macroprudential tools for global financial governance, critics have argued that "the core of economic science has not been seriously rattled" (Rodgers 2011). Observers have highlighted how despite the inclusion of new variables to their models, economists continue to neglect important but hard to quantify factors, such as power (Engelen *et al* 2011; see more generally Fox 2013). Though enhanced considerations of overtly ethical concerns have reoriented the 'core' identities of leading economists, lingering discourses at the 'surface' level have not returned to those of the first professional economists, such as Adam Smith (2010 [1759]), who, following Aristotle and the ancient Greek philosophers, engaged such concerns in narratives that explicitly debated issues of power and morality. Haldane, for instance, has sought to consider the wider public interest "without any reference to broader redistributive objectives" (Erturk *et al* 2011: 388).

Advisories

A failure to address flaws in their technical expert knowledge has persistently undermined the claims of Anglo-American advisories to the possession of cognitive traits of professionalism since the outbreak of the most recent financial crisis. In one illustrative instance, American consulting firm Promontory was widely decried for

significantly underestimating the value of illicit funds funnelled to nations under trade embargoes such as Iran by the UK bank Standard Chartered (Protess and Silver-Greenberg 2013). In another demonstrative case, this same consulting firm was once again decried for approving the risk management controls of commodities derivatives brokerage MF Global only months before this firm collapsed upon the discovery that its management had attempted to cover up trading losses. A third challenge to the consulting services of firms stemmed from "poor" (Protess and Silver-Greenberg 2013c) and "unsatisfactory" (Douglas 2013) review by a number of the largest Anglo-American consulting firms of foreclosures approved by the American banks following the outbreak of the most recent financial crisis. The review was such a "fiasco" (Koff 2013) that it was terminated by American regulators before more than a small fraction- approximately a tenth- of troubled mortgages had been reviewed. Not only did "lawmakers and housing advocates question the quality of the consultants' work", which was revealed to have been outsourced to low-paid contract employees across the US and the Philippines, but critics also questioned the impartiality of the financial consultants when their recommendation to withhold any significant relief payments for borrowers appeared to favour the large banks (Protess and Silver-Greenberg 2013b; see also Horwitz and Aspan 2013). Together these cases illustrate the continuing failure of financial advisories to address flaws in their supposedly technical and neutral expert knowledge. The enhanced focus on normative traits of professionalism thus appears to have come at the expense of reforms necessary to solidify their pre-crisis cognitive claims.

In sum, the focus on normative traits of professionalism by the Anglo-American actors examined in this study has distracted from reforms necessary to address continuing flaws in their expert knowledge. The discursive identities of these actors as expert, unbiased professionals continues to be challenged as scandals persistently undermine attempts to reassert 'moral-technical authority' since the outbreak of the most recent financial crisis.

Continued Prioritisation of Liberal Market Values

In addition to neglecting reforms to their expert knowledge, the enhanced emphasis on normative claims of professionalism by leading Anglo-American financial services providers, advisories and economists since the most recent financial crisis remains constrained by the persistence of elements of ideational continuity. German sociologist Jörg Bergmann (1998: 290) has stressed how "modem societies offer a market of *Weltanschauungen* and morals, out of which its members can choose and can build in a kind of 'bricolage' their own worldview and belief system". An array of alternative values and ideas underlie understandings of the overtly moral issues with which these actors have increasingly engaged since 2007 (e.g. Fang and Foucart 2014). Yet discourses that have continued to linger at the 'surface' level, have persistently emphasised liberal market values rather than the wider range of alternative values that have characterised the explicitly normative niches that they have increasingly identified with since 2007. In their engagements in religious, socio-economic, and environmental debates the 'surface' level discourses of advisories, economists, and financial service providers have persistently prioritised the latter and neglected the former. While the 'core' identities of these seven groups of actors have re-oriented towards the

consideration of systemic ethical concerns, at the 'surface' their discourses have been limited by persistent prioritisation of key liberal market values, such as market self-governance and technological innovation.

Technological innovation

The Anglo-American actors examined in this study have continuously promoted applications of technological innovations to the normative niches within which they have increasingly engaged since 2007. Funding provided by American CRA Moody's to microfinance lenders has primarily been oriented towards the development of a portfolio toolkit enhancing the availability of new financial products (*Moody's Foundation* 2011). Other leading American CRAs have also advocated the application of financial innovations like ABSs to environmental and Islamic financial markets (*Parhelion and Standard and Poor's* 2010). In addition to promoting financial innovations such as securitisation (*Point Carbon* n.d.) the TINCs meanwhile have also emphasised the application of new technologies to "make positive steps toward a low-carbon future that combines environmental responsibility with efficient business performance" (*Thomson Reuters* n.d.). Finally, professional accounting bodies like the IIRC (2014) have undertaken a Technology Initiative aiming to "build a deep understanding of how technology can be applied to assist adopters of <IR>". The focus of this initiative is worth citing at length since its central purpose is

> to evaluate how technology is currently used to facilitate corporate reporting and related management processes; how technology might enhance integrated thinking; how software can capture narrative elements of reporting; and how technology can facilitate the audit and assurance

> of an integrated report […] participating companies will be able to apply their creativity and skills to produce a new generation of innovative reporting products, services and technologies to help their customers adopt <IR> and integrated thinking (*IIRC* 2014)

Anglo-American consulting firms have equally prioritised technological innovation in addressing the normative domains within which they have increasingly positioned themselves since 2007. Oliver Wyman (2007: 51), for example, has advised financial institutions to "explore how they might use the likely volatilities generated by climate change to increase appetite for financial products", particularly those that "improve the match between risk managers and speculators, and exploit arbitrage opportunities between different markets". This firm has similarly warned that initiatives such as 'green' banking may only function as key sources of growth if they are accompanied by "rapid innovation which is highly responsive to changing market conditions" (*ibid*). The "innovations" this firm has then promoted have included carbon markets and the financing of "clean technologies" that "capture the increased appetite for climate change related financial products" (*ibid*). Such prioritisation of new financial products is further revealed with the endorsement by Oliver Wyman' of developments such as the "€270 billion annual investment required to achieve CO2 reduction goals just within the EU" that potentially creates "huge opportunities for banks to create new funds and bespoke financial products" (*Oliver Wyman* 2013). The promotion of such financial products by Anglo-American advisories have also included alternative risk transfer or hedging mechanisms such as derivatives, the instruments that Warren Buffet once referred to as "weapons of mass destruction" (cited in Marron *et al* 2012: 271). AT Kearney (2012: 8), for instance, has endorsed the establishment of markets for innovative yet "highly

disputed" Islamic derivatives despite concerns that these instruments may be "only Islamic in name" (Fang 2014: 21).

At this juncture it is worth emphasising how the advice of other Anglo-American advisories, such as legal firms has contributed to the development of innovative financial instruments like derivatives in environmental and Islamic finance. According to promotional material posted on their respective websites, Davis Polk has provided financial services firms with advice in connection with the development of environmental derivative products,[92] while Baker & MacKenzie advised "on the first structured carbon derivative transactions".[93] Clifford Chance similarly boasts of its role "at the forefront of innovation", citing its central role in structuring "some of the most complex and innovative Islamic finance transactions".[94] This role has included "developing and pioneering innovative structures that use traditional Islamic products like the murabaha, wa'ad, salam and arbun to generate similar economic profiles to conventional derivatives but in a Shari'a compliant manner".[95] The last London, UK-based legal firm specialises in alternative structures for Sharia compliant derivative products that merge "Islamic finance principles with 'derivative based' capital market products", by having for instance "holders of *sukuk* certificates receive pay-offs linked to underlying stocks or indices, thereby mirroring the economic effect of derivative bond transactions".[96] The roles of such innovations in contributing to the intensity of the most recent period of

[92] <http://www.davispolk.com/practices/corporate/environmental/>.
[93] <http://www.bakermckenzie.com/de-DE/ClimateChange/>.
[94]<http://www.cliffordchance.com/expertise/practice_area/finance/islamic_finance/islamic_capital_markets.html>.
[95]<http://www.cliffordchance.com/expertise/practice_area/finance/islamic_finance/islamic_derivatives.htm>.
[96] *Ibid*.

financial instability have continually been overlooked and neglected by leading Anglo-American legal firms. These private actors have instead focused on the importance of developing such instruments for achieving market growth. For instance, in 2010 the Head of Islamic Derivatives at Clifford Chance suggested that for the Islamic finance "industry to develop further we *need* these products" (cited in Wigglesworth 2010; emphasis added).

The advice of leading Anglo-American legal firms has equally underpinned the development of further types of technological innovations intended to promote the growth and development of Islamic and environmental finance. Firms such as A&O (2014: 5) boast that their advice has contributed to "environmental economic instruments which are so essential in making such [green] projects viable". This contribution has, for instance, entailed being "at the forefront of advising on, and drafting documentation for, the trading of emissions credits" (*ibid*: 8). New York-based Davis Polk similarly promotes how it has advised "clients on obtaining and trading greenhouse gas emissions offsets and providing regulatory advice in connection with emissions trading".[97] Through a "holistic approach to carbon transactions" Baker & MacKenzie has likewise provided advice on the "development and financing of carbon projects, creation and purchase of voluntary emissions reductions to carbon credit actions, acquisitions and other transactions".[98] The world's largest legal firm was for three years straight also deemed to be the "Top Legal Advisor on CDM/JI award" from Bloomberg New Energy Finance (2010: 21). Interviews with a partner at one of the leading Anglo-American legal firms

[97] <http://www.davispolk.com/practices/corporate/environmental/>.
[98] <http://www.bakermckenzie.com/de-DE/ClimateChange/>.

confirmed that these actors advise on structured finance projects that “have traditional debt components to them” as well as those that “have equity and mezzanine and other creative financing structures” intended for “leveraging the environmental attribute, which is the carbon credit” (Interview T). This interviewee meanwhile was unequivocally optimistic regarding the wider benefits accrued from the introduction of new technologies to environmental finance:

> emerging new markets, new technologies… they're all converging and colliding with each other. Out of that whole thing, is going to come tremendous opportunities or really positively disruptive technology changes that can really vastly improve our quality of life, the services we get out of all these systems, and the degree in which those systems work in harmony with the planet. That's really exciting. That's the positive vision and future for where we need to go (Interview T)

The advice of Anglo-American legal firms has also underpinned the applications of technologies besides derivatives to Islamic finance. Clifford Chance, for example, boasts of the advice it has provided on “a wide range” of Sharia compliant securitisations and other Shari'a compliant structured products.[99] As the firm itself states on its website, “[w]e have combined our in depth knowledge of Islamic finance principles with our rich experience in asset backed securitisation techniques to structure some of the most complex Shari'a compliant transactions seen to date”.[100] For instance, Clifford Chance advised American bank Citigroup on the first ever Sharia compliant securitisation of instalment sales receivables from the sale of plots of land.

