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Toward investee's capitalism A civic-market compromise

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ABSTRACT

Thirty years ago, capitalism shifted from a civic-industrial compromise to an industrial-market compromise. It may now be on the eve of morphing into a civic-market one. To understand why and how this could happen, we analyze the legitimacy crisis of capitalism and explore a possible outcome. This crisis is considered as a crisis of the legitimacy of financial markets, stemming from a gap between their justification and characteristics of the goods traded on it, i.e. financial assets. We first show the lack of any intrinsic utility of these goods makes the markets where they are traded impossible to legitimize within a market order. Then their legitimation within the industrial order or an industrial-market compromise is described as highly problematic. Given these difficulties, we narrow the focus on the question of the legitimation of the valuation of financial assets. Their dual nature of both tradable and representative items makes us suggest a civic-market compromise, which would make finance more symmetrical by making valuation political. We then show such a perspective is obscured by the pervasive strength of the investor's point of view, but also that the mounting debates on public and private debt may provide opportunities for the development of such an "investee's capitalism".

1. Introduction

About 30 years ago, capitalism changed. There are many ways to name and describe this change: financialization, globalization, a shift from "fordism" to "post-fordism" (Aglietta, 1997; Boyer, 2000; Lipietz, 1997), the end of "organized modernity" (Wagner, 1994), and of course the rise of neoliberalism (Mirowski & Plehwe, 2009; Peck, 2010). A possible option is to use the Boltanski and Thévenot's polity model (Boltanski & Thevenot, 2006) by saying it marked the shift from a civic-industrial compromise toward an industrial-market one.[2] We will argue that it is also possible to describe the change in capitalism that the current financial and economic crisis may trigger as a shift from an industrial-market compromise toward a civic-market one.

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[2] Boltanski and Thévenot themselves qualified the policy implemented in France after WWII, through the Plan Commission for example, as a civic-industrial compromise (2006, p. 291, 325–332). Boltanski and Chiapello (2005) also made some remarks on the progressive demise of the civic-industrial compromise in the 1980s (pp. 499–501).

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Boltanski and Thévenot's approach emerged from an analysis of situations of dispute. More precisely, they focused on the way actors refer to normative resources and framings in this kind of situation, identifying six forms of justification, each one corresponding to an "order of worth" or "city". This allowed them to develop a sociology of critique, abundantly illustrated since then (Boltanski & Chiapello, 2005; Boltanski, 2011, etc.). Regarding capitalism as a whole, the way it is justified was treated by Boltanski and Chiapello (2005) through the notion of "spirit of capitalism", which captures the way actors are convinced to engage with it. They notably highlighted the move toward more flexible, mobile and unstable organizations and careers where the ability of taking advantage of the involvement in networks and of being able to move from one project to another is highly valued. This development of "connexionism", so the story goes, paved the way for the emergence of a seventh order of worth, namely the "projective city".

Our view departs somehow from this approach by stressing the dominant role of financial markets in the kind of capitalism that has been experienced since 30 years and by qualifying its ongoing *legitimacy* crisis[3] as a crisis of a market-industrial compromise fueled by the inability of this compromise to legitimize durably and consistently a financialized capitalism. As Willmott (2013, p. 115) rightly pointed out, if the development of "connexionism" could be related to effective and major organizational changes, these changes were in turn largely determined by the development of investor capitalism (Useem, 1996), which put financial markets on the center stage. Therefore, the way neoliberal capitalism is justified heavily depends on the way financial markets are justified.

Huault and Rainelli-Weiss (2013) highlighted a discrepancy between this justification and the way financial markets are effectively organized: for them, whereas the justification belongs to the market order, connexionism prevails in its real functioning, which implies a justification in the projective city would be much more consistent with it.

In our view, though, the justification of financial markets is not limited to the market order. The actors who produce discourses legitimizing finance, be they financial economists, regulators, bankers, politicians, etc. essentially use justifications belonging to *two* different orders:

- the market order is of course put forward, with the constant necessity to promote and to maintain competition, which is the higher common principle of this world. This is supposed to be achieved, notably, through transparency and more specifically through arrangements ensuring competitors are on a level playing field.
- but the industrial order is also used, around references to the efficiency of markets.[4] Efficiency, the higher common principle of the industrial order, is linked to an image of technicality. In terms of legitimacy, the extensive use of complex models supposedly based on scientific approaches, the omnipresence of algorithms and machines of all kinds display references to the industrial order.[5]

Therefore, an industrial-market compromise can be identified as the dominant justification in discourses legitimizing financial markets, but also, more widely, the neoliberal or post-fordist capitalism.

Then, the inconsistency we would like to point out also differs from the one highlighted by Huault and Rainelli: we won't stress the gap between the justification of financial markets and their effective organization, but the gap between their justification and the *characteristics of the goods traded* on these markets, i.e. financial assets.

This idea will guide us throughout this article. In a first part, we will show that the lack of intrinsic utility of financial assets makes a justification of financial markets in terms of a market order morally questionable, indeed even impossible. In a second part, the (related) impossibility to determine their fundamental value will be shown as making problematic, to say the least, their justification in industrial terms. In a third part, we will stress the dual nature of financial assets, which are both tradable goods and representatives of collective entities allowing them to be *valued*; this will allow us, through the understanding of this valuation as a relationship between investors and *investees*, to show that addressing this legitimacy problem would logically require to put an end to the market valuation of financial assets, which would also put an end to financialized (or neoliberal, or post-fordist, etc.) capitalism, but not to capitalism: the new form of capitalism that could develop in this case would be legitimized using a civic-market compromise. We then try in a fourth part to examine what hinders such an evolution, but also what could foster it. Finally we conclude by acknowledging the limits of our approach but also by defending the idea capitalism without speculation would still be capitalism.

2. Undesirable objects

The crucial role of *desire* in the architecture of the market order may be often overlooked, but it is nevertheless quite clear in Boltanski & Thévenot's work.

In this order, worth is measured by the possession of desirable goods. This assumes an agreement about what is desirable. It is undoubtedly an individualistic world, but where individuals do not behave randomly: they are moved by desire and,

[3] The crisis has of course many other dimensions, but the legitimacy crisis is the only one we will consider here, following the initial focus of Boltanski and Thévenot's work on critique and justification, hence legitimacy and ideology. This clearly differs from other uses or interpretations of their model focused on ways of understanding management more practically, on how organizations are effectively organized and so on, an approach developed in Eymard-Duvernay (2009). For a recent example of this, see Patriotta, Gond, and Schultz (2011).

[4] We will elaborate later on the role played by the efficient market hypothesis.

[5] Again, we are only talking here of the role of these devices in *legitimizing* financial markets, not of their effective role in the functioning and the organization of markets, a question explored in depth by Mackenzie (2006).