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Finance-security: Where to go?

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Finance is abundant with notions of security. Obvious examples include the term 'securities' for debt and equity, as well as the practice of 'securitisation' as the marketisation of debt. Slightly less obvious ones are 'collateral' or the 'risk-free asset'. What is intriguing is that notions of financial security seem to have little to do with the common understanding of security, while those performing a more recognisable function of security (such as 'collateral') are not called security by name. Security in finance thus figures in a nonchalant, offhand way that appears unrecognisable. This has long obscured the relevance of global finance for security studies – the Copenhagen School of securitisation, a founding analytic for critical approaches to security, for example, imported the notion from the field of banking without any reflection on the implications of this translation.[1] At the same time, International Political Economy (IPE) has been equally averse to Critical Security Studies (CSS) and International Political Sociology (IPS). The difficulty of grasping this connection, as well as its evasiveness, presents the starting point for analytical endeavours into the finance-security relation, a relation that can neither be affirmed as identical nor denied as non-existent.

Marieke de Goede's (2010) identification of this relation in the disciplinary bodies of International Relations (IR) and IPE, as well as her alternative poststructuralist framing, presents a milestone not only in demonstrating that none of the disciplines studying finance or security can escape an implicit or explicit finance-security relation of some kind. She also shows that the precise articulation of this relation – as either instrumental or causal – is *defining* for each of the disciplines in play. At the same time, she holds that IR and IPE framings of the relation mask or omit a history of their inextricable entanglement in modernity, which continues into the present via new forms of mutual implication.

A number of riveting questions follow from this groundwork. First, one is left with the impression that IR and IPE (and modern finance) simultaneously mask and reveal something about finance and security. They mask their historical co-evolution, for example, in the formation of the modern state. The respective framings of an instrumental or causal relation thus constitutes a superimposition or re-engagement of separate entities that are in fact not separate. At the same time, the fact that this separation has occurred cannot be entirely dismissed or undone, and IR, IPE, and modern finance stand as modern historical discourses in themselves. Faced with the disciplinary landscape as it is, this means that poststructuralist

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reconstructive efforts need to engage in an untypical 'uncovering' of what has been covered up, but are only able to express the entanglement based on this very separation, i.e., in terms of a modern reference frame.

Second, it seems difficult to stringently pursue the entanglement without prioritising one side over the other and implicitly according a greater agency or power to one over the other. In a further twist on de Goede's analysis of the finance/security nexus, Paul Langley (2013) describes new forms of entanglement as the *securitisation of finance* and/or the *financialisation of security*. The securitisation of finance may, for example, be observed in the increased policing of the financial system through regimes of financial surveillance to fight terrorist financing (Amicelle, 2011; de Goede, 2012). The financialisation of security, on the other hand, might be discerned in the governance of UK border security by algorithmic programmes that follow the logic of financial derivatives (Amoore, 2011). Yet as much as these are productive and pertinent analyses of the current predicament, such framings seem to impose an implicit choice between the contending expansionary logics of financialisation and securitisation, where the respective 'other' is passively being securitised/ financialised.[2] In such a "zero sum game between securitisation and financialisation" (Amicelle, 2017: 119), attempts to express a finance-security entanglement struggle to document the simultaneity of these two processes on equal terms. The prioritisation of one over the other may be intentional: in a more radical analysis, Randy Martin (2007) collapses financialisation and securitisation into effects of one and the same logic of capitalism, which transforms 'security' into 'securitisation'. But for poststructuralist authors who do not wish to accord greater power to one process over the other, avoiding taking sides remains problematic. This holds even when the financialisation of security and the securitisation of finance are seen as regulatory responses to a common new problem of security characterised by circulation, complexity, and contingency (cf. Dillon, 2005; Boy, 2015b; Langley, 2015).

A third issue concerns the different analytical categories associated with financialisation and securitisation, as well as political/financial securitisation. 'Financialisation' is usually employed to describe the expansion of a financial logic to new social realms and entities in a *critical* assessment of the implications of this transformation, and is not commonly used by financial practitioners themselves. Financial securitisation, on the other hand, is a current financial term and describes practices of marketing debt without an *a priori* critical intent. Political securitisation (in the Copenhagen School sense), like financialisation, describes the extension of a field logic to social phenomena. Yet while both are theories to analyse practices, political securitisation strikes a different note from financialisation in stressing the performative and contingent (rather than systemic) nature of the process. In finance studies, the performative brand is pursued by work in the social studies of finance grounded in Actor-Network-Theory (ANT). The latter's rejection of totalising critique in favour of understanding the 'economisation' performed by economics (cf. Callon, 1998) is thus analytically closer to political securitisation than to financialisation. This may be one reason why, while noted frequently, it has been difficult to come to terms with the double meaning of the notion of securitisation (de Goede, 2017).