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[99] <http://www.cliffordchance.com/expertise/practice_area/finance/islamic_finance/islamic_capital_markets.html>.
[100] *Ibid*.

Lastly, prominent Anglo-American economists have further continued to prioritise financial market innovations in the overtly normative fields in which they have increasingly positioned themselves since 2007. Innovations from weather derivatives to catastrophe bonds have been advocated by mainstream American economists such as Shiller (2014a), who has suggested that "global warming needs to be addressed by the private institutions of risk management, such as insurance and securitization". Leading UK- and US- trained economists have frequently cited the work of other orthodox economists (e.g. Goldin and Katz 2008), arguing that the origins of wealth discrepancies result primarily from imbalances between technology and education (Greenspan 2013: 173; Mankiw 2010, 2013b; Rajan 2010b, 2012a; Rogoff 2011). As a result, solutions to ameliorate wealth discrepancies have heavily relied on the benefits associated with the harnessing of new markets (Summers 2014a), improving market access (Rogoff 2015), and most prominently with the introduction of new technologies (Rogoff 2011). For example, Shiller (2014b) has advocated "innovative scientific finance and insurance, both private and public, to reduce inequality, by quantitatively managing all of the risks that contribute to it". Economists have equally relied on "mathematized control technologies" (Baker 2013) in their efforts to quantitatively model 'the economy' and map financial networks in order to prevent contagion and "vaccinate" against future crises (Haldane 2009; see also Engelen *et al* 2011; Helleiner 2014: 128).

Market self-governance

The leading Anglo-American financial services providers, advisories and economists examined in this dissertation have also continued to prioritise voluntary marked-led

initiatives that enhance the transparency of the explicitly normative niches of global finance with which they have increasingly identified since 2007. The major UK- and US-based TINCs have promoted their functions as providers of "crucial market transparency" (Park and Ravenel 2013; e.g. *Bloomberg* 2011, 2012; *Thomson Reuters* 2013: 4) that enable "market-based responses to carbon emissions and climate change" (*Point Carbon* n.d.). The two leading TINCs, Bloomberg and Thomson Reuters, along with Anglo-American legal firms such as A&O and Baker & MacKenzie, as well as the world's largest accounting firm, PwC, are for instance all members of and contribute to the efforts of a private sector initiative called the International Emissions Trading Association. This business grouping seeks to develop a "business-friendly and economically rational…market solution" to climate change by establishing a voluntary but "functional international framework for trading in greenhouse gas emission reductions".[101]

Leading Anglo-American accounting firms have been particularly involved in a number of efforts to promote market-based governance of the normative niches in which they have increasingly positioned themselves since 2007. These private actors have supported new forms of financial reporting, including <IR>, in large part for the "greater degree of transparency" that they offer (Main and Hespenheide 2012: 132; e.g. *Ernst and Young* 2014; *PricewaterhouseCoopers* 2013c: 31). Transparency has in turn been promoted by leading UK- and US-based accounting firms through their contributions to market-led efforts to develop "guidelines on the financial reporting, on the risk management practices" (Interview W). This observation is echoed by scholars who have noted how "[i]n recent years, professional accountants have significantly expanded their engagement

[101] <http://www.ieta.org/overview>/>.

in the development and promotion of corporate sustainability reporting standards" (Thistlewaithe 2015: 1). PwC for example (*PricewaterhouseCoopers* 2013b: 13) participated centrally in establishing both the Islamic Financial Services Board (IFSB), a private sector standard setting body based at the central bank of Malaysia, as well as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), a Bahrain-based "corporate body that prepares accounting, auditing, governance, ethics and Shari'a standards for Islamic financial institutions".[102] The world's largest accounting firm has also partnered with various consultative groups tied to the private sector funded International Accounting Standards Board (IASB) that have sought to develop standards for Shariah-compliant transactions.[103] Further market-led governance initiatives supported by the leading accounting firms[104] as well as other major Anglo-American financial services providers examined in this study, particularly Bloomberg,[105] have sought to develop standards for sustainability accounting.

The voluntary standards emphasised in the focus on systemic macro-level normative issues can be contrasted with the more specific rules and disciplinary actions previously

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[102] <http://www.aaoifi.com/en/about-aaoifi/about-aaoifi.html>. EY also has "exclusive arrangements" with the AAOIFI to "certify core banking systems Shari'a compliance" (*Ernst and Young* 2012). The predecessor of AAOIFI, the Financial Accounting Organization for Islamic Banks and Financial Institutions, was established in 1991.

[103] <http://www.ifrs.org/Meetings/MeetingDocs/Other%20Meeting/2013/July/Minutes-AG-meeting-2-July-2013.pdf>.

[104] For instance EY is a climate bond certifier for the Climate Bonds Standards Board, a London-based private standard setter funded in part by Bank of America, Bloomberg, and HSBC (Kidney 2015).

[105] Bloomberg has been highly involved with the SASB. According to its global head of sustainability, "about two dozen Bloomberg people were involved in getting SASB off the ground" (Wenzel 2014). Furthermore, in 2014 the founder of this TINC, Michael Bloomberg, was named as chair of SASB while Bloomberg Sustainability Manager Andrew Park has served as legal counsel and secretary to the SASB Standards Council. Bloomberg Philanthropies is also a "major funder" of the SASB and Bloomberg LP is an "in-kind supporter" that back-tests information generated by the SASB (*Financial Times* 2012). Two other private sector-led organisations supported by the leading firms in the financial services industries examined in this chapter are Climate Disclosure Standards Board as well as the Prince of Wales' Accounting for Sustainability Project, see Hiss (2013) and Thistlethwaite (2014, 2015) for overviews.

developed to address more micro-level normative issues like conflicts of interest. Prior to the most recent crisis the AICPA, for example, developed a forty-four page "ethics enforcement" manual (*American Institute of Certified Professional Accountants* 2006) and undertook more than eight hundred cases of disciplinary activity in 2012 alone that resulted in more than two hundred cases of "corrective action" and nearly one hundred individuals being either suspended or expelled from the association.[106] In contrast, the voluntary 'clubs' developed to address macro-level systemic ethical issues since 2007 have non-binding standards with little enforcement capacities and can be characterised, like other private sector-led initiatives in such areas as "extremely weak" (Park 2012: 164).

Not only have accounting firms and their self-regulatory associations not elaborated specific rules for the systemic normative issues in which they have increasingly identified since 2007, they have sought to undermine attempts by public actors to elaborate specific rules. Leading accounting firms characterised as "draconian" (Hinks 2000) pre-crisis academic recommendations that strict sustainability reporting standards be enforced by criminal penalties for non-compliance. In contrast accounting firms have promoted what Hiss (2013: 238) has described as "weak… voluntary, private actor governance arrangements, with no regulatory power" that provide "private actors power to frame these complex issues on their own terms, with accounting firms and associations of financial investors dominating most initiatives". A recent example of the dominance of market-based approaches to governance of environmental accounting standards has been

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106 <http://www.aicpa.org/interestareas/professionalethics/resources/ethicsenforcement/downloadabledocuments/2013-annual-report-of-aicpa-disciplinary-activity.pdf>

the fate of the 2013 European Commission proposal to require firms to include environmental impacts in their corporate reporting. This regional initiative[107] eventually became "watered down" in the 2014 European Parliamentary directive that requires only a third of the originally intended 18,000 firms to include non-financial data on environmental and social performance in their corporate reporting (Crump 2013). Firms with over 500 employees were also provided with the "flexibility to disclose relevant information in the way that they consider most useful" (*ibid*). The enhanced transparency offered by sustainability reporting has sought to be achieved by governance bodies supported by the leading Anglo-American accounting firms through voluntary market-led disclosures, rather than through some form of strict publicly mandated requirements. Accounting firms thereby continue to "privilege the market as a 'the natural and impartial judge of good social responsibility practices' and justify the absence of more rigorous 'collective and political control" (Thistlethwaite 2015 citing Malsch 2013: 156).

Leading advisories have similarly promoted voluntary marked-led initiatives to enhance the transparency of the explicitly normative niches of global finance with which they have increasingly identified since 2007. Consultancies like AT Kearney have endorsed the standardisation of Islamic derivatives markets through private bodies such as the International Swaps and Derivatives Association (ISDA) (Garbois *et al* 2012: 8). Leading Anglo-American legal firms, such as A&O, have also supported market-led efforts to standardise Islamic finance through membership and involvement in advising private bodies, including the AAOIFI. Legal firms like London-based Clifford Chance have also advised the ISDA in its efforts to draft a master agreement for Sharia-compliant

[107] <http://europa.eu/rapid/press-release_STATEMENT-14-291_en.htm>.

derivatives intended to "allow the gap between Islamic derivative-style instruments and conventional derivatives to be closed" (Berris 2007). Meanwhile, the chairman of an ABA committee on securities regulation "lobbied strenuously" to limit public rules forcing firms to divulge details on the ABSs at the centre of the crisis (Levinson 2015).

