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Credit Ratings and Sovereign Debt:

The Political Economy of Creditworthiness through Risk and Uncertainty

Bartholomew Paudyn

Introduction: Credit Rating Crisis

As the financial crisis morphed into the sovereign debt debacle, and escalating contagion undermined the integrity of Economic and Monetary Union (EMU), plus the global economic recovery, international attention became fixated on what constitutes as the 'real' risk of sovereign debt default. While the immediate catastrophe may have been averted, for the moment, the legacy of the crisis still lingers on. Public finances remain strained as governments struggle to retain the investment grades necessary to finance their governmental operations at a reasonable cost. At the heart of the crisis, credit rating agencies (CRAs) have been lambasted for their 'irresponsible' behavior and the speculative activity that it fuels which, in the words of the former Greek Prime Minister, George Papandreou, has inflicted 'psychological terror' on the poor people of Europe (quoted in *The Economist,* 22 July 2010). To varying degrees, these 'masters of risk' – Moody's Investors Service (Moody's), Standard & Poor's (S&P), and Fitch Ratings (Fitch) – dominate the ratings space and have been implicated in virtually every severe financial and fiscal crisis in recent memory.

Ranging from the 1998 Asian crisis to corporate scandals, such as the 2001 demise of the energy-trading giant Enron or the 2003 fraudulent Parmalat debacle, to the 2007-08 credit crisis, these financial intermediaries have been blamed for a slew of erroneous assessments and for escalating market turmoil through their (rash or late) procyclical behavior (Gamble 2009; Kerwer 2005; Partnoy 2006; Sinclair 2005). High investment grade ratings were assigned to dodgy sub-prime backed securities one moment, only to witness these very 'toxic assets' implode the next (cf. Helleiner, Pagliari and Zimmermann 2009). As economic conditions deteriorated and governments sought to secure the stability of their own financial sectors through multi-billion dollar rescue packages, subsequent sovereign downgrades helped the credit crisis mutate into one of sovereign debt.

Once again, rating agencies have become the target of consistent criticism for providing much of the firepower for the onslaught against an already beleaguered European periphery and, consequently, dashing hopes of a quick rebound from the depths of the 'Great Recession' of 2007/2009 (De Larosière Report 2009; FSB 2010; IMF 2010;

Issing Committee 2009; Turner Review 2009). Bond market speculation – often triggered by the coercive tactics of CRAs (Kerwer 2005: 461) – only aggravates the intense frictions which these crises fuel between rating agencies and government officials. Representative of an increasingly antagonistic relationship between private financial markets and democratic nation-states, sovereign governments must cope with the fact that the actions of a private entity can produce such severe public consequences. Rarely are the stakes any higher as the way that fiscal profligacy is rendered intelligible as a 'problem of government' (Miller and Rose 1990), and therefore the premium paid to finance borrowing, can adversely affect entire populations and even push economies into recession. If severe enough, this can provoke a bailout and impose strict 'conditionality' on the nation by outside forces.

Although recent turmoil has also cast a light on growing tensions with other financial institutions – most notably banks (see Rethel and Sinclair 2012) – arguably, as this book shows, nowhere does this struggle to constitute what counts as authoritative knowledge in the market play itself out more than in the 'battle' between sovereign states and Moody's or S&P over the political economy of creditworthiness. Regulatory efforts to correct some of the most egregious elements of ratings may only compound the problem. Thus, through the sovereign debt crisis, and government attempts to manage its intensifying effects, we come to better understand the growing asymmetry in power between 'epistocracy' – knowledge-based rule – and 'democracy' (Collignon 2010; Estlund 2008), the practices involved in its constitution, regeneration and sedimentation, as well as the subsequent consequences for markets and states.

Of course, these tensions are not restricted to Europe alone. Democratic governments around the world must vie with this unelected cabal of monopolists in the constitution of authoritative knowledge underpinning the 'politics of limits' – the construction of the parameters defining the budgetary realities facing governments. Ratings endow the problem of sovereign creditworthiness with 'social facticity' (Sinclair 2005). Presented as a calculable propensity towards fiscal failure, they help grant national officials access to liquid capital markets, and thus the necessary debt financing which helps facilitate programs of national self-determination, such as fiscal stimulus or health care. More favorable ratings translate into lower costs of borrowing.[1] Conversely, those credit channels demand a higher premium, or dry up, with consecutive downgrades. Europe may be the most distressing and immediate example of the disruption – localized and systemic – which ensues but, to different degrees, this scenario plays itself out in the context of most countries; especially with developing economies, such as the BRICs (Brazil, Russia, India, and China). Not even the United States is immune from such epistocracy; as its 5 August 2011 downgrade from 'AAA' to 'AA+' by S&P demonstrates. Although the modulating effect of ratings varies according to the political economy, ostensibly, when financial markets dictate, sovereign governments seem to capitulate. In order to understand how this happens, the practice of rating sovereign creditworthiness must be problematized.

There are two dimensions to this struggle. On the one hand, this book demonstrates how a monopoly of private CRAs deploy their expertise in risk management – virtually free from any serious regulation – to set the terms (of creditworthiness) which compound the problems facing sovereign governments. Only three rating agencies can truly be labeled as global full-spectrum CRAs. Of these, Fitch remains a distant third in terms of prominence (Sinclair 2005: 1). Broad in product diversification, it is the scope and reach of their sovereign ratings which dwarf their nearest rivals. Whereas by 2011, Kroll Bond Ratings rated a mere 59 sovereigns, Moody's issued 112 sovereign ratings, S&P 126, and Fitch 107 (Kroll Bond Rating 2011; Moody's Investors Service 2011a; Standard & Poor's 2011a). Extrapolated to the broader context, the scale of this dominance becomes even more pronounced. Both the European Commission (2011a) and the US Securities and Exchange Commission (SEC 2009) calculate that the main three CRAs are responsible for a staggering 95-97 per cent of all outstanding ratings across all categories. By definition, monopolies are inefficient (Friedman 1962).

