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Social Security and Financial Professionalism in “Neo-Liberalism”: Perspectives for Economic Sociology

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Critiques of neo-liberalism, social security and the notion of governmentality

This essay reviews discussions addressing changes in social security regimes due to the impact of neo-liberal ideologies, policies and strategies. In particular it focuses on studies that have utilised Michel Foucault’s notion of governmentality and recent refinements in the use of that concept. Building on these refinements, the paper proposes a research agenda that views changing social security regimes from the perspective of professional relationships between financial professionals and their clients.

Criticisms of neo-liberalism have been fairly widespread within and outside academia. This concerns, first of all, the omnipresence of market-like forms of (non-)regulation that neo-liberalism stands for (cf. Rose and Miller 1992: 198-199). According to a recent definition, “[n]eo-liberalism describes the variant of capitalist economic thinking articulated by Hayek (1944) and Friedman (1962)[...] and the associated economic and social policies that developed in Britain and the United States in the Thatcher and Reagan era. [...] Above all else it reflects the unifying assumption of classical liberalism, namely, possessive individualism and the absolute primacy of market relations.” (O’Connor and Robinson 2008: 39-40). Its effects are therefore seen in a narrowing of options in economic and social policy making which, in turn, affects social security and, more broadly speaking, arrangements traditionally ascribed to the welfare state.

While much critical work foregrounds such restrictions and the accompanying loss of options in social policy making

due to the specific characteristics of neo-liberal ideology and the interests standing behind it (cf. exemplarily Gilbert 2002), other authors highlight the productive, as opposed to restrictive, potential of neo-liberal regimes. This is exemplarily true for a constantly growing body of works drawing on Foucauldian categories, particularly the notion of governmentality (cf. Aitken 2003; Knights 1997; Martin 2002; Miller and Rose 1990; Langley 2007; Rose and Miller 1992; Soederberg 2007). Broadly speaking, the governmentality argument states that macro-social discourses and institutions – for instance, neo-liberal ideology, law-making, and administration – operate at the level of everyday action. In Rose’s and Miller’s (1992: 174) phrasing, “[t]he term governmentality sought to draw attention to a certain way of thinking and acting embodied in all those attempts to know and govern the wealth, health and happiness of populations.” Economic institutions and modes of economic action, thus, are deeply intertwined with particular mechanisms of social control that do not rule society from without or above, but govern and manage it from within (Foucault 1979). This amounts to the regulation of whole populations and their reproductive practices (called *biopolitics*). Further, with respect to neo-liberalism it has been argued that neo-liberal policies, laws and discourses not only manipulate but actively produce new subjectivities and practices. This claim is made, for instance, in regard to an allegedly all-encompassing *financialization of daily life* (Martin 2002).

More to the point of social security, which is the concern of the present essay, researchers have criticised a shift *from social right to individual duty* (Soederberg 2007: 101) and the replacement of collective *insurance* with individual *investment* (Langley 2007: 75). As individuals are actively encouraged to make their own social security arrangements, through their actions, they reproduce not only their own political atomisation (for instance, through transforming their subject positions from that of a worker to that of an investor), but also the salience of a discourse denying the existence of overarching forms of solidarity. To sum up, while ideology-critical (ideologiekritische) approaches to

neo-liberalism foreground the restrictive top-down effects of a certain discourse and style of policy making, the contribution of approaches utilising the notion of governmentality lies in their attention to mechanisms that – through sociality and subjectivity – put neo-liberalism in motion as a force penetrating the whole of society.

Yet, many studies drawing on the notion of governmentality, although often referring to the category of micro-politics in order to highlight the diffusion of power technologies throughout a population, tend to turn a blind eye on how people *actually* encounter those micro-politics in their social practices, and thus presume rather than investigate the working of governmentality in social practices (for instance Sakai and Solomon 2006; Hardt and Negri 2000; Dean 1999; for an overview see Packer 2003). For instance, Rose and Miller's (1992: 191-198) classical article on governmentality in the British welfare system focuses in large parts on the interplay of diverse institutions and organisations, such as the Ministry of Health, the medical profession and the Public Expenditure Survey Committee, mentioning the *health consumer* (page 195) only in passing, and only in regard to how the new, *active* role of this figure was constructed by and within these institutions, rather than looking at its day-to-day enactment in and through social practices.