Though recommending governmental action in a limited number of instances, prominent Anglo-American economists have further emphasised market-led governance in the environmental space. While a degree of direct public control has been deemed necessary in certain instances, such as limiting the burning of certain fossil fuels (Krugman 2010) or implementing carbon taxes (Mankiw 2007), leading Anglo-American economists have overwhelmingly agreed that "[w]hat is required, first and foremost, are market-based incentives" (Stiglitz 2007) that "create decentralized incentives to do the right thing" (Krugman 2010). In combating climate change, for example, UK- and US-trained economists have extolled the virtues of "cap and trade" schemes relying on market price incentives to reduce greenhouse gas (GHG) emissions, while also praising financial market speculation for bidding up commodity prices (Rogoff 2008; Mankiw 2013b). Summers (2015), finally, has argued that a carbon tax should be supported on "market principles". These recommendations have in turn been echoed by other leading economists who have argued that to address climate change "we can do more, faster, and better with the use of market-based policy instruments" (Director of Harvard University's environmental economics programme Robert N. Stavins cited in Davenport 2015).

In sum, the persistent emphasis on liberal market values has highlighted how significant ideational continuities continue to underlie discourses at the 'surface' of the leading Anglo-American actors examined in this study. Rather than identifying with wider alternative norm sets that originally characterised environmental and Islamic finance, leading UK- and US-based accounting firms, CRAs, TINCs, legal firms, consultancies, actuaries, and economists have persistently emphasised the liberal market values that dominated pre-crisis Anglo-American finance. UK- and US-based advisories, economists, and financial services providers have perpetuated and reproduced the normative *status quo* that long characterised pre-crisis mainstream finance. The agency these private actors exercised in moments of reflexivity since the outbreak of the most recent period of economic instability appears to have been constrained by discursive structures from which these actors have been unable to entirely dissociate. As the following section details, continual construction meaning through opposition to alternative ideas holds implications both for the wider authority of leading Anglo-American advisories, economists and financial services providers, as well as the normative spaces in which these actors have increasingly positioned themselves.

Implications for Reasserting Private Authority in Times of Crisis

What implications does the persistent adherence to pre-crisis expert knowledge and liberal market values by Anglo-American private actors that have increasingly identified with normative spaces since 2007 pose for the *wider* authority of these actors beyond their narrow industries? To certain degrees, authority may be enhanced by more overt considerations of what have become salient public concerns in the post-2007 Zeitgeist

(Rodrik 2014; Wade 2014b) as reflected by opinion polls (Riffkin 2014; Saad 2013), bestseller lists (Lopez 2014) and social movements (Cobbett and Germain 2012). Explicitly normative discursive identities may also more indirectly contribute to the authority the broader professions, the clients, the employers, and even the public regulators of leading UK- and US-based financial services providers, advisories and economists.

Rather than attempting to determine the extent to which their wider authority has been successfully reconfigured since 2007, this section identifies two significant hindrances to efforts to more widely reasserting 'moral-technical authority'. The central argument advanced is that the wider authority of leading Anglo-American actors, and in turn their narrow professional 'legitimising community', may not solely hinge on the their more explicit positioning within normative debates, but upon the underlying ideas and values prioritised. By persistently prioritising the same set of liberal market values that contributed to and that have thus far failed to resolve on-going environmental, social and financial problems the wider reassertion of authority by private actors may be impeded.

Two subsections in turn address how adherence to pre-crisis liberal market values and expert knowledge undermine wider reassertions of private authority. An initial subsection maintains that leading advisories, economists and financial services providers will continue providing faulty predictions and inadequate descriptions of on-going financial, social, and environmental problems as they overlook important factors and processes not adhering to market values. A second subsection then argues that the authority of leading

UK- and US-based advisories, financial services providers and economists may be further undermined as these actors integrate the alternative niches in which they have increasingly positioned themselves into a volatile global financial system.

Continuing flawed prediction and description

The leading private Anglo-American actors examined in this study have continued to overlook important shortcomings of market-based responses to environmental problems. In engaging with environmental issues, warnings that various market-based innovations such as "cap and trade" schemes may be adequate for addressing environmental problems such as climate change (e.g. Newell and Paterson 2010; Victor 2008) have been dismissed. Similarly, with their advocacy of "cap and trade" and carbon markets, these private actors have additionally discounted problems afflicting existing schemes and warnings that they may be "designed more to make money for profit-seeking corporate interests than to reduce GHG emissions" (Helleiner and Thistlethwaite 2013: 13). Such solutions continue to be promoted despite failures to implement cap and trade schemes internationally and nationally in American as well as in other Anglo-Saxon countries such as Canada and Australia.

Therefore the difficulty with persistently emphasising new technologies and market-based governance is that it once again leads prominent Anglo-American actors to dismiss factors and processes that help predict and adequately describe environmental problems. The persistent adherence to market values in their engagement with issues of wealth distribution has led prominent Anglo-American economists in particular to overlook a

further range of potentially crucial insights. The leading orthodox UK- and US-based economists examined in this study have largely neglected claims by heterodox economists and critical scholars outside of economics alike that financial capitalism itself is the central source of growing wealth inequality that may enhance market instability (e.g. Galbraith 2012). For example, Rajan (2012b: 20-21) has dismissed allegations that what he regards as "sophisticated, competitive and amoral" financial market actors such as banks may have manipulated what are deemed to have been "populist" initiatives that promoted access to housing and consumption in the lead up to the most recent financial crisis. Linkages between speculative finance, inequality, and market instability are acknowledged only by the most critical of the orthodox Anglo-American economists examined. Stiglitz (2011a), for instance, acknowledges that "[m]uch of today's inequality is due to manipulation of the financial system", while Krugman (2012) concedes that inequality "probably contributed" to the most recent financial crisis. Yet only in more extensive work does Stiglitz (2012a,b) engage concepts developed in more critical scholarship, such as financialisation, that consider the nexus between finance, inequality, and economic volatility (e.g. Chima and Langely 2012). Meanwhile, other leading Anglo-American economists have neglected the crucial roles of finance in perpetuating the wealth discrepancies that may have contributed to on-going market instability. These mainstream economists have dismissed arguments that the "1% are not people who have earned money the hard way by making real things" (Rajan 2011), while emphasising that top earners are primarily if not solely hard-working entrepreneurs whose market activities unequivocally contribute to the overall betterment of society (Mankiw 2013b).

The persistent reliance on values and factors that contributed to and have continuously failed to resolve long-standing and intertwined financial and environmental crises also undermines the reassertion of authority by the private actors examined in this dissertation. As documented in a number of high-profile reports, the most recent financial crisis stemmed in large part from innovations such as securitisation that enabled the intricate bundling and distribution of risky loans to investors worldwide (*Financial Services Authority* 2009; *Financial Crisis Inquiry Commission* 2011). Moreover, the major pre-2007 financial standards and codes project to enhance market transparency not only failed to prevent the crisis but flooded both public and private actors with a "wall of incommensurate, uninterpretable, overwhelming information" (Dorn 2012: 318; see also Best 2010). Similarly, financial innovations such as carbon trading have been criticised for not enabling sufficient reductions in emissions of the GHGs contributing to climate change (Helleiner and Thistlethwaite 2013). The persistent emphasis on such liberal values by the leading financial services providers may therefore contribute neither to wider the common benefit nor to enhancing claims to normative traits of professionalism.

Explicit positioning of 'core' discursive identities in moral spaces while prioritising liberal market values at the 'surface' level of discourse may be insufficient for restoring the pre-crisis authority of professional actors. The authority of Anglo-American actors may continue to be undermined as they once again insufficiently consider factors and processes contributing to on-going environmental, social and financial crises. As such, attempts to shift from combinations of 'technical-market' towards 'moral-technical'

forms of private authority may be rendered unstable as discursive identities that overtly engage with normative spaces explicitly reveal the values prioritised.

Implication in enhanced market volatility

Emphasising dominant pre-crisis liberal market values rather than the alternative values that originally characterised environmental and Islamic finance, the 'surface' level discourses of the central actors examined in this dissertation also help draw these niches closer into a global financial system characterised by crises of increasing severity and frequency. This subsection contends that the retention of pre-crisis liberal market ethics and expert knowledge may equally undermine efforts by Anglo-American advisories, economists and financial services providers to reassert authority by drawing environmental and Islamic finance more closely into a global financial system marked by crises of increasing severity and frequency. The wider authority of these actors may be continuously undermined as the explicitly normative spaces in which they have increasingly identified since 2007 become implicated in on-going bouts of volatility.

The enhanced integration of Islamic finance with liberal market values, promoted by leading Anglo-American advisories, economists and financial services firms, may undermine the attempts by these private actors to reassert authority. The actors examined in this study draw Islamic finance into mainstream global financial markets in a number of manners. For example, Anglo-American legal firms such as A&O have led "groundbreaking" sukuk offerings aimed at international investors (Stanton 2014). Clifford Chance similarly advised on the first ever corporate sukuk offering to US

investors.[108] This legal firm also advised German investment bank Deutsche Bank on its development of products permitting the investment in Sharia-compliant products on the Frankfurt Stock Exchange. Its advisory on ISDA master agreement for Islamic derivatives moreover was reported to enhance the appeal of such instruments for "conventional banks with Islamic arms, such as HSBC, Citigroup and Standard Chartered" (Wigglesworth 2010). Similarly, Clifford Chance also advised Deutsche Bank in connection with Sharia compliant profit rate swaps.[109] Legal firms also advise which scholars may prove the most "effective" for approving different financial products and practices (Interview Z). For instance, Clifford Chance advise HSBC on developing Islamic corporate financing in Hong Kong.[110] Such advice has helped less in integrating global financial actors into Islamic finance and in helping integrate Islamic finance into global financial markets.