What has unnerved governments around the globe – but especially in Europe – is the reckless use of the authority which, in large part, CRAs derive from their monopoly over the constitution of a 'neoliberal' or 'advanced liberal' politics of limits (Paudyn 2013; Rose 1996). Integral to this apparatus of contemporary rule – where the entrepreneurialization of expertise allows it to exercise judgment over authority – risk ratings promote disinflationary logics aligned with what has become identified as Anglo-American versions of capitalism (Gamble 2009; Langley 2008a; Roy, Denzau and Willet 2007). Here curbed budgetary deficits are thought to help stabilize prices, and thus protect the value of assets; while keeping interest rates low. Deficit financing undermines confidence in the price stability oriented monetary policy of central banks and must be avoided (Friedman 1962). Self-systemic, and thereby self-regulating, the imposition of this neoliberal orthodoxy produces explosive effects – visible across Europe – as its uniform prescription of austerity conflicts with heterogeneous, national forms of capitalism and the ‘singular nature’ of fiscal sovereignty to unleash unsuspecting forces of instability.

On the other hand, there are beleaguered national governments whose deteriorated fiscal imbalances, and subsequent credit scores, undermine their capacity to finance their governmental operations – plus refinance existing debt obligations – on tolerable terms and establish the limits of political discretion in the economy. By no means should this conflict be misconstrued as a simple binary opposition between institutional agencies (CRAs) and uniform ‘democracies’. Neither sovereignty nor democracy is a natural or incontestable phenomenon. Variations between democratic political systems are extensive and profound. Acknowledgement of these unique contingencies and national characters is fundamental to the thrust of this argument. But the provision of programs in any context costs money. Austere budgets constrain the delivery of public goods which, if excessive, threaten to ‘impose an intolerable economic sacrifice on [the] population’ (Moody’s Investors Service 2008a: 6). Savage cuts in Greece have reduced public expenditure on health care by about 25 per cent (US$12 billion) since the crisis began;[2] with especially steep claw backs in hospital operating costs – €840 million in 2011 alone (European Observatory on Health Systems and Policies 2012: 13). Similar overhauls and structural reforms across the periphery of Europe point to why alignment with the disinflationary rationality advanced through sovereign ratings is so vital. Without those investment-grade scores (read borrowing capacity), the business of government is greatly impaired; or even stops.

Unfortunately, given that the construction of ratings helps enable this particular social facticity of creditworthiness, the asymmetry is skewed in favor of ratings agencies. As a technology of financial control, to a great degree, the authoritative capacity of sovereign ratings to act on market participants stems from how convincingly ratings naturalize a (fictitious) bifurcation between the ‘economy’ and ‘politics’ in the constitution of what is considered as authoritative knowledge in the market; which mediates the legitimation of creditworthiness. Political discretion becomes increasingly marginalized and censured in the assessment and articulation of (uncertain) fiscal relations as normalizing mathematical/risk propriety models ‘depoliticize’ the decision-making process (de Goede 2005; Langley 2008a; Luhmann 1993).

Rather than simply ‘informed opinions’, it is through their ‘performative’ effects (Austin 1962; Callon 1998; MacKenzie 2004), as a socio-technical device of ‘control’ (Deleuze 1995), that sovereign ratings promote this separation by ‘disassembling’ the nation-state into a catalogue of analytical categories, such as (quantitative) debt dynamics or (qualitative) 'political risks', which, in turn, they claim to individually calculate and then reassemble again. Expertise mediates this representational process of surveillance as regulation, which seeks to divorce technoscientific epistemology from its messy politico-economic context, through the deployment of defendable risk techniques (Miller 2001); a luxury not readily afforded to politicians or civil society. This dubious dissection/assessment helps to naturalize the impression that these constitutive elements which comprise a national political economy are distinctly autonomous spheres capable of ontological isolationism. As such, this rationality makes them more susceptible to and manageable through risk expertise.

An infrastructure of referentiality – via the rating scale – is devised, denoting what 'correct' and 'normal' fiscal conduct should entail, and thus the complexion of the politics of limits. Everyone covets the 'AAA' grade. Closest convergence with this normative disinflationary prescription helps earn that reward. The salience of sovereign ratings, therefore, derives from how persuasively they manage to constitute this neoliberal notion of budgetary normality as the hegemonic discourse against which democratic governments are judged and governed. As Ian Hacking (1990: vii) reminds us, normality 'has become one of the most powerful ideological tools of the twentieth century'. Increasingly, however, this prized status of creditworthiness is becoming ever more elusive as the balance that governments must strike between satisfying financial markets and being responsible to their electorates is proving extremely tenuous and fraught with what are, ostensibly, irreconcilable differences. Hence, this book explains how this 'battle' between CRAs and the European Union (EU) is reflective of the broader conflict between private markets and democratic sovereign states in the construction of the politics of limits.