Among finance-security scholars, securitisation tends to strike different tones of critique. Martin's (2007) post-Marxist analysis presents securitisation as an effect of financialisation. Langley's (2017: 175) notion of biopolitical government, consisting in "securitizing a valued, neoliberal form of life", sees securitisation as a governmental rationality, which seems to move Martin's (2007) notion of securitisation one step closer to Foucault. I myself have used the financial term of securitisation as an *analytic* to describe the historical process of accreditation evident in the emergence of sovereign debt as both legitimate and safe, not to dismantle but to account for a distinct source of state power as effective fiction (see Boy, 2015a). De Goede (2017) presents yet another different notion of securitisation, as a chain of contingent translations of particular renditions of uncertainty. Questions arise as to the complementarity of these approaches, which are partly addressed in this issue. How can we reconcile, for example, the homogeneity and unification implied by accreditation with the social hierarchies and inequalities involved in the production of financial security (Langenohl, 2017), or with contingent chains (de Goede, 2017)?

Fourth, how far can we dissolve the distinction and where does this perspective take us? As de Goede (2010) notes, the baseline of the relation is a common governmental orientation to the future as threat and opportunity. Importantly, this does not imply the neat attribution of defensive and entrepreneurial attitudes towards the future to security and finance respectively – in other words, a positive versus a negative evaluation of risk. Finance is itself marked by distinct values of risk evident, for example, in systemic risk and systematic (or market) risk. Critical Security Studies have also long attributed a speculative nature to security under liberalism (Cooper, 2004; Dillon and Reid, 2009). This brings us back to one (neoliberal) logic or governmentality where "uncertain financial circulations are … vital to securing life itself" (Langley, 2017: 176). Here finance and security are inseparably connected in government, yet cannot be reduced to each other as their mutual implication requires a prior distinction. At the same time, 'securing life' collapses a double valence of financial and political security (more on which below) into one singular value of financialised security. A different take is offered in de Goede's (2012, 2017) work. If the notion of the assemblage still retained separate financial and security elements, the chain of securitisation represents a fully open postdisciplinary rendition of an 'object of uncertainty' where notions of the future as financial flow or threat are intermediated in practice. Yet as she stops short of conflating the two, the question still arises as to what sustains the distinct field logics of security and finance, and to what extent contingent translations are predetermined by these.

In terms of the disciplinary effects of this literature, there is a positive 'zero sum' effect whereby demonstrating the relevance of security/safety in finance cannot but simultaneously underline the importance of finance to security. Yet there may be limits to how long this literature can sit on and point to interdisciplinary blind spots. While the implicit or explicit claim to undermine existing ways of studying finance and security is legitimate, the strategic purposes of this literature remain to be further developed.

Overall, the question of finance-security relations has predominately been taken up on the 'security' side (that is, by CSS and IPS). Several reasons may account for this uneven reception. First, it may be due to an aversion to the 'takeover' of finance by 'apparatuses of security' – as apparent, for example, in the analysis of the global financial crisis as a crisis of security (Langley, 2013). Second, it may also be due to the different analytical baggage of financialisation and political securitisation as noted above, as CSS seems similarly averse to the systemic financialisation of their field of study. A third reason could be the conceptual misunderstanding of the risk/uncertainty distinction, and neglect on behalf of CSS of the vast literature in early heterodox economics on the subject.[3] This point warrants some elaboration.