While some smaller financial services providers have recognised the tensions involved with blending liberal Anglo-American and Islamic finance, for example in noting how the practices of securitising Islamic bonds may be "controversial" (Rhode 2008: 20), leading firms have largely overlooked how engagements with alternative norms on liberal grounds undermines the former by continually privileging the latter. For example, the leading Anglo-American CRAs have rated Islamic financial instruments not for compliance with Islamic principles but for their creditworthiness in terms of debt

[108] <http://www.cliffordchance.com/expertise/practice_area/finance/islamic_finance/islamic_capital_markets.html>.
[109] <http://www.cliffordchance.com/expertise/practice_area/finance/islamic_finance/islamic_derivatives.html.
[110] <http://www.cliffordchance.com/expertise/practice_area/finance/islamic_finance/islamic_capital_markets.html>.

repayment. Fitch Ratings (2013) thus uses conventional rating methodologies and rating scales to accommodate Islamic finance. As the Managing Director of its Financial Institutions group notes,

> Although the Islamic finance concept of profit and risk sharing contrasts with the conventional concept of lending, Fitch assesses the risk profile of an Islamic bank in the same way, examining its financing and lending policy, risk diversification practice and the general prudence of management (*ibid*)

Other leading UK- and US-based financial services providers examined in this chapter have contributed to the dilution of the alternative principles of Islamic finance by integrating this niche of the global financial system into Anglo-American finance based on liberal principles. Through institutions that connect this niche to the mainstream, such as the IFSB, as well as via organisations of conventional finance, like the IASB (Davies 2012), large Anglo-American accounting firms have sought "to harmonize these [Islamic financial standards] in line with international financial services standards, or financial reporting or governance" (Interview W). Similarly, leading TINC Thomson Reuters (2013: 24, emphasis added) asserts that its Islamic Finance Gateway Solutions "support the development of the Islamic finance industry by providing premium knowledge services that *transform* institutions and countries protecting their fragmented regional status to a proposition of *global appeal*". G/IPE scholars have argued that through such increasing integration in the mainstream Western financial system, Islamic finance becomes "increasingly exposed to the logics of global financial markets" (Rethel 2011: 84). In doing so, Islamic finance may become increasingly exposed to the enhanced

volatilities that in turn implicate those involved in such niches, including the Anglo-American actors examined in this study.

The attempts by leading UK- and US-based financial services providers, advisories and economists to reassert 'moral-technical authority' may also be undermined by their integration of environmental finance initiatives into the global financial system. In linking not only "sustainability into finance" but also "finance into sustainability" (*Bloomberg* 2012) the three groups of financial services providers examined in this dissertation have contributed to the quantitative measurement of market 'performance'. For instance, Bloomberg's Carbon Risk Valuation Tool "helps companies and investors quantify financial risk from carbon costs" (*Environmental Leader* 2014). As part of its involvement in the 2010 Clinton Global Initiative Moody's has completed a number of 'Social Performance Assessment Reports' that score microfinance projects on a scale of one hundred.[111] This CRA has also developed quantitative measures of poverty reduction (*Moody's Foundation* 2012: 16) and funded the elaboration of "a comprehensive, global standard for measuring the performance of microfinance institutions" (*Moody's Analytics* 2013). Meanwhile, leading accounting firms have "carved out a niche (…) in the emerging field of natural capital accounting, a method of putting a monetary value on the services provided by ecosystems" (Shankleman 2011). The Total Impact Measurement and Management tool developed by PwC, for example, seeks to "*quantify* and *monetise* outcomes and impacts (…) by converting these into a language the boardroom is familiar with – money" (*PricewaterhouseCoopers* 2013c: 19, emphasis added).

[111] <http://www.moodysanalytics.com/SPAReports>.

Executives from the leading financial services providers have justified the adoption of such "quantitative discipline" in sustainable finance by arguing that "to the extent that the *lingua franca* of modern finance is essentially quantitative, to gain entry into that realm, one must speak the language of numbers and analytics" (Park and Ravenel 2013: 63-64). These authors furthermore maintain that sustainable finance must become "fundamentally indistinguishable from mainstream financial analytics, thereby sharing a common language with the financial industry" (*ibid*). Yet speaking "language of the market" by adopting quantitative measurements has been criticised for disclosing economic and financial rather than ethical corporate performance as well as for putting economic values on nature, ethics and social trends (Shankleman 2011; Rethel 2011: 90). Moreover, financial services providers themselves have been criticised for contributing to an overabundance of sustainability information. One interviewee from a large accounting firm, for example, derided the loss of overall "informational value" due to the "humungous" and "completely unmanageable" growth of financial reporting (Interview O). A former employee of a large CRA, meanwhile, described the overall integration of sustainability by the major CRAs as "a real hodge podge" that remains "far short of what is actually required" (Interview I), criticism that was confirmed in further interviews with industry participants (Interviews F, U and X), in scholarly analysis (e.g. Clarvis *et al* 2013: 3-4), in reports by other financial services providers,[112] as well as by panellists of 2014 conference organised by the United Nations-backed Principles for Responsible Investment, who granted the major agencies a grade of just three on ten for "failing to adequately take account" environmental and social issues (*Environmental Finance* 2014).

[112] In a white paper Bloomberg New Energy Finance (2013: 7-8) criticises CRAs' incorporation of sustainability into ratings for not penalizing companies operating in sectors susceptible to environmental accidents as well as for ignoring and failing to capture the long-term impact of climate change.

More specifically yet, an analysis by the Center for International Environmental Law argued that despite moving "away from business-as-usual, credit rating methodologies [...] over reliance on information provided by debt issuers or historical trends, insufficient staff and resources, and short-term time horizons" entailed that CRAs were still "not adequately accounting for climate risks" (Korol 2015). Such "largely unsustainable" practices by the major ratings agencies have been derided for "increasing – rather than simply measuring – credit risk for individual issuers and raising systemic risk for the market as a whole, while at the same time creating negative outcomes for capital markets, the environment and society" (McAdam 2012). Such 'negative outcomes' may further contest the authority of CRAs by continuously exposing these actors to lawsuits and legal liabilities (Korol 2015).

In developing quantitative measurement and modelling tools for environmental finance, leading Anglo-American actuaries have echoed attempts by the financial services providers to link this niche into the language of global financial markets. The International Working Group on Actuarial Sciences and Sustainability of the US Society of Actuaries, for instance, has sought "to quantify and monetize impact of potential risk mitigation and adaptation strategies" through actuarial models (EWG Seminar 2012). The four North American professional actuarial bodies developing the Actuarial Climate Change Index, meanwhile, have sought "to quantify the risk posed by a changing climate to human health and capital" (Curry *et al* 2012: 6). An interviewee confirmed the persistence of efforts by actuaries associated with the UK-based Institute of Faculty of Actuaries "to try and develop some further financial risk modelling" associated with

climate change (Interview P), as well as efforts to developing a model to demonstrate "the effects of resource constraints which limit economic growth on a savings vehicle" (Jones *et al* 2013: 15). Actuaries involved in sustainable insurance at firms such as AIG have also sought to "quantify tradeoffs between future and present" (Yang 2014: 15). Yet though "[t]he mathematics involved to quantify risks comes naturally to the profession" (Rudolph and Stryker 2013: 24) and "[t]he stochastic modelling skills actuaries can deploy allow organisations a far deeper understanding by showing the relative likelihood of different scenarios occurring" (Prior and Zalk 2013 quoting 'traditional actuary' Chris Gingell), such initiatives remain problematic in several regards. For instance, efforts to develop such quantitative measurements remain focused on disclosing economic and financial rather than ethical corporate performance, while impetus is on assigning economic values for nature, ethics and social trends. Finally, such efforts contribute to overabundance of information, an inundation or "data deluge" (Johns 2013).

In sum, the optimistic framing of the enhanced identification by leading Anglo-American professional actors with alternative normative niches of the global financial system proposed at the beginning of this chapter appear, quite simply, to be misguided. Persistent emphasis in the 'surface' level discourses of UK- and US-based financial service providers, actuaries, and economists on liberal values that integrate environmental and Islamic finance with the global financial system may be unhelpful in reasserting wider authority. Rather, the authority of these actors beyond their narrow industries may be further undermined as they are associated with and become implicated in the increased volatility affecting the niches with which they have increasingly identified since 2007.

Chapter Summary

This chapter identified several structural limits impeding the wider reassertion of 'moral-technical authority' by leading Anglo-American accounting firms, actuaries, consultancies, credit rating agencies, economists, legal firms and TINCs since 2007. Sociologists have warned those drawing on explicitly moral discourses, "[s]peakers are held accountable for the categories that they select" (Bergmann 1998: 287). It was argued in a first instance that flaws affecting the expert knowledge of these actors have yet to be reformed. Elements of continuity were equally identified in the persistent prioritisation of dominant pre-crisis liberal market values in 'surface' level discourses as these private actors were revealed to continuously privilege technological innovation and market self-governance rather than the alternative value sets that originally characterised these domains Such alternative values highlight the possibilities for further altering the discursive identities of the actors examined.