Given that so little is known about the actual act of sovereign rating, its capacity to exert isomorphic pressures on markets and governments to conform to a prescribed fiscal rectitude is striking. Obvious disjunctures between the (poor) performance of Moody's and S&P, and their resiliency to remain at the heart of global finance, only contribute to this enigma. Sovereign ratings may be considered as 'fugitive social facts' (Holmes and Marcus 2005: 237) or 'black boxes' (Mackenzie 2005) – whose overly secretive and technical internal structures make them opaque to outsiders. For a better understanding of how they shape the political economy of creditworthiness, they must be unpacked. Thus, insofar as ratings exercise a certain degree of control over the constitution of creditworthiness, what serves to create the conditions and subjectivities that help to validate the specific (neoliberal) politics of limits advanced in sovereign ratings; which helps grant them their utility and authority? To this effect, how does the controlling performative capacity of sovereign bond ratings stem from how CRAs deploy and commercialize practices of risk and uncertainty? Furthermore, once operationalized what does the redefinition of this politics of limits mean for how competing notions of budgetary normality are ascertained and articulated, such as by politicians or civil society, and thus the relationship between democracy and epistocracy? Given that the ensuing asymmetry and antagonisms are not simply confined to Europe, it is also wise to ask how governments around the world are managing to redress some of the most egregious elements of sovereign ratings in order to make themselves less susceptible to such destabilizing attacks? Insights into the dilemmas facing the 'Atlantic Rim' can then be applied to the looming conflicts on the 'Pacific Rim' (i.e., BRICs); as well as the home of Moody's/S&P and that prolonged, but unavoidable, fiscal reckoning: America.

How we understand the act of (sovereign) rating, and its institutional agency (CRAs), within the context of the sovereign debt crisis and the ability of governments to establish the parameters of the political within the economy is at the core of this book. Each one of these questions is addressed in the following chapters. Together they help problematize the political economy of creditworthiness to reveal the scope and severity of the difficulty facing democratic governments as they strive to reassert their sovereign authority to decide the complexion of their national fiscal politics in an increasingly depoliticizing field of global finance. For this purpose, it is necessary to determine how the authoritative knowledge underpinning the political economy of creditworthiness is constituted to render sovereign debt as a 'knowable, calculable and administrable' problem of government (Miller and Rose 1990: 5), aligned with perceptions of contingency and normality, and interwoven into the political discourse of nation-states. In other words, how budgetary profligacy is made into a social fact contributes to the development of this antagonistic relationship between the programmatic/expertise and operational/politics dimensions of fiscal governance. From this problematization, austere forms of intervention are derived to address noted deficits; which threaten to undermine the democratic legitimacy of elected governments. Sovereign credit ratings, therefore, are the internal forms of governmentality involved in the promotion and reiteration of a neoliberal politics of limits underpinning virtually all budgetary relations.

New Analytics of Sovereign Ratings

In light of the intense scrutiny which rating agencies have received surrounding a litany of alleged abuses, a comprehensive account of their authoritative capacity to shape the political economy of creditworthiness is only thwarted by the glaring deficit in the International Political Economy (IPE) literature on the subject. As we shall see, the vast majority of contributions to the debate approach the problematic from two main fields of study: law and finance. What few IPE accounts that do exist tend to borrow extensively from them (e.g., Kerwer 2005; Kruck 2011). On the one hand, there are the legal perspectives (Hill 2004; Partnoy 2006; Schwarcz 2002) that conceptualize the rating agencies as a government-generated monopoly, which have been delegated their powers by the state. Governments have precipitated their own demise by endowing CRAs with the capacity to 'possess' a legal right, or a 'regulatory license' (Partnoy 1999), through vague certification schemes, such as the 'Nationally Recognized Statistical Rating Organizations' (NRSRO) designation in the United States.[3] Regulation is a significant factor in the visibility of ratings; especially mandates instructing which investment grade securities financial institutions can hold. Yet if it were only a matter of 'merit regulation' (Schwarcz 2002: 21) and a state enabled monopoly, then the recourse simply would be to strip CRAs of this legal leverage (Pollock 2005). But it is not that simple.

On the other hand, there are an array of economists and financial analysts (Cantor and Packer 1995; Lowe 2002; Pollock 2005; Reinhart 2002) who stress factors like economies of scale and scope in their explanations of the rating space. Privileging an abstract 'economistic' notion of reality or power – similar to rating agencies themselves – they allude to a prediscursive economic materiality that only needs to be unearthed with the correct – primarily quantitative – tools. Neither of these approaches can adequately account for the relationship between the constitution of a specific form of authoritative knowledge and its reiteration, reproduction and sedimentation into a corresponding politics of limits underpinning budgetary relations. Intersubjective and discursive qualities are either neglected or rendered peripheral so as to be virtually irrelevant.

Now whether all this hoopla about CRA performance is justified or indicative of 'moral panic' and a subsequent witch hunt, as alluded to by Tim Sinclair (2010: 93), is an interesting but, ultimately, distracting consideration. Such accounts attribute CRAs with an unwarranted amount of operational and explanatory power. Rating agencies are not the primary (exogenous) 'causal variable' that explains the chronic uncompetitiveness and budgetary profligacy which has plagued the periphery of Europe or the bouts of hyperinflation which Brazil has suffered.[4] Recognizing the procyclical bias inherent in ratings is one thing. But attempting to determine a 'smoking gun' and a purported causality towards fiscal failure or verify its probabilistic propensity, we are saddled with the painstaking burden of trying to calculate the exact frequency of fluid and uncertain fiscal relations at any one point in time. Unfortunately, armed with an arsenal of risk calculus and with an affinity for what Bill Maurer (2002: 29) identifies as the 'fetishization of the normal distribution curve', CRAs are prone to this exact tendency as they betray their 'desire to replicate the prescriptive and predictive success of the hard sciences and a belief in the infallibility of rationalist-empirical epistemology' (Jarvis and Griffiths 2007: 17). If the threat of sovereign debt default can, in fact, be calculated as a real tangible phenomenon, then, according to conventional risk management, measuring (fiscal) variance through utilitarian risk calculus could transform the management of an indeterminate future into a regularly quantifiable exercise. 'Refurbished' through sophisticated methods of statistical actuarialism – dubbed 'machineries of knowledge' (Knorr Cetina 1999: 5) – the margin of error surrounding fiscal relations, purportedly, can be minimized to such a perceived extent that it is considered an objective account of reality. Reinforced by a rationalist understanding of capital markets, the supposed control afforded by such an approach helps explain why the discourse of risk is both seductive and hegemonic.