The risk/uncertainty distinction can be seen as central to the evolution of the disciplines of economics, finance, and security in the twentieth century, albeit following opposite trajectories. In economics, one can trace a shift from an overall riskless notion of the economy in classical economics, to a preoccupation with uncertainty in the early twentieth century, to the reduction of uncertainty to risk underwriting economics (as well as modern finance theory) from the mid-twentieth century onwards.[4] The emergence of security studies around this time was also based on the notion of risk as uncertainty in the form of game theory applied to state actors (see Amadae, 2017). Like traditional risk management, game theory assumes that an uncertain future can be described in possible states of the world and probability distributions (Kessler, 2007: 115). The foundation of security and strategic studies in probabilistic risk notwithstanding, 'risk' entered the post-Cold War and post-9/11 field of security studies via key sociological studies (e.g., Beck, 1992/1986) to make sense of transnational non-state actors and threats, including terrorism, pandemics, and environmental disasters. From a conceptual point of view, however, what these analyses referred to was not (probabilistic) risk but (non-probabilistic) uncertainty (Kessler, 2010). One reason for the somewhat misleading use of 'risk' for non-probabilistic uncertainty in security studies is a differentiation of risk and uncertainty not in terms of probability and calculability, but in broader terms of governability. While Beck (1992/1986) had argued that the non-probabilistic nature of 'modernisation risks' exceeded their insurability, this literature pointed out that, on the contrary, the increasing perception of the limits to knowledge (for example, Rumsfeld's famous 'unknown unknowns') gave rise to a range of new guiding principles of anticipatory security governance (see Aradau and van Munster, 2007; de Goede, 2008; Anderson, 2010).

A fourth possible reason for the skewed interest in the finance-security nexus is the rejection of monetary theory and financial economics as relevant factors by the majority of the literature. This means that scholars studying global finance either do not recognise their field or consider their contribution merely interesting background material. This point equally requires some expansion, as I see it as one of the more fruitful avenues for future research in the finance-security literature.

The poststructuralist impulse behind the majority of the finance-security literature is evident stated goal of "demonstrating the contingent and contested value of financial instruments, contracts and definitions" (de Goede, 2003: 83). The pre-discursive economic reality assumed by financial economics is historicised, problematised, and repoliticised in what appears to be a more or less explicit claim of disempowerment. Yet the fact remains that regardless of the revelation of their contingent histories, present forms of monetary policy and theory hold immense power to shape the behaviour of practitioners, academics, and regulators as well as objects, and thus drive financial circulation in particular ways. A valuable extension of studies on the political securing of flows and circulation through financial surveillance (e.g., Amicelle, 2011), or on the nexus of the military and money (see Gilbert, 2017), would therefore be an additional engagement with the 'financial' driving forces of circulation. Money is not an object like any other, and monetary abstractions and reifications hold a power that needs to be accounted for as long as a significant global community supports it.

Much of the finance-security literature is thus oblivious or unwilling to adequately consider the technicalities of financial and monetary economics, as well as the systemic and structural conditions of contemporary global finance. This would require understanding the current form of securitised and collateralised finance, as well as the emergence of the repo market, as critical determinants of financial stability (see Mehrling, 2011; Gabor 2016). For example, analysing how uncertain financial market circulations are positioned as "vital to securing wealth, welfare and wellbeing" (Langley, 2017: 173) is a crucial observation that might be complemented by an analysis of how the systemic risk of repo markets results from having made debt 'too safe' for creditors (Sissoko, forthcoming). It might also mean understanding the definitional impact of digitalisation on key financial categories, such as the conventional monetary functions of means of exchange, unit of account, and store of value. Money as code opens both new possibilities of controlling money and controlling through money. In central banking, for example, digital money has been suggested as a solution to the impasse of the so-called 'zero lower bound' (i.e., the fact that in the attempt to contain the financial crisis by cutting interest rates, monetary policy has reached its limit). In a fully cashless society, savings could be mandatorily charged via a negative interest rate to not merely encourage but *enforce* investment and spending, raising an entirely new scope of monetary control. The coming era of the cashless society grounds security, privacy, and minimal trust independently from centralised institutions in verification protocols, encryption, and biometric technologies. Given money's historic role of transporting and corroborating authority, this raises questions about the remodelling of modern forms of authority and legitimacy, the public sphere, and the commons. To reach the full potential of the finance-security literature, the whole spectrum of what moves/secures money and what moves/secures through money will need to be understood.