A second section argued that the continued reliance on pre-crisis expert knowledge and adherence to liberal market values may *undermine* rather than *enhance* the authority of these private actors in at least two manners. First, persistent adherence to market growth, market governance and technological innovation overlooks important alternative variables that may help foresee and describe on-going financial, environmental and social problems. Second, as they are drawn into a system marked by crises of increasing severity and frequency, Islamic and environmental finance may become subject to enhanced volatility that may also implicate the actors examined in this study, who increasingly identify with these niches. As the current period of on-going instability

reveals, implication in financial volatility can undermine rather than enhance the wider authority of private actors.

Although the changing 'core' identities of the private actors examined in this dissertation may have been narrowly legitimated in industry and professional associations, this chapter has illustrated that lingering pre-crisis discourses at the 'surface' level remain significant impediments to the wider reassertion of authority. Based on these observations it was contended that attempts to assert 'moral-technical authority' remain inherently unstable. Explicitly specifying the values prioritised sets up actors for blame as they once again insufficiently consider factors and processes that have and continue to contribute to on-going environmental, social and financial crises. The following concluding chapter summarises the findings of this study and elaborates upon further theoretical, methodological and empirical implications.

Chapter Seven- Conclusions

How private actors attempt to re-establish authority in periods of instability has been the central research focus of this study. A central interpretive case study traced the discursive responses of three groups of professional actors in Anglo-American finance to the contestation of their authority since the outbreak of the most recent financial crisis in 2007. A genealogical analysis found that the novel manners in which these actors have exercised agency by increasingly identifying with and positioning themselves in overtly normative debates culminated in an explicit emphasis on moral forms of private authority, a subtle yet significant change that has escaped the scrutiny of leading observers and prevailing conventional wisdom. However, the constraints of pre-crisis discursive structures were found to have limited the degree of change underpinning engagements with socio-economic, religious and environmental concerns. Leading UK- and US-based advisories, economists, financial service providers have not dissociated from but have rather maintained their prioritisation of the very same set of liberal market values that contributed to and have been unable to resolve persistent financial, environmental, and socio-economic problems. Such limits to the reassertion of authority are consequential not only narrowly for the specific professionals examined in this study but also more widely for the fate of on-going efforts to reform financial governance at both the national and global levels in the wake of the most severe crisis since the Great Depression. The wider implication stemming from the results of this study is that the legitimacy of on-going reforms and that of the financial sector more generally remain clouded in doubt as a result of their continued dependence on the precarious authority of private actors that include the seven groups of prominent professionals examined.

This concluding chapter summarises the main findings of this dissertation and elaborates on their theoretical, empirical, and disciplinary contributions. The understanding provided of efforts by professional actors in Anglo-American finance since 2007 is recognised to be merely one interpretation of recent history and avenues for on-going research are outlined that may uncover alternative accounts before a final section summarises and concludes.

Overtly Moral Discourses in Times of Crisis

Prior to 2007 the three overlapping groups of professional actors examined in this study relied on what was identified as a combination of technical and market forms of private authority that emphasised unique expert knowledges and backgrounded liberal market normative orientations. Outside observers as well as private actors themselves emphasised normative traits, primarily micro-level issues related to professional regulation. However, these actors explicitly self-identified as unbiased experts in the pre-crisis period and overall, accounting firms, CRAs, TINCs, economists, legal firms, consultancies and actuaries mainly exercised 'technical-market authority' prior to the outbreak of the most recent financial crisis.

Though attracting less attention than systematically important financial institutions, such as the 'too big to fail' banks, the authority of the transnational professional actors examined in this dissertation became profoundly destabilised in the most severe period of financial instability since the Great Depression. The widely reported failures of leading accounting firms, CRAs and TINCs to provide objective services were incongruent with

their discursive identities as expert actors. Similarly, the inability to offer expert foresight and insight in the period of economic instability that began with the outbreak of financial crisis undermined the discursive identities of leading Anglo-American economists. Meanwhile, the failures of leading legal and advisories firms as well as actuaries to provide objective and unbiased advice to clients transgressed the expert technical discursive identities of these actors. Such dislocations provided the conditions of possibility for reconstitutions of discursive identities.

Since 2007 the three groups of professional actors examined have increasingly positioned themselves within overtly moral discursive fields that address systemic ethical concerns. Chapters Three through Five traced how the dispersed engagements of leading accounting firms, CRAs, and TINCs have emphasised Islamic and sustainable finance. What was described as an explicitly *moral economese* stemmed in large part from the enhanced engagement of leading UK- and US-based economists with issues they had been previously overlooked and ignored, such as the environment and wealth distribution. Leading Anglo-American actuaries, consulting and legal firms have also increasingly positioned themselves within overtly normative discursive fields by identifying with niches of global finance that explicitly consider religious and environmental issues. Table 4 below highlights the overtly normative issues that have been emphasised by the various professional actors examined in this study.

Table 4: Normative Issues Emphasised by Professional Actors since 2007

Actors / ***Wider Ethical Concerns Addressed***	**Socio-Economic**	**Religious**	**Ecological**
Financial Services Providers			
Accountants	✓	✓	✓
Credit Rating Agencies		✓	✓
Information Service Suppliers		✓	✓
Economists	✓		✓
Advisory Groups			
Actuaries		✓	✓
Financial Consultants			✓
Legal Groups		✓	✓

Emphasis on these overtly normative issues by leading Anglo-American professional actors has in many instances not been an entirely post-2007 phenomenon. For instance, a number of financial service providers and advisories had begun to emphasise environmental and Islamic finance prior to the outbreak of the most recent crisis. Yet self-identification with these explicitly normative niches was greatly enhanced after 2007 as these actors sought to stabilise their reconstituted discursive identities. Despite the lack of profit opportunities, a range of normative issues affecting not merely narrow industries but society more widely have continued to be emphasised. The implications stemming from the first prong of the central thesis are elaborated in the following section.

Implications

Several theoretical and empirical implications stem from the explicit emphasis by transnational professional actors on moral forms of private authority since 2007. This

section details repercussions for the specific actors examined before proceeding to more general implications for private authority and the RDI approach elaborated.

Implications for the Authority of Private Actors Examined

This study illustrated how the authority of leading Anglo-American professional actors has been narrowly enhanced since the outbreak of crisis. In a first instance, reconstitued discursive identities have been self-legitimated by these actors themselves as they have *internally* re-iterated commitments to overtly normative issues. These actors have not merely promulgated position papers and other documents outlining narratives concerned with a range of explicitly moral issues; they have created new executive positions and internal programmes charged with addressing these issues. Leading accounting firms have created directorships of environmental sustainability and new Islamic finance knowledge centres, while major CRAs have included climate risks into corporate ratings.

In a second instance, self-legitimation of redrawn discursive identities has taken place *externally* as a narrow community of professional actors have echoed the overtly normative positioning of market leaders. Yet in appealing to the audience of clients and professional associations the leading actors examined have not entirely dissociated from pre-crisis discursive identities as technical financial services providers. The overtly normative discursive identities internally self-legitimated by leading professional actors and combined with pre-crisis technical identities for external self-legitimation in narrow professional communities have culminated in an emphasis on what has been

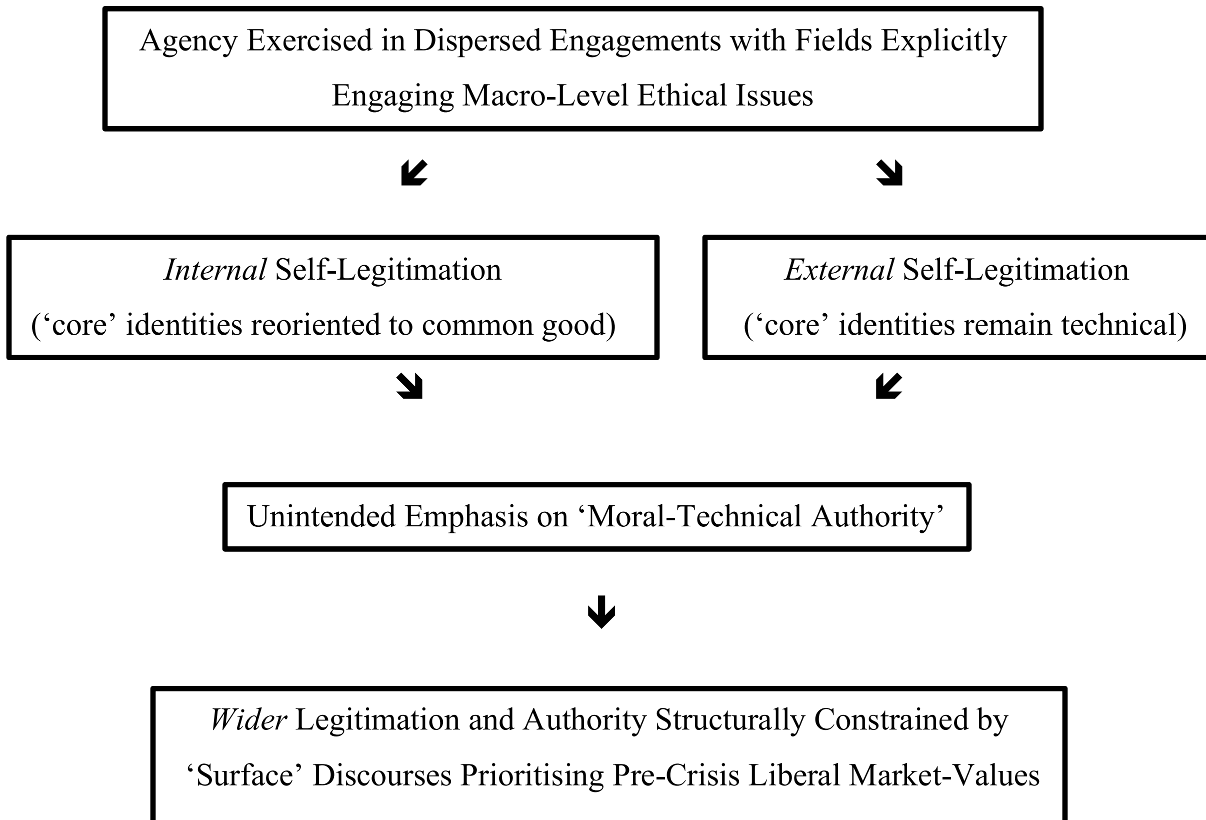
characterised as 'moral-technical authority'. Self-legitimation, however, remains but an initial step towards more widely re-establishing authority.