Excessive preoccupation with certainty equivalence, however, is misleading because the simplification of complex and interdependent social phenomena necessary for this endeavour distorts its conclusions and, arguably, dilutes them of any real significance. To frame the debate about the political economy of creditworthiness in these terms or to critique Moody's and S&P for their failure to appropriate and deploy such predictive positivism successfully, simply drags us into assessing the veracity of claims about the genesis of finance or globalization and a certainty equivalence that just does not exist; namely how 'capable' and 'willing' politicians are to subject their constituents to harsh budgetary measures in the hope of raising the resources necessary to service their debt obligations (Moody's Investors Service 2008a: 4). As fallacious and distortive as this quantitatively-skewed approach – codified and commercialized as the 'risk of default' – is to the assessment and articulation of fiscal relations, readily accepting this 'exogenous' understanding of creditworthiness, and thus the implied notion of 'correct' or 'normal' fiscal conduct with its corresponding credit score, is blind to the social construction of value implicit in sovereign ratings (Sinclair 2010). Ratings are not objective brute facts, but contingent and contestable judgments about the credit health of a national political economy; especially its fiscal relations. Conflating and misrepresenting this social facticity as a natural ontology is what often precipitates, as well as exacerbates, crises.

Yet simply to discount such mainstream predictive positivism in favor of an intersubjective understanding of finance, without accounting for how exactly this social facticity of creditworthiness is constituted, reiterated and embedded in the global political economy, is both incomplete and inadequate. In the first instance, it tells us relatively little about how the authoritative capacity of Moody's or S&P to act on global credit markets and governments is produced. Although the historical institutionalization of a distinct set of norms and rules surrounding creditworthiness, or what Sinclair (2005: 65-66) refers to as the 'embedded knowledge network', contributes to the clout of ratings agencies, in itself, it is insufficient in offering a comprehensive understanding of the specific discourses and practices through which this happens. Neither does it elucidate how CRAs have managed to sustain this authority in the face of a consistent stream of failures and lackluster performance. If credit ratings exert leverage because these judgments are believed to be consequential (Sinclair 2010: 92) then how do certain ideas and narratives gain traction while others fail to do so?

Epistemic authority (Blyth 2002; Cutler, Haufler and Porter 1999; Porter 2005; Power 2007) may be a much more refined line of argumentation than that offered by the few, poorly informed and narrow conventional economic or legal accounts which monopolize this field. Nevertheless, we are still left with rather vague concepts of 'confidence' or 'collective understanding' from which to surmise how it is that the authoritative knowledge informing the problem of sovereign debt is actually legitimized through its construction and commodification. As this book demonstrates, the political economy of creditworthiness is more than just an epistemic community where actors – rational or otherwise – deliberately pick and choose to which judgment they adhere; essentially free from the normalizing effects of diverse and overlapping configurations of power.

Compounding these analytical deficits is not only the sense of urgency that these financial and fiscal crises are increasing in intensity and severity but, as noted above, the (distressing) paradox that their materialization seems to be connected to consistent, yet tolerated, failures. Again, existing accounts fail to provide an adequate explanation of how this oddity persists or what it means for national self-determination in ever integrating global markets. Predominantly preoccupied with corporates, their cursory analysis often neglects the multiple dimensions of sovereign ratings, and their effects, in favor of pregiven absolutes, model consistency and propositions often derived from a structure versus agency thematic, that stress intentionality and the need to explain causality grounded in some innate ontological condition/origin.

In order to remedy these omissions in the literature and determine how the act of (sovereign) rating helps to constitute and manage the political economy of creditworthiness, a new analytical instrumentality is necessary. For this purpose, the fields of the 'social studies of finance' (Callon 1998; Knorr Cetina and Preda 2005; Langley 2008a; MacKenzie 2006) and the Foucauldian-inspired 'governmentality' literature (Aitken 2007; Barry, Osborne and Rose 1996; Dean 1999; O'Malley 2004) provide a number of promising intellectual points of departure. By problematizing the role of credit ratings in the sovereign debt crisis, these frameworks help 'decentre' finance to illuminate how formulations of social facticity are derived from specific 'techniques of truth production' (Foucault 1980); whereby action and authority combine to 'govern-at-a-distance' (Miller and Rose 1990).

Performativity helps reveal how these systems of surveillance, calculative techniques, and proprietary models/methodologies featured in the ratings process form spaces of calculability and apparatuses of control; upon which this neoliberal politics of limits is predicated. Representations demarcating the limits of debt financing, and thus fiscal possibility, reflect 'a circulating operation of power that constitutes agents and their interests' (de Goede 2005: 10). Sovereign debt and its constitutive subjectivities are made into specific objects and subjects of government through the dominant modalities of risk and uncertainty. An analytics of government allows us to appreciate how this happens by disentangling what is portrayed as supposedly totalizing and monolithic – by the literature and CRAs themselves – through an empirically-based analysis of the various styles of constituting creditworthiness and governing the ratings space.