Recently, this has led Paul Langley to the critique that, in the field of investigations into social security, such studies “give the impression that the subject position of the investor is performed relatively smoothly as the processes of financialization and neoliberalization march on.” (Langley 2007: 73) He argues that many authors using the governmentality concept attribute to neo-liberal discourses and institutional arrangements a power to exclusively shape subjects in a way that contradicts fundamental features of Foucault's notion of governmentality, especially his insistence in his later work that processes of subjectivation cannot be fully explained through the formative effects of discourses and institutions alone. According to Langley, it is necessary to focus on social practices, their micro-social conditions, and their relationship with institutions and discourses seeking to implement a neo-liberal ideological agenda. Only a focus on social practices can bring to light the unevenness and contradictions of neo-liberalism at the level of our daily lives. In particular, Langley identifies the following contradictions arising from a combination of neo-liberalism's ideological demands and the effects that neo-liberal discourses and policies exhibit at the level of their penetration into everyday practice.

First, there is a mismatch between the imperative of individual investment for social security demanding from subjects a certain capacity to plan ahead, on the one hand, and the effects of neo-liberal policies of work place deregulation and free-floating return rates in a deregulated financial economy, which undermine individuals' planning capabilities. Additionally, an increasingly neo-liberal work ethic is put into place that revolves around a series of highly contingent professional projects in a *project-based polis* (Boltanski and Chiapello 2005), thus rejecting the traditional notion of a career and calculable professional life course. This constellation makes it increasingly difficult for *investment subjects* to plan ahead the payment of their premiums and the eventual value of their retirement portfolios (Langley 2007: 80).

Second, there is a contradiction, mostly observable in the US, between privatised, individualised, and in that sense *egoistic*, social security investment practices, on the one hand, and the upholding of the family as the nucleus of solidarity figuring as a core element in neo-conservatism, a particular variant of neo-liberalism. Ironically, in criticising extended welfare systems for threatening family solidarity (Friedman and Friedman 1980), the *New Right* has made an argument for individualised self-care practices that in the end also threaten the family's social cohesion (cf. O'Connor and Robinson 2008: 40-41).

The third contradiction arising in neo-liberal agendas concerns the mutually exclusive relation between the urge to invest and save for one's future financial wellbeing and the similarly notorious urge to consume. Langley points out that an often encountered resolution of this contradiction is “a rejection of saving and financial market investment altogether. [...] investment as a technology of the self does not take the form envisaged under neoliberal governmentality. Indications are that large numbers of investors have turned their backs on the financial markets in favor of residential property.” (Langley 2007: 81-82). In view of the present global financial crisis, which has been triggered not least by the collapse of the loan structure in the US real estate market, this contradiction within neoliberal governmentality might lead to a questioning of neo-liberalism as a doctrine.

In summary, it can be said that Langley's elaboration of a micro-centred, empirically driven notion of governmentality opens a way to expose and theorise neo-liberalism's power to penetrate society, while at the same time taking into account the often hidden precariousness of neo-liberal

regimes, as it reveals itself in day-to-day social practice. In the following, I wish to push this analysis further, by suggesting that the governmentality argument should be supplemented by a focus on certain types of social relations and interactions underlying and framing people's investment practices, which are crucial for the ongoing changes in social security regimes. In particular, I will argue that it is professional relations between financial experts and their clients that ought to be taken into account in order to arrive at an even more nuanced notion of financial governmentality in contemporary societies.

A focus on professionalism in the investigation of neo-liberal social security

Paul Langley calls for closer consideration of the actual social practices that are at work in the manifestation of neo-liberal governmentality in everyday life. However, what is missing in his discussion is a thorough account of how people actually invest (or not), and which social relations are involved here. The categories of the *individual* or the *subject*, which figure prominently in much research deploying the notion of governmentality, already on the lexical level tend to neglect the dimension of financial sociality and its specific relations that are at work in investment practices. In order to fill this gap, I propose a perspective that seeks to highlight the role of professional financial experts in the fabrication of social relations that trigger practices of investment. The perspective outlined below starts out from the argument found in the governmentality literature that experts strongly contribute to the outreach of political rationalities and administrative arrangements into individuals' lives (Rose and Miller 1992: 188). It then moves beyond this argument by asking how exactly this is achieved (or not), and what the relationship between financial professional and client here entails. The following four points outline the agenda.