In investigating leftover and lingering discourses at the 'surface' of the three groups of professional actors examined two limits to the broader reassertion of 'moral-technical authority' were revealed. First, the three groups of private actors examined have undertaken little in the way of substantial efforts to address flaws in the expert knowledge that undermined their technical discursive identities prior to the most recent financial crisis. Such lack of reform has been evident in on-going failures that have persistently undermined the expert knowledge of these actors. Advisory firms have continued to be derided for their poor and unsatisfactory technical work; economists for their poor predictions; and financial service providers for their questionable valuations of financial instruments. Second, the wider reassertion of the authority of the three groups of professionals examined may also be limited by continuity in the values underlying the discursive positions taken in overtly normative debates since 2007. At the 'surface', however, the discourses of these actors revealed a persistent prioritisation of liberal market values rather than a stress on the alternative ethical principles originally characterising environmental and Islamic finance. Perpetuating and reproducing the normative *status quo* that long characterised pre-crisis mainstream finance may undermine rather than contribute to the reassertion of private authority in two manners. First, these actors may continually provide faulty predictions and inadequate descriptions of on-going financial, social, and environmental problems as they overlook important factors and processes not adhering to liberal market values. Second, the emphasis on

technological advancements and market self-governance draws these niches closer into a global financial system characterised by crises of increasing severity and frequency.

To summarise, the central processes examined through the above arguments are illustrated in Figure 4 below. The central implication for the authority of the leading Anglo-American actors examined in this study is that enhanced identification with alternative normative niches of the global financial system may fail to contribute more widely to the reassertion of their authority. The broader authority of UK- and US-based financial service providers, actuaries, and economists, beyond a narrow community of industry actors, may once again be undermined as they neglect flaws in their expert knowledge and continue to prioritise liberal market values. The seemingly settled discursive identities of these actors therefore remain highly contingent and open to further reconstitution. The authority of leading Anglo-American professional actors in a wider audience beyond narrow industry actors may therefore not hinge solely on the more explicit morality of their 'core' discursive identities, but equally upon the ideas and values prioritised in leftover ‘surface’ discourses.

Figure 4: Summary of Central Processes Examined



Implications for a Revised Discursive Institutionalism

The central case study of this dissertation illustrated the suitability of the RDI framework developed in this study for analysing both the reshaping and contingency of discursive identities. The repeated failures since 2007 of leading UK- and US-based financial services providers, economists, and advisories as technical experts became incongruent with self-identities as neutral, expert observers. Such dissonance triggered openings for transformations of discursive identities as these actors exercised agency in increasingly self-identifying with overtly normative socio-economic, environmental, and religious issues oriented towards systemic ethical concerns. The reconstituted discursive identities of the actors were found to not be completely settled but rather to remain open to further

dislocation and possibilities for on-going change, for instance in integrating the alternative sets of values that have long underpinned Islamic and environmental finance.

The RDI elaborated in this study helped overcome the neglect of both languages and the specific sites as well as actors exercising agency that have limited the 'new institutionalisms' and variants of constructivisms. It also provided an enhanced focus on structure that was neglected in actor-centric variants of discursive institutionalism. As the following subsection discusses, the RDI elaborated in this study also improved on "almost all the way" 'soft' constructivisms (Mattern 2005: 46) in conceiving identities that are relational 'all the way down'.

Implications For Private Authority

Building on the 'first wave' of private authority research, this dissertation not only reinforced the notion that private actors yield authority in global governance but sought to clarify transitions between different combinations of types of private authority as well as highlight connections between public and private authority. In tracing how a wider range of private actors exercise agency in attempting to re-configure their authority, this study problematised separations between private and public spheres of activity. Conceptualisations of private authority have tended to separate individualistic private actors from public authorities orientated towards the greater social good. This study emphasised how private authorities may not solely be concerned with profit and individual gain, but may equally incorporate elements of 'publicness' that include orientations towards collective outcomes.

Overlaps between public and private spheres were illustrated by the professional actors who have re-orientated their discursive identities since the outbreak of the most recent period of crisis in 2007. Prior to the crisis these actors primarily emphasised micro-level ethical issues, such as conflicts of interest and independence from their clients. By continually engaging since 2007 with wider macro-level systemic issues that present dwindling opportunities for profit, these actors re-configured their discursive identities 'all the way down' beyond a 'core' that is solely rationalist and concerned with profit maximisation. Conceiving these actors as *homo interpreters* rather than merely *homo economicus* contributes to a 'second wave' of private authority research considering the intertwined linkages between private and public spheres. Further contributions of these arguments as well as avenues for on-going research are explored in the following section.

Contributions and Future Research Directions

The penultimate section of this chapter outlines the contributions of this study and presents potential directions for future research to consider. Questions are raised and suggestions are made for improving discursive institutionalist approaches, for conceptualisation of private authority, and for further scrutiny of the particular actors examined in this study as well as other private actors.

Extending RDI

This study elaborated a RDI approach by drawing on and bringing into conversation theoretical perspectives from IR, G/IPE, Global Governance as well as Public Policy and

economic sociology. The intention has been to elaborate one possible revision rather than outline *the* final authoritative version of a RDI approach. Efforts are encouraged to further revise discursive institutionalisms by, for example, tracing how identities, ideas, and discourses relate to and influence legitimation; examining more specifically the roles of crises for identity transformation; and exploring how discourses act as both internal identity constructs as well as external structures delimiting agential conduct. The RDI elaborated in this dissertation sought to balance the focus on agency in existing discursive institutionalist approaches with a focus on the structural constraints provided by discourses. Future research could assess and improve on this particular attempt to balance the focus on agency and structure as well as further delineate the extent to which other events beyond crises may be regarded as central instigators or triggers for actor-driven change. Finally, on-going research may seek to bring RDIs 'into analysis' by drawing on different methods that are positivist or post-positivist in orientation. Whether RDIs can connect with or improve on established discursive methods, like Critical Discourse Analysis (Wodak and Meyer 2009), could equally be explored.

Extending Private Authority

This study illustrated professional actors as bridging separate public and private realms in their overt consideration of ethical issues. The focus on normative issues by these actors supports analyses of the integration of moral dimensions of capitalism with scholarly efforts to reconnect with earlier traditions of enquiry that explicitly considered moral committments and their shortcomings. Yet several questions remain regarding the limits of intertwined forms of authority. Where do the boundaries between private and public

lie? How can public and private authority more precisely be distinguished? It may equally be worth investigating whether challenges to expert knowledge result in comparable degrees of discursive identity change. To what degree is the extent to which technical authority is undermined in crises related to the extent to which professional actors embrace explicitly normative issues? Are norms only explicitly embraced in times of crisis? Such questions prompt the need to further explore interlinkages between the concepts of professionalism, crisis and private authority.

On first appearance, the results of this investigation provide ambiguous answers to these questions. The financial service providers and economists that have been at the forefront of blame for the most recent crisis have all enhanced their identification with socio-economic, environmental and religious issues. Yet, the advisories whose role in the most recent period of instability has attracted significantly less attention have also increasingly emphasised such overtly normative issues. Further research could consider the varying degrees of professional integration with such issues, by for instance comparing degrees and types of professionalisation before and since 2007. Since variations in professionalism and in integration with normative issues may be difficult to measure in ways that yield adequate comparisons, however, further methodological considerations are required.

Extending Analysis of Professional Aactors

The objective of this dissertation was neither to ascertain nor predict whether the wider success of transnational professional actors in reconfiguring authority. While internal and

external self-legitimations of reshaped discursive identities were noted, the limits to the reassertion of private authority in a wider audience beyond narrow industry actors could be more thoroughly explored. On-going research might investigate the extent to which professional actors have more broadly reconfigured authority since 2007 as well as the degrees to which their shifting discursive identities and overt emphasis on morality have enabled this. Though some initial considerations were offered in this study, further research could explore whether more overtly moral discursive identities facilitate or hinder the reassertion of the authority of the professional actors in a wider audience beyond narrow groups of industry actors, the self-legitimating communities of professional bodies, industry associations, public regulators, and clients. Such research is important to uncover not solely the legitimacy of professionals that continue to yield power in financial governance, but also the wider legitimacy of on-going reform efforts since 2007 that have not shaken the long-standing reliance on private authority.

Such authority may well have been enhanced by their more overt considerations of what have become salient public concerns in the post-2007 Zeitgeist. Recent research suggests that certain professional actors, such as UK economist Andrew Haldane, have "found credibility and prestige for his ideas about financial systems as fragile ecosystems from his engagement with epidemiology, biology and engineering" (Seabrooke and Tsingou 2014: 401). Further scrutiny is necessary as these actors, like numerous others in Anglo-American finance,[113] were neither fired nor disgraced "but were confirmed in their jobs or promoted elsewhere" despite being centrally implicated in what has been the most

[113] For example the British government has continued to spend significant sums on the advice of consultants (*BBC* 2013) to whom Ivy League graduates continue flock to for employment (Binder 2014).

severe period of economic instability since the Great Depression (Engelen *et al* 2011: 19). The persistently prominent positions of the actors analysed in this dissertation underlines the need for on-going research of a global financial governance system that appears to be increasingly reliant on unstable forms of 'moral-technical authority'.[114]

This study sought to highlight the contingency of seemingly settled discursive identities as well to illustrate openings for their further reconstitution. Discursive identities are continually produced as actions and events transgress self-identities and trigger internal crises of self-legitimation that provide openings for further change. Should more overtly moral discursive identities fail to be more widely legitimated or enhance the authority of financial service providers, economists, and advisories, further change can surely be expected. Rather than extrapolate from the past to predict the future on-going research should remain attuned to on-going moments of reflexivity in which previous discursive identities are othered and new identities are constituted. Future research could consider the possibility of further piecemeal or accidental changes in the discursive identities of these actors returning towards technical discursive identities, or combine in unique ways.