Socio-Technical Devices of Control

A central theme running through this book is how the 'opinions' of a private agency can produce grave public repercussions, which threaten to undermine the democratic legitimacy of elected governments, as they become social facts. By framing the sovereign debt debate according to a specific neoliberal market mentality prizing austerity and low budget deficits, ratings help exert a considerable constraining force on economic modes of governance discordant with its strict disinflationary rationality. With the notable exceptions of the UK or perhaps even the German-centered hub, the debt crisis has revealed how arduous acceptance of this approach is for most political economies. Alignment, however, is straining for most as severe costs of adjustment provoke socio-political contestation and backlash; especially on the periphery of Europe. How EU subjects strive to adhere to specific ratings, designed in the name of budgetary rectitude, is shaped by the very power relations in which they are embedded.

With risk, post-disciplinary logics of 'control' acknowledge that fiscal failure is possible across multiple sites of this EU space (Deleuze 1995: 169-176). Member States are envisioned as 'misfits' who are in danger of sabotaging their budgetary positions. Their profligate propensities must be curbed at all sites of potential deviation. Whereas individualization and normalization characterize discipline, whereby the subject is fundamentally reformed, regimes of control regulate deviance. Sovereign ratings, therefore, have a 'programmatic' effect of *modulating* budgetary conduct. Their salience derives from the capacity of ratings to devise this neoliberal benchmark of budgetary rectitude to which democratic governments are subjected. Progress is monitored in accordance with the infrastructure of referentiality that ratings construct, which connects notions of proper fiscal conduct (i.e., neoliberal orthodoxy) with economic behavior (of markets and governments). Closest convergence earns the coveted, but evermore elusive, 'AAA' grade.

Control as calculation/classification is revealed and institutionalized through this technocratic process; whereby surveillance of the accidental claims to transform nation-states into measureable and administrable objects of government. The successful normalization of this regime of control is predicated on how convincingly CRAs manage to bifurcate 'economics' and 'politics'. Separated into distinct and isolated variables, these categories appear more amenable to a utilitarian calculus of risk. Defendable mathematical techniques are typically considered more legitimate and compelling than temperamental politicians with a reputation for dithering and grandiose proclamations which often disappoint. The exertion of such control, however, 'depoliticizes' the constitution of the political economy of creditworthiness by invalidating how competing notions of budgetary normality are assessed and articulated. At once, therefore, risk calculus claims to identify the specific problem(s) of fiscal management and offer corresponding solutions.

Control may be one of the more visible configurations of financial power through which this expert knowledge denoting what is considered permissible in budgetary affairs '[acts] upon the real' to configure the contours of the ratings space and its subjectivities, but it is not the only one (Miller and Rose 1990: 7). Multiple forms of authority exist simultaneously along the power/knowledge axis – delineated by Foucault (1980) – which are relevant for the current discussion of how sovereign creditworthiness is rendered visible and its corresponding challenges manageable.

Unfortunately, mainstream accounts typically tend to frame this debate primarily in terms of either a loss of 'sovereignty' or the 'structural' capacity of finance to restrict national competence over the budgetary process (i.e., sovereignty again) without any serious consideration for the diverse and overlapping power relations that condition the very discursive constitution of agency and interests. Little heed is paid to the articulation and codification of authority which is 'not possessed as a thing or transferred as a property' (Foucault 1979: 176), nor operates based on exclusion or domination. Forms of 'discipline' and 'governmentality', or the 'conduct of conduct', which works on freedom in the construction of self-regulating subjectivities in the performativity of the ratings space, are omitted in favor of an 'economistic conception of power' as a commodity (Campbell 1996: 18), an ideational construct – often 'austerity' – or some underlying logic of capital divorced from the techniques of truth production themselves. But 'it is the apparatus as a whole that produces "power" and distributes individuals in this permanent and continuous field' (Foucault 1979: 177); as governmental mentalities and technologies are connected together to give meaning and authority to particular modes of calculating and managing this assemblage. The reduction of power relations to one principal form or single locus, which is external to the sites of its political economy, fails to account for its productive potential in devising a politics of limits.

This book seeks to redress this deficiency by drawing our attention to how authority 'is attached to social positions that are relationally defined' rather than exogenously given (Wight 2006: 152). Power flows in localized sites to establish its own objects of government. Although self-discipline is exercised in these fields, as ratings help induce the internalization of self-regulation in actors across the domains of government and the investment community, arguably, it is through the modulation of deviance (control), against a risk-constructed fiscal normality, whereby sovereign ratings exert significant leverage. Thus, by problematizing the act of rating, we become more attentive to how 'power is embedded within the discursive formations that naturalise [a fiscal] normality' and 'motivate the reproduction of normal populations through associated practices' (Lipschutz and Rowe 2005: 56).

Now whether anticipating 'possible loci of dangerous irruptions through the identification of sites statistically locatable in relation to norms and means' (Castel in Rose 1999: 235) is plausible for diverse sovereigns is debatable. First, as noted above and developed in subsequent chapters, the complexities and interdependencies of the social phenomena under study prevent their simplification through such arbitrary division. National politics and economics are inexorably intertwined with a plethora of social/cultural elements in variegated configurations of mutually reinforcing and contradicting assemblages. Not only does this analysis dispute the rigid juxtaposition between economics/politics but we also move beyond the false international/domestic, subject/object or private/public binary oppositions that are frequently propagated by conventional accounts.