■ As most people do still not make their arrangements completely by themselves but rely on professional advice, social relations between financial professionals and their clients are involved in the production of an overwhelming share of private investments. The focus on hidden contradictions and mismatches in neo-liberal social security arrangements as proposed by Langley therefore does not necessarily have to start out from the claim of the individuals' privatisation or atomisation. It may also take as a point of departure the observation that neo-liberal social security involves social relations that it cannot account for by itself,

but still has to silently presuppose in the absence of *financially literate* subjects.¹

■ The relation between financial expert and customer can be regarded as a professional relation in the strict sociological sense of the term. Although the financial professions are not regularly or prominently counted among the professions, for instance, in terms of Talcott Parsons's theory of the professional complex (cf. Parsons and Platt 1973: 33-102, 225-266; Parsons 1978 [1975]),² it is possible to attribute some crucial sociological features of the professional relation to the encounters between, for instance, a professional investment advisor and her client (Langenohl 2007a). The advisor possesses a general knowledge about financial instruments and investment possibilities putting her into a superior position to that of the client. At the same time, the *success* of the relation – in this case, the client's investment and the fulfilment of his financial expectations – crucially depends on a trustful relation between the two, because the client can always refuse investment (cf. Abbott 1988: 65, 103). In order to secure this relation, the professional has to apply her general knowledge in a case-sensitive way, that is, take into account the client's specific wishes, needs, and conditions. Ultimately, this can lead to a form of collective action oriented toward the ideal of cooperative goal attainment. – The significance of the professional expert-client-relation in regard to neo-liberal social security arrangements consists in the critical potential residing in this relation. Although this potential is always in danger of being subordinated to the economic and strategic goals of the companies the financial professionals work for (as many public criticisms of the finance business have it these days), this does not mean that it vanishes. Rather, as interviews with financial professionals facing an enduring financial crisis have demonstrated, the ideal of a professional relation is adhered to as a constant critical potential inside of financial companies. For instance, when during the New Economy hype at the end of the 1990s investment banks urged portfolio managers and financial analysts to buy into companies or to recommend buying their stocks, the professionals (i.e. the portfolio managers and financial analysts) criticised this pressure on the grounds that it undermines their professionals' autonomy and in particular their responsibility vis-à-vis their clients. (i.e. customers investing into the portfolio or other companies buying the analyses) (Langenohl 2007b; Schmidt-Beck 2009). The professionals' insistence on the importance of expert-client relations thus claims sociality and norm-oriented action precisely for those organisations that are regularly held to be the most notori-

ous sites of unrestrained marketisation: the banks (Langenohl 2007a).

■ The same phenomenon – the saliency of professional relationships in financial institutions – may also be approached from the perspective of the cultural legitimisation of individualised social security and neo-liberalism more generally. Sabine Montagne (2007) has argued that the very relationship between private investor and company has changed, as the company now appears not so much as a seller but rather as a part in a trustee relationship with the client. At the same time, with the rise of professionalised self-concepts in the industry, the autonomy of the success criteria for financial performance also rises. Consequently, in contrast to the greater personal responsibility and autonomy in the planning of one's financial wellbeing in the future, called upon by neo-liberal social security discourses, the definitional power over what counts as a *good* investment shifts to the financial companies, permitting *fiduciary capitalism* (Montagne 2007: 31), and a kind of auto-legitimisation. The notion of the *order of justification* (Boltanski and Thévenot 1991) is of significance here, as it highlights the fact that economic orders and ideologies are part of society-wide or culture-wide constellations whose hierarchies and modes of distribution necessitate some sort of cultural legitimisation. For instance, the rising level of professionalism in the financial business over the last decades (cf. Lounsbury 2002, 2007) may directly contribute to the legitimisation of finance, as a discipline and subject in tertiary education (cf. also Montagne 2007: 31, and Preda 2005). Alternatively, one might challenge the outspoken aversion of neo-liberalism to sociality and ask for the particular significance of professional social relationships which, in fact, appear to be one of the functional prerequisites of individualised and privatised social security (Langenohl 2007b).

■ Lastly, a focus on relations between clients and professionals may also trigger a productive reshuffling of the politico-economic cleavages that current research into neo-liberal social security postulates. Private investment has begun to be analysed by some researchers in terms of categories of consumption and consumerism, as in some places private investment has freed itself from institutional professional advice and become self-organised in private investment clubs (cf. Harrington 2008). This new direction in the social study of finance allows for drawing the lines that structure the discussion about neo-liberal social security differently: not between *social right and individual duty* (Soederberg 2007: 101) or between *insurance and invest-*

ment (Langley 2007: 75), but between different forms and types of collective investment practices and involved social relations, for instance, the relations between expert and client, as opposed to those between financial lay persons (cf. Preda 2008).

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Endnotes

1Cf. Langley 2007: 67-69, for an account of the US Securities and Exchange Commission's (SEC) campaign for financial literacy.

2Cf. the investigations of *bank clerks* by Lockwood (1958), Blackburn (1967), and Mumford and Banks (1967), to which the literature about professionalism refers as indicators that financial professionals are not professionals in the sociological sense (cf. Turner and Hodge 1970).

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