[114] Economists for instance have maintained their prominent positions in global governance, with commentators even lamenting their dominance in areas such as climate change governance (Victor 2015). They have been compared to systemically important financial institutions such as the 'too big to fail' banks (Konczal 2013). By enduring in prominent public and private sector positions (DePillis 2014; Tita 2014), as well as providing testimonies and papers to policy-makers (e.g. French *et al* 2010), orthodox Anglo-American economists have retained influence in guiding responses to the on-going crisis (Interview R) as the Reinhart and Rogoff case for fiscal austerity illustrated. Although it has been suggested that having been rejuvenated and restored "to the position of social authority it had enjoyed for some time before the crisis" the prestige of orthodox economists remains in "rude health" (Watson 2014: 12), scepticism of economists by prominent observers has also persisted (e.g. El-Erian 2014; Harford 2014) as the predictions of these actors have been continually criticised for remaining wide of the mark (Ahir and Loungani 2014; Mody 2014). With their authority remains in continual flux the wider public perceptions of economists should be continually scrutinised.

Methodologically, the scope of future analyses could be widened and contrasts could be made with the discursive identities of less prominent professional actors, or of alternative subsets of leading firms and individuals. For instance, individuals from another subset of prominent Anglo-American economists[115] could be analysed along with less prominent advisories firms such as Linklaters or financial service providers such as Markit. Future studies could also extend beyond the UK and US to professional actors based in other Anglo-Saxon countries, such as Australia, Canada, New Zealand and beyond. The responses of firms and individuals based in Europe, Africa, Asia or anywhere outside of the Anglo-Saxon realm to the contestation of their expert knowledge could equally be subject to analysis. In short, further research could examine whether the more overt emphasis on ethics by private actors in times of crisis is a more generalised phenomenon.

Future research could equally seek to contrast and connect the stress on *macro*-level ethical issues with changes that have addressed *micro*-level ethical values. Are values encoded in professional compliance rules and regulations, such as independence and objectivity, being linked to broader public interest concerns, such as climate change? Tracing these and other responses to the contestation of authority by private actors may be insightful both in finance as well as in other crisis-prone areas of governance.. Investigating whether other private actors have emphasised explicitly normative niches in periods of crisis may also prove fruitful. From faulty tests in medicine and health to corporate disasters that have resulted in environmental damage, such as the on-going Fukushima nuclear power plant debacle or the BP *Deepwater Horizon* catastrophe (e.g.

[115] Such as Willem Buiter who in 2007 declared that the issue of “[p]overty bothers me. Inequality does not. I just don’t care” (cited in Wade 2014b: 100) or Robert Reich who starred in the 2013 documentary “Inequality for All”.

Carrigan 2013), investigations of other crisis-prone areas of global governance could fruitfully inform scholarly understanding of the reassertion of private authority in periods of instability. Finally, while professional actors have been the focus of this dissertation, the semi-professions (Campbell-Verduyn 2015) may also be pertinent for future studies exploring linkages between public and private forms of authority

Conclusion

This final chapter summarised the main findings of this dissertation and their contributions as well as elaborating on their theoretical and empirical implications. The overt emphasis on normative claims by the three groups of professional actors examined presents limits for the wider reassertion of authority. The suitability of a RDI framework as a lens to analyse changes in discursive identities and the interlinkages between private and public authority was underlined. Avenues for on-going research were outlined including analysis, amongst others, of the balance between agency and structure in RDI, the boundaries of private authority, and further private actors to illuminate scholarly understanding of the reassertion of private authority in times of crisis. Such future research directions indicate that the analysis of the reassertion of authority in times of instability will continue to offer promising insights into contemporary global governance.

Appendix A: Email Recruitment Script Sent to Prospective Interview Participants

Date: ____________

A Study of the Changing Political Economy of Anglo-American Finance Since the Crisis
Malcolm Campbell-Verduyn, PhD Researcher
Department of Political Science – McMaster University

E-mail Subject line: Interview for McMaster University Study of Finance Following the Crisis

E-mail attachments: None.

E-mail Script:

Dear _________________,

I am researching the responses of a range of Anglo-American financial services firms and professions to the most recent financial crisis as part of my doctoral degree in Political Science at McMaster University in Hamilton, Canada. My dissertation project analyses the implications of these responses for the legitimacy and governance of the financial services industry as a whole.

I obtained your name/department contact via your website/via suggestion from ____ and would like to invite you to participate in a one-on-one 30 to 60 minute interview at a time and location of your choosing. This interview could take place either in person, over the phone, or over Skype.

What benefits may you derive from participating in an interview for this study?

While I am not offering monetary compensation for interviews and will be keeping your identity strictly confidential, you may personally benefit from taking the time to reflect on your contributions to improving the financial sector since the crisis. You may also benefit from knowing that you have enhanced academic understanding and knowledge by de-mystifying the complexities of global finance. Increased insights into private sector responses are of timely importance for policy-makers, for businesses, and for the general public, as the financial sector remains crucial for a stable and equitable distribution of resources.

Should you choose to participate please contact me directly. I will then provide you with two letters. The first indicates the questions you can expect to be asked in the interview while the second letter contains details regarding confidentiality, potential risks involved with participation, and how we go about finding a time and location of your convenience for conducting an interview. As indicated above, a 30 to 60 minute one-on-one interview could take place either in person, over the phone, or on Skype.

I will send you a follow-up e-mail in a few days and/or call your office to inquire upon your interest in participation.

Thank you in advance for your time and consideration. Please do not hesitate to ask me any questions.

I very much look forward to hearing back from you!

Sincerely,

Malcolm Campbell-Verduyn, BA (York), MA (Leiden)
Ph.D. Candidate, ABD, International Relations
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campbma3@mcmaster.ca

Appendix B: Questions for Interviewee Participants

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Faculty Supervisor:
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Professor of Political Science
Department of Political Science
McMaster University
E-mail: tporter@mcmaster.ca
Skype: tony.porter35
Telephone: 905-525-9140, ext. 21288

This study has been reviewed by the McMaster University Research Ethics Board and received ethics clearance. If you have concerns or questions about your rights as a participant or about the way the study is conducted, please contact:

McMaster Research Ethics Secretariat
Telephone: (905) 525-9140 ext. 23142
c/o Research Office for Administrative Development and Support
E-mail: ethicsoffice@mcmaster.ca

Research Sponsor: The Social Sciences and Humanities Research Council of Canada.

Information Regarding the Interview Questions:

- The exact wording may be slightly different and not all questions will be asked.
- The questions are open-ended (i.e. not simply 'yes' or 'no' questions).
- Interviewees may choose not to answer any of the questions, informing me either prior or during the interview of their preference to avoid commenting on certain questions.
- Some additional follow-up questions may be asked to clarify some answers or to gain deeper understanding of the answer provided.

If you have questions or need more information regarding the study itself, please see the attached letter of information or feel free to contact me via any of the channels listed at the top of this letter.

Potential Questions for Interviewees: Below is a list of questions that you may be asked regarding the responses of financial services firms and professions to the outbreak of financial crisis in 2007.

1. Please describe to me your career trajectory, including significant positions you have held in the organization you represent, your profession, and/or the financial services industry more generally.

2. In what ways do you think that your organization, your profession, and/or the American or British financial services industry more widely have responded to the outbreak of the financial crisis in 2007?

3. Do you consider these responses to have been successful? How did you come to develop this opinion?

4. I am interested in understanding the extent to which the adoption [or proposals for the adoption] of certain initiatives in responding to the most recent financial crisis has been connected to changing identities in the Anglo-American financial services industry. Could you please describe some of the main initiative(s) that your organization undertaken in responding to the crisis?

5. Are there any other initiatives or particular types of initiatives that your organization, your profession, or the industry more broadly has taken in response to the crisis?

6. To what extent, if at all, have these initiatives or others engaged with issues of environmental sustainability, religion, and/or socio-economic disparities? Has your organization or profession undertaken any other initiative(s) concerning these issues? If so, could you please describe these?

7. How central to the mission of your organizational, to your profession, and/or to the financial industry are the initiative(s) described in responding to the financial crisis?

8. When do you recall the initiative(s) to have first appeared on the agenda of your organization and/or of the British and American financial services industry more generally? What effect (if any) did the recent financial crisis have on such initiative(s)? To what extent do you think that the development of the initiative(s) was affected by the crisis?

9. Have the initiative(s) changed or evolved as they have been developed? If yes, why do you think these changes were made? If not, why do you think changes were not made?

10. [If the initiative(s) was never adopted], why do you think the initiative(s) was never adopted? Which actors were opposed? Did their opposition block the adoption of the initiative(s)?

11. Which actors within your organization and your industry or profession more generally took responsibility for developing these initiative(s)? Which actors advocated for the adoption of such initiative(s)? Why do you think these actors chose to pursue this?

12. Did these actors involved ever consult with any other groups, such as specific professional groups and/or international or civil society organizations? Could you describe which groups and the nature of the consultation and/or collaboration to the best of your knowledge?

13. Where, in your opinion, did the ideas for the development of such initiative(s) stem from? Did they originate from inside or outside your organization, profession, or industry? Did they result from external collaborations?