Next, technoscientific epistemology cannot be readily divorced from the politico-economic contexts in which it is embedded. Of course, rendering informal judgment explicit detracts from the thrust and leverage of risk's calculative control. Deliberately discounting the degree of contingency implicit in sovereign ratings fortifies its bulwark. Muted and disguised, risk's veracity is largely immunized from political contestation. Moody's and S&P may reap a greater advantage from such risk calculus because their ratings are produced for the market and public consumption. Cognizant that the fixed income desks at PIMCO or a hedge fund are more focused on devising internal assessments for their own range of funds, which grants them the flexibility to be more open about their discretionary conduct, the differences in their analytics usually are not substantial. Risk dominant technicals assist in justifying active investment strategies to clients.

Just because it is dubious, however, does not necessarily mean that this calculative practice is devoid of any capacity to act on governments and markets. After all, the authoritative expert knowledge underpinning financial markets need not rest on some unequivocal and objective truth. Social facts help construct these spaces of calculability and dictate their movements. Modulation is visible through the performative effects of ratings; thereby endowing them with a temporal 'stability' and social facticity that they otherwise may not possess. In other words, ratings are a socio-technical device of control, which create the very conditions and subjectivities that help validate their prescriptive (neoliberal) program. What is called 'finance' materializes through the circulation and reiteration of these specific discursive practices (de Goede 2005: 7). Control is visible in the constitution of three main subjectivities implicated in the sovereign debt crisis: CRAs, investors and governments. Although the effectiveness and longevity of this performativity is vulnerable to disruption, and even crisis, the purported ability to manipulate the constitution and validation of the problem of sovereign debt through risk strengthens the capacity of sovereign ratings to control compliance.

The modulating effect of risk ratings, however, is not uniform. Convergence through compliance – and the level of antagonism – depends on the degree to which the organization and management of the national economy is aligned with the disinflationary logics of neoliberalism privileged in ratings. Political imperatives are often thought to encourage unsound budgetary measures that compromise economic fundamentals by threatening to increase inflationary pressures through fiscal expansion (Issing 2004; Stiglitz and Greenwald 2003; Whitley 1986). The greater the supposition that policy discretion interferes with the 'efficient' unfettered functioning of market dynamics, the more that it is perceived as a liability to be mitigated (Hay 2007: 56). Bolstered by this (questionable) reading of the 'economy' as an exogenous reality prior to or outside of its discursive constitution, the control of ratings is commensurate with the degree of receptivity and applicability of this doctrine. Financial markets broadly speaking, but bond markets more specifically, subscribe to this rationality. Occasionally, pressures for fiscal consolidation may even allow shrewd leaders to insulate themselves behind ratings (Posner and Blöndal 2012). Strong opposition across Europe – both ideological and practical – to the imposition of this Anglo-American model, and the consequent attacks on 'continental' forms of social democratic capitalism, however, is helping fuel a politics of resilience and resistance that may threaten to disturb the modulating force of risk's performation.

Acknowledging that the antagonistic relationship which develops between the 'programmatic' elements of financial expertise and the 'operational' aspects of budgetary politics – in the struggle to define the politics of limits – is not restricted to a few fiscal misfits on the periphery of Europe, the European sovereign debt crisis does provide an informative context for how it plays out and what lessons may be drawn. Not only is this, arguably, the most severe and protracted manifestation of this conflict between private credit markets and democratic sovereign states in the construction of the politics of limits thus far, but its ramifications are, indeed, international; with spill-over effects for both advanced and emerging economies. Although the recent 2006 US *Rating Agency Reform Act* may have introduced criteria clarifying what designations, such as the NRSRO, actually entail, it is the EU CRA Framework – Regulation (EC) No 1060/2009 (*CRA Regulation v1*); its amendments (EU) No 513/2011 (*CRA Regulation v2*); and (EU) No 462/2013 (*CRA Regulation v3)* – that is the most comprehensive and ambitious attempt to manage the ratings space to date. By anchoring a portion of the discussion in the EU regulatory response, we are better positioned to decipher how the recent 2007-08 credit crisis, and subsequent sovereign debt woes, prompted a shift in the governance of ratings from a largely haphazard approach riddled with ambiguities and voluntary measures to a decidedly more proactive policy stance.

Exacting a greater adherence to protocol and information flows from CRAs than ever before, proponents may claim that it is an extensive, if not demanding, regulatory regime; which may serve as a role model for other jurisdictions.[5] No doubt, the CRA framework is in-depth and comprehensive. Unfortunately, equating crisis management as synonymous with risk management, it is a reactionary approach which is plagued by a misguided preoccupation with governing this threat as a primarily *exogenous* shock; without any serious consideration of its *endogenous* dimensions. Neglectful of how the social facticity of creditworthiness is constructed and legitimized, the EU may jeopardize its own crisis response by (inadvertently) subjecting itself to unintended consequences and supervisory conflicts. Rather than rectify the growing asymmetry, recourse to the kind of fragmentation and quantification implied in risk management may only exacerbate it. Since the instability inside the eurozone has already spilled across its borders to affect adversely, amongst other things, the 'risk appetite' of financial markets for the emerging South, the fates of Europe and the BRICs, to varying degrees, are intimately connected together. At this point, however, I only identify the South's tumultuous relationship with the ratings agencies and offer some nuanced suggestions of how it may develop in the future. Digesting what the current tensions in Europe signal for the relationship between epistocracy and democracy offers some insights into how this political economy of creditworthiness may affect the BRICs.