This leads towards the need, noted also by other contributors to this forum, for further engagements not merely with the financialisation of security or the (political) securitisation of finance, but with the relation of political and financial security. Financial security engages a pervasive spectrum of interrelated elements. It may refer to: (1) *pledge*, or security for a contract/value (i.e., collateral); (2) *financial instruments* (historically deriving from the circulation of security in the first sense), referring to the contract/value itself; (3) *steady income* or *means of subsistence* due to labour or wealth;[5] and (4) *financial stability* on a systemic level. One way these are connected, for example, is that financial stability is intended to secure the efficient distribution of capital via versatile instruments to meet the widely differing needs of savers and borrowers in terms of size, timing, and maturity. The de-synchronisation of income and consumption streams, and thus provision of financial security as smooth continuous consumption regardless of contingent income, business cycles, and life cycle patterns ('expense-heavy' in the first and third tier, and 'income-heavy' in the middle tier), is presented by economic textbooks as the *raison d'être* of the financial system (Danthine and Donaldson, 2005: 3). Langley's (2009; 2017) use of securitisation as the governance of welfare/wellbeing/wealth signals an intriguing link between political and financial security, where the latter refers to the means of subsistence financed increasingly by securitised debt.[6] Yet the spectrum of financial security extends to money, moneyness, saving and stores of value in various manifestations of 'safety' defined as the product of successful underwriting. Von Braun (2012: 3), for example, refers to underwriting practices of money as the *securitisation* of money.

What merits continued attention, therefore, is the ambivalence and interplay of security as a *means to secure value* and security as *value in itself* (cf. Boy, 2015a). Put in these terms, it becomes impossible to assign security decisively to either the financial or political field. The exchange of hostages as surety for agreements, for example, is a mostly forgotten but preeminent feature of political history and the development of international law.[7] Diplomatic missions/embassies may be seen as a permanent consolidation of the hostage function, and in that sense, the international state system is underwritten by security as a pledge.[8] Even though this role has become invisible, pawn and pledge continue to be prominent tools in international politics (one may think of the use of the rights of European citizens living in the UK as pawns in the Brexit negotiations). The pledge entails an object of value being placed at risk and recalls the origin of money in sacrifice (cf. von Braun 2012; Dodd, 2005). Yet the pledge has a specific temporality that is quite different from risk as the pooling of cashflows based on a probability distribution. Security studies has yet to engage this sense of security in its own right, that is, not merely as a means to destabilise the 'axiomatic' value of security in political realism (cf. Der Derian, 1995), but to study the interplay of security as a *means to secure value* and as *value in itself*. Interestingly, both of these have surged in the post-crisis economics literature on collateral and safe assets. As a preliminary conclusion, we may say that the finance-security literature, leading on from de Goede's (2010) seminal piece, is underway to establish a perspective from which the manifold and evolving connections of the two great notions of security in modernity become visible and meaningful.

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Notes

1. For example, see Balzacq (2011: xvi, fn. 1).
2. The authors do not explicitly advance these framings, yet their studies serve as cases in point for a securitisation of finance or a financialisation of security.
3. An often cited definition of the distinction is Knight's (1921: 20): "A measurable uncertainty, or 'risk' proper, as we shall use the term, is so far different from an unmeasurable one that it is not in effect an uncertainty at all". Yet the distinction is complex and may entail differences in terms of ontology and epistemology, subjective and objective notions of probability, and complete/incomplete descriptions of reality (see Boy, 2015b: 11).
4. Classical economics had defined its subject as a riskless system that always produced optimal results. Although individual firms and investors took risks, the economy as a whole was seen as risk-free, with savings and investment coordinated by the interest rate (see Bernstein, 1996: 216).
5. This sense is reminiscent of Minsky's 'survival constraint'(i.e., that cash inflows must be sufficient to meet cash outflows), which for banks takes the form of a 'reserve constraint' (see Mehrling, 2011: 13-14).
6. Interestingly, securing the welfare and happiness of the people was in the seventeenth-century natural contract theories of Hobbes and Pufendorf the remit of *Policey*. Nineteenth-century liberal thinkers, such as Kant and Humboldt, argued to reduce *Policey* to (internal) security [*Sicherheitspolicey*] and refrain from interference into civil liberty in the name of welfare [*Wohlfahrtspolicey*].
7. The historical role of hostages in securitisation is being studied as part of the Dynamics of Security project at the Universities of Marburg and Giessen (2014-2021).
8. *Gisal* in Old High German means both hostage (Geisel) and pledge (Pfand).

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