14. What was the position of your organization on such initiative(s)? What did your organization do to try to influence the adoption of the initiative(s)? Does your organization consider its efforts successful or not successful, and in what ways?

15. What additional changes does your organization think are important regarding the development of the initiative(s)? What reforms or changes would your organization like to see enacted? What steps are your organization or your profession taking to promote the adoption of the initiative(s)?

16. What is your own position on the initiative(s)? What future reforms or changes would you like to see enacted? How likely do you think it will be that these further reforms or changes will be adopted?

17. Is there anything else that you think someone studying responses to the financial crisis should know or that I have failed to ask you about today?

18. Are there any final concluding comments or summarizing remarks that you would like to make?

19. Is there anyone else in your organization or your industry to whom you believe I should speak? Are there other organizations or individuals that you could recommend to speak with me?

END

Appendix C: Interviewee Letter of Information

Background note: This letter was provided to prospective interviewees after they indicated an interest in participation in an interview by responding positively to the initial recruitment e-mail. Copies of this letter were provided to interviewees to pass along to other potential interviews who may then contact the principal investigator as part of snowball recruitment.

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Telephone: 905-525-9140, ext. 21288

This study has been reviewed by the McMaster University Research Ethics Board and received ethics clearance. If you have concerns or questions about your rights as a participant or about the way the study is conducted, please contact:

McMaster Research Ethics Secretariat
Telephone: (905) 525-9140 ext. 23142
c/o Research Office for Administrative Development and Support
E-mail: ethicsoffice@mcmaster.ca

Research Sponsor: The Social Sciences and Humanities Research Council of Canada.

Research Description: As indicated in the initial email you received interviews are being conducted to inform a PhD dissertation project examining how a range of firms and professions in the British and American financial services sectors have responded to the most recent financial crisis. I am particularly interested in exploring the implications of reform initiatives undertaken since 2007 for the legitimacy and the governance of the industry. The working contention of this research is that there has been a shift from an emphasis solely on technical issues prior to the crisis to a wider and more explicit engagement since 2007 with moral issues, ranging from environmental sustainability, to religion, and socio-economic disparities. This hypothesis seeks to challenge arguments that little has changed in the financial services industry since the most recent financial crisis. Upon completion of interviews my analysis will assess the implications of these responses for changing identities of the financial services industry, its legitimacy, and its governance.

Your contribution: While you will not be compensated monetarily, by participating in an interview you will be enhancing academic understanding and knowledge of the complexities of global finance. Increased insights into private-sector reforms are of timely importance not only for academics but for policy-makers, businesses as well as the general public as financial governance remains crucial for a stable and equitable distribution of resources. You may also personally benefit from taking the time to reflect on your contributions and the contributions of your organization to improving the financial sector since the crisis.

What can I expect during the interview? I will pose questions (see the list in the attached separate letter) in English or, if you wish, in French or in Dutch. If none of these languages are available to you, you may also request the use of a translator.

With your permission, I will be taking handwritten notes as well as be using an audio recorder to make sure I do not miss what is said in our conversation.

When and for how long are will the interview be? Interviews can take place between the months of April 2014 and August 2014 during regular daytime work hours or at a time suitable for you. The length of each interview will be between thirty and sixty minutes.

Confidentiality and potential risks: The risks involved in participating in this interview are minimal. You should however be aware that participation in an interview could potentially generate feelings of discomfort, stress, and/or unease from reflecting on and discussing material that you may consider to be sensitive, upsetting or embarrassing. You always have the choice of not answering any of the questions posed in the interview.

Though data generated from the interview may be rendered public through an academic publication your identity as well as that of your organization will remain strictly confidential. Your participation in this research is completely confidential. I will never use your name or any information that would allow you to be identified, unless you indicate that you wish me to do so. No one but my faculty supervisor and myself will know that you participated in an interview, unless you choose to make your participation public.

You may designate a specific location of your choosing for the interview. Although your office may be the most convenient and comfortable environment, to minimize any potential risks to your privacy it may be best to conduct the interview in a more neutral location outside your office (for instance at a café, library, or community center) or even have the interview take place over telephone or Skype. You may decide and let me know what your preference is.

I will keep data generated from the interview for an indefinite period of time since it may be useful for related projects that I intend to pursue following the completion of my PhD dissertation. If you object to my keeping this data secured in my files indefinitely please do not hesitate to let me know.

Finally, as noted in the description of the research above, this project seeks to challenge contentions that there has been little change in the Anglo-American financial services industry since the crisis. However my evaluation of these responses may not solely cast them in a manner that is favourable to the industry as a whole. The interviewee should be aware that the research findings, which as mentioned will not identify specific individuals, organisations, or firms, potentially may not portray the financial industry in an exclusively positive light. Interviewees should therefore be conscious that participation may entail broader reputational risks to the financial industry as a whole.

Consent: Your participation in an interview is completely voluntary and can be withdrawn or annulled at any time, even part-way through the interview, without fear of consequence and in the assurance that my notes and the recording of the interview will be destroyed, unless you indicate otherwise. You may choose not to answer any of the questions posed in the interview. You have the possibility to make any data off the record should you indicate so. Information provided in the interview may be withdrawn any time prior to the end of August 2014.

At the beginning of the interview I will repeat the above points to ensure that you are aware of and understand the above. I will ask you if you have any questions before asking you verbally to signal whether you consent to being a part of an audio recorded interview.

Follow-up, Results, and Further Questions: I may ask you at a later date if you would like to volunteer to participate in a second interview to answer follow-up questions.

I expect to be conducting interviews until the summer of 2014 and then subsequently analysing the information provided. The results of this study are expected to be completed in early 2015. If you would like a brief summary of the results or copies of resulting research publications, please let me know how you would like these sent to you (digitally, by post, hand delivery) and I would glad to accommodate to suit your preference.

If you have questions or need more information and details regarding the study itself, please do not hesitate to contact me via any of the manners listed at the top of this letter. **END**

Appendix D: Anonymous List of Interviewees By Date

Interview	Position	Organisation	Sector	Jurisdiction	Date
A 1	Counsel	Firm	Legal	US	16/04
B 2	Director	Professional association	Accounting	Global	24/04
C 3	Retired	Firm	Actuary	US	28/04
D 4	Director	Firm	Accounting	US	13/05
E 5	Managing Director	Industry Association	TINCs, Credit ratings	US	13/05
F 6	Director	Firm	Actuary	US	13/05
G 7	Partner	Firm	Legal	UK	19/05
H 8	Research assistant	Professional association	Actuary	UK	12/06
I 9	Former staffer	Firm	Credit Rating	UK	13/06
J 10	Partner	Firm	Legal	UK	13/06
K 11	Manager	Regulatory	Accounting	US	26/06
L 12	Director	Private regulatory	Accounting	UK	02/07
M 13	Academic	Firm	Actuary	UK	02/07
N 14	Partner	Firm	Legal	UK	07/07
O 15	Executive	Firm	Accounting	US	10/07
P 16	Professor	Academic	Actuary	UK	11/07
Q 17	Former Partner	Firm	Accounting	US	14/07
R 18	Non-Director Chairman	Firm	Consultancy	UK	16/07
S 19	Non-Executive Director	Firm	Actuary	US	16/07
T 20	Partner	Firm	Legal	US	25/07
U 21	Executive	Firm	Credit Rating	US	31/07
V 22	Former Director	Firm	Accounting	US	08/08
W 23	Director	Firm	Accounting	US	11/08
X 24	Executive	Firm	Credit Rating	US	12/08
Y 25	Director	Firm	Accounting	US	12/08
Z 26	Director	Firm	Legal	UK	18/08

Appendix E: Interviewee Totals Per Profession

Position / Profession	From Firms	From Professional Association	From Public Regulator	Elsewhere	Totals
Accounting	6	3	-	-	9
Credit Rating	3	-	1	-	4
Information, media, news	-	1	-	-	1
Actuary	4	1	-	1	6
Consultancy	1	-	-	-	1
Legal	6	-	-	-	6
TOTALS	20	5	1	1	27

Appendix F: Prominent Orthodox Anglo-American Economists Examined

Name	**Alan Greenspan**	**Andrew Haldane**	**Paul Krugman**	**Robert Lucas Jr.**	**N. Gregory Mankiw**	**Rajan, Raghuram**	**Kenneth Rogoff**	**Robert Shiller**	**Joseph Stiglitz**	**Lawrence Summers**
Position	President	Chief Economist	Professor. Economics	Professor, Economics	Professor, Economics	Professor. Finance	Professor, Economic s	Professor, Economics	Professor, Economics	Professor, Economics
Institution	Greenspan Associates	Bank of England	Princeton University	University of Chicago	Harvard University	University of Chicago	Harvard University	Yale University	Columbia University	Harvard University
Country	USA	UK	USA	USA	USA	USA/India	USA	USA	USA	USA
Economist Ranking	X		X	X		X	X	X	X	X
Eminent Economist			X	X				X	X	
IDEAS Rankings		296 in UK		7 overall; 6 in US	31 overall; 26 in US	46 overall; 27 in finance	10 overall; 9 in US economist s	8 in financial markets	3 in US; 4 overall	26 overall; 23 in US
Other Notable Positions Held	Chairman of the Federal Reserve		Senior Staff Economist on the Council of Economic Advisors		Chairman, Council of Economic Advisers; Vice President, American Economic Association	Governor, Reserve Bank of India; President, American Finance Assoc.	Chief Economist , IMF	Vice President, American Economic Association	Chair, President's Council of Economic Advisors; Chief Economist, World Bank	Secretary of the US Treasury; Chief Economist, World Bank; President, Harvard University
Noble Memorial Laureate			X	X				X	X	
Influential in Global Finance			X					X	X	

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