What is clearer is that across much of the world, governments have been facing austere pressures that undermine national fiscal sovereignty. Variegated notions of budgetary normality, which privilege greater degrees of social democracy and solidarity through schemes such as protected public pensions or greater collective bargaining (Hall and Soskice 2001; Schmidt 2002), are not accommodated by the aggregating techniques of sovereign ratings. Such analysis would preclude the 'narrow rating range' for which Moody's strives; even though the company admits that 'the unusual characteristics of a sovereign credit may not be fully captured by this approach' (Moody's Investors Service 2008a: 1). As Member States succumb to harsh neoliberal programs of deep expenditure cuts, privatization and deregulation necessary to secure debt financing and function, 'powerful neoliberalizing tendencies…threaten the incremental dilution' of continental forms of social democracy (Hay 2007: 257). Traditional varieties of capitalism associated with more generous welfare provisions are often considered corrosive to a good credit rating. Compliance (read austerity) through control depoliticizes what has conventionally been within political purview; as quantitative techniques pronounce qualitative judgments. That is until fiscal sovereignty unleashes unsuspecting forces contingent on the 'singular nature of sovereignty' and its vicissitudes (Moody's Investors Service 2008a: 6).

Government through Risk and Uncertainty

Grounded in the discourse of risk, this book argues that sovereign ratings act as a socio-technical device of control and governmentality, which subject fiscal politics to an artificial uniformity. Risk serves to advance and validate this neoliberal politics of limits. Few would deny the growth and prevalence of risk as an organizational and regulatory narrative in our society today (Beck 1999; Beckert 2002; Clark, Dixon and Monk 2009; Power 2004). Its ubiquity enhances its prominence so as to give the impression that it is a neutral, or even a propitious, approach to most managerial problems. Attempts to shift away from human competencies and critical judgment towards to the primacy of quantitative techniques – no matter how dubious – are reflective of a rationality that privileges the authority and imperatives of the market/shareholder over those of the citizen.

Such a mentality is noticeable in the push to increase the surveillance authority of risk through measures like credit-scoring systems (Langley 2008b; Leyshon and Thrift 1999), reputational metrics (Power 2007) or insurance (Ericson and Doyle 2004; O'Malley 2004). Peter Miller (2001) contends how, by treating organizations as an enterprise, management accounting produces calculating subjects whose freedom to self-regulate is greatly circumscribed by the networks in which they operate. By arranging relationships according to inclusive-exclusive and differentiated categories, risk and uncertainty act as ‘boundary objects’ immanent in such strategies of control. Boundary objects straddle multiple spaces and are ‘both plastic enough to adapt to local needs and constraints, yet robust enough to maintain a common identity across sites’ (Bowker and Star 1999: 297). Differentiation is central to the political economy of creditworthiness. Ratings judge and identify which debt profiles are considered ‘investment-grade’, and *should* be granted access to capital markets as ‘deserving’ bond issuers. Those deemed less creditworthy experience much more difficulty in obtaining the necessary financing and – relegated to ‘junk’ (below ‘BBB-’) – must often seek emergency bailouts or default. Accordingly, this book shows how fundamental these modalities are to the promotion and maintenance of the self-sustaining Anglo-American market logics.

In the ratings space, I submit that the ‘importation’ of tenets and methodologies from the corporate sector into the sovereign domain has served to enhance the prevalence and sustaining power of sovereign ratings through their alignment with a defendable, utilitarian calculus of risk. More tractable to rational choice modeling, to a great extent, risk’s appeal rests on the claim that its ergodicity and ‘machine-like’ ability can fragment and minimize interfering variables, such as human discretion, and thus reduce volatility from the equation (Best 2010: 36). Devoid of these idiosyncrasies, the calculation of an indeterminate (fiscal) future purportedly becomes more feasible and accurate; thereby bringing us closer to some ‘objective’ truth about an exogenous reality. Technical expertise, as Sinclair (1994: 454) reminds us, gives the impression that CRAs ‘disavow any ideological content to their rating judgments’. In sharp contrast, the politically charged EU and BRICs are hotbeds of ideological temperaments. Risk is deployed to mollify these in order to preclude their ‘adverse’ consequences.

Subjective estimations are prone to ‘serious inconsistencies’ that produce ‘bias ratings’ (Johnson et al. 1990: 95). Such optics are exactly what CRAs attempt to avoid since they damage their credibility and diminish the leverage of ratings. By deploying and commodifying particular calculative risk techniques, however, rating agencies can help mediate this representational process in their favor to *mask* such contingent liabilities. Consequently, the supposed enhancement of transparency through the elevation of quantitative practices, which strive to control performance, have depoliticizing effects as risk ratings serve to invalidate alternative – often democratically-based – ways of ascertaining and articulating budgetary rectitude. Politics of representation and discursive practices are virtually ignored in favor of normalizing risk models. Ostensibly, this works to shield technical knowledge from contestation by 'immunizing decision-making against failure' (Luhmann 1993: 13). Their commercialization only reinforces the authoritative capacity of ratings as the market is perceived as a legitimizing vehicle. Through a diagnosis of the performativity behind the political economy of creditworthiness, however, we are better able to disturb the unequivocal hegemony of this principal but, arguably, problematic, governmental category and discourse.

Irrespective of its numerous applications and benefits, a closer examination reveals a darker underbelly to risk management; especially when applied to fiscal relations. Recent frictions, in Europe – and around the world – are challenging this orthodoxy's dominance as a mode of governance. Seldom problematized, uncertainty and risk are often treated as self-evident or monolithic. Perceived as tangible phenomena, the task involves searching for some exogenous ontological reality to unearth. Unfortunately, the consequence of this recursive search for certainty equivalence binds us to determining the actual displacement of one thing called 'uncertainty' by the other labeled 'risk'. Such an economistic conception of risk, however, neglects its permanent state of virtuality (van Loon 2002: 2). Once it happens, and a static figure is available, it is now a full-blown crisis and no longer a probability. Attempts to capture risk as a *thing* to be manipulated and assigned a numerical quadrant may give the impression of heightened control over fiscal indeterminacy. But it is a misleading mirage that distorts risk's temporal flux without offering any satisfactory explanation of how the quantitative (risk) and qualitative (uncertainty) parameters are accommodated and synthesized to render any sort of displacement possible or fixed figure tenable.

Distortions such as this are propagated by mainstream IPE. As an inescapable by-product of modernity, uncertainty is either conceptualized as an 'incalculable risk' to be feared, as espoused by the 'risk society' thesis (Beck 1999; Beck, Giddens and Lash 1994), or celebrated (Bernstein 1998). Technological advancements like statistical actuarialism and enhanced information systems supposedly enable experts, such as auditors or rating agencies, to patrol the margins of indeterminacy between risk and uncertainty. With the right 'tools', they claim to translate more contingent events into statistical probabilities; which makes them tractable to rational choice modeling of a predictive Pareto-efficient equilibrium (Guseva and Rona-Tas 2001; Reddy 1996). No longer at the whims of the gods, we are told that uncertainty can be transformed into a risk once it becomes organized through our management systems (Power 2007: 6). Either we are faced with inescapable conditions, where discursivity and performativity are virtually neglected, or we must accept that systems for representing risk 'emerge as generic and totalizing instruments of risk governance' (Power 2007: 4). Neither one is satisfactory.

It is the discursivity and diversity of these socio-technical devices of control which help elucidate how ratings produce an authoritative capacity to act on market participants by promoting a false dichotomy between risk and uncertainty. As the discussion turns to searching for tangible phenomena and calculating their ontological coordinates, a rigid binary opposition develops; whereby risk is defined as a calculable 'measure of variance around an expected value' – represented as 'AAA' – while uncertainty escapes being captured as such a statistical probability (Cantor and Packer 1995; Chorafas 2007: 24; Hardy 1923; Short 1992). Since their construction enables the social facticity of ratings, adherence to such a predictive, and thereby prescriptive, positivism sets up an unnecessary conundrum where this fictitious dichotomy between (quantitative) risk and (qualitative) uncertainty is promoted and institutionalized. Unfortunately, the veracity of this dualism is rarely problematized as attention shifts to competing claims about what constitutes as the correct risk model or better methodology. Mechanics, and their potentially lucrative monetary incentives, monopolize the debate to such an extent that few bother to question whether an analytics sanctioning the simple bifurcation of risk and uncertainty, or between politics and economics for that matter, is actually apposite.

Informal judgment diminishes in utility and value with the reiteration of this juxtaposition. It is the regenerative hegemony of this discourse which underpins the CRA conviction that any 'qualitative elements are integrated within a structured and disciplined framework so that subjectivity is constrained' through the 'continuous effort to make the analysis more quantitative' (Moody's Investors Service 2008a: 6). In other words, there is a concerted effort to transform (singular) fiscal uncertainties into (aggregate) pools of risk; which amounts to their misrepresentation.

A reading that treats risk and uncertainty as unproblematic brute facts, however, and thus burdens us with the onerous search for ontological equivalence in fluid fiscal relations where none exists, is blind to their dialectical relationship. Neither risk nor uncertainty is inherently more or less abundant during the sovereign debt crisis. Rather than one of mutual exclusion or innate abundance/scarcity, their relationship, as Pat O'Malley (2000) contends, is contestable and heteromorphic. They change depending on how they are deployed. Suspending the search of their 'real' ontological coordinates provides an enhanced understanding of how CRAs mobilize the constructs of uncertainty and risk as modalities in the discursive constitution and legitimation of sovereign debt as a problem of government.

As modes of governance, risk and uncertainty are considered 'ways in which the real is imagined to be by specific regimes of government, in order that it may be governed' (O'Malley 2004: 15). Through the construct of risk, sovereign debt is rendered intelligible as a primarily quantifiable, probabilistic frequency towards fiscal failure (Sy 2004). Management through uncertainty, however, cannot be systematically orchestrated because it fails to reproduce itself at regular intervals. Informal judgment and seasoned guesswork play a greater role in devising a credit score (de Goede 2005). Sovereign rating ranges, ultimately, rest on a judgment about the extent to which politicians will subject their constituents to 'tolerable' costs of austerity/adjustment (Sinclair 2005: 138); which is a synthesis of quantitative and qualitative calculations. Unfortunately, the utilitarian calculus of risk cannot readily capture this degree of exigency involved in the fiscal politics being monitored as a statistical probability. This book reveals how the costs – to populations and markets – grow in enormity as a form of dysfunctional information exchange becomes institutionalized and fiscal sovereignty diminishes.

Cognizant of selling largely qualitative opinions – especially in regards to sovereigns – Sinclair (2005: 34) contends how 'quick' rating agencies are 'to use the objectifying cloak of economic and financial analysis and, as it were, hide behind the numbers when it is easier than justifying what may, in fact, be a difficult judgment'. Based on a fictitious quantitative/qualitative binary opposition, aggregating methods that attempt to transform singular fiscal uncertainties into pools of risk seem to help in the comparison and adjustment of the diachronic through the synchronic (Sinclair 2005: 58-59). As the problem of sovereign debt becomes more manageable, a prescriptive (artificially uniform) fiscal normality is validated. Nevertheless, as illustrated by recent crises, the distortion of contingent liabilities and misