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Economic Discourse and European Market Integration
The Problem of Financial Market Infrastructures
Summary in English
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The dissertation analyses a major project of the European Central Bank (ECB) to integrate financial market infrastructures in Europe. Officially launched as a project in 2008 and to be fully implemented in 2017, Target2 Securities (T2S) provides a pan-European platform for settling transactions of securities (stocks and bonds). According to the ECB, T2S will be safer and more efficient than the combination of existing national securities settlement systems and the complex network of commercial providers of cross-border settlement on a competitive basis in Europe. As such, T2S is said to contribute significantly to the integration of financial markets in Europe.

A number of controversies around the T2S project are identified. Moreover, it is observed that T2S – despite complying with the market integration agenda of the EU – seemingly breaks with otherwise weighty principles of the ECB and of the European Commission. T2S will de facto be a public monopoly based on the insourcing of private business activity, whereas the Commission before 2006 systematically insisted that integration of financial infrastructures in Europe should be driven by the industry and preferably take place on a competitive basis. Moreover, before 2006, European central banks generally sought to disengage from owning and operating securities settlement systems, leaving it to the market.

Analysing these controversies and apparent changes in principles, the dissertation argues that the T2S project – and more broadly European financial market integration – is structured by deeper knowledge problems related to what is dubbed the competitive conception of the market. The T2S project thus parallels the discursive formation of economic theory.

Part I of the dissertation develops the Foucaultian approach to discourse analysis. By the end of chapter 2, this leads to the formulation of a “problem analysis” approach focused specifically on discursive problems, contradictions, paradoxes, and conflicts. Foucault seeks to avoid two widespread problems in social theory – theoretical humanism and teleology. This leads to replacing notions of action and causality by that of discursive formations, which does not designate a shared set of views, beliefs, or theories, but rather a structure of possible differences between views, beliefs, and theories. In this, I argue, Foucault is heavily influenced by a post-Hegelian tradition of (mostly French) social theory. I discuss how social studies of finance share a list of
tenets with this tradition, but also how the two differ. Chapter 3 describes the material gathered for the analysis: 59 interviews, a long list of documents relating to T2S, and a panoramic selection of classical works in economic theory. Problem analysis examines relations between utterances in the material and is particularly interested in breakdowns of meaning.

Part II opens with a broad introduction to the history and core problems of financial infrastructures in Europe leading up the T2S project in chapter 4. It continues in chapter 5 to identify and examine four controversies around the T2S project: a technical, a legal, an economic, and a political controversy. The four controversies are seemingly very different and unrelated – that is, beyond their trivial relationship as occurring chronologically in relation to the T2S project. However, as suggested in chapter 5, and further developed in chapter 6, these controversies are indeed related at a more fundamental level, as they all relate to problems in the conception of “the market” underlying the integration efforts. In this, it parallels economic theory which departs from a competitive conception of the market based on the voluntary exchange of commodities by private actors. This conception of the market produces problems of “natural monopolies” around market infrastructures. This is because – according to the competitive conception of the market – financial infrastructures have to fulfil a double role, being simultaneously inside and outside the market: on the one hand, financial infrastructures must unite everybody on a “level playing field;” on the other hand, they are services of overcoming market frictions which should therefore be produced on a competitive basis. This leads to a paradox of integration of fragmentation which continuously produces new conflicts, while at the same time structuring the possible attempts to solve the problems. Conflicts are particularly likely to occur around concepts such as “market infrastructures,” “money,” and “the public sector,” which all relate to the notion of an egalitarian and uniform market medium.

Part III seeks to take the analysis of European financial market integration one step further, gradually liberating it from the narrow focus on T2S. Chapter 7 examines ambiguities around the concept of money, departing from an analysis of settlement credit in T2S created via a technique called “autocollateralisation.” It argues that the disagreement and confusion over whether the credit created in autocollateralisation is money or not parallels debates in economic theory over whether money is
commodity or an accounting system. Chapter 8 pursues the issue to a related debate about the collateral that is pledged with central banks and other creditors as safety against credit. T2S is said to greatly improve the mobility and liquidity of collateral in Europe, thus making its use more efficient. However, the reliance on fluid collateral arguably pushes the problem of credit safety onto a systemic level – something that is also observed in modern finance theory and has been discussed extensively in the wake of the recent financial crisis. Finally, chapter 9 examines how a specific concept of government emerges from within the discursive formation of economic theory itself in relation to the fundamental problems around which it is organised.

As concluded in chapter 10, although rooted in a specific conception of the market that parallels that of economic theory, the argument is not simply that European market integration is based on a set of shared beliefs, a dominant ideology, or a policy paradigm, such as a neoliberal free-market doctrine. Nor is the argument that European market integration is the construction of dominant agents in their more or less strategic pursuit of their self-interests. Rather, the argument developed is that European market integration is organised by problems in the sense of fundamental contradictions in the conception of the market, and that these problems structure what it is possible to know, utter, and think about the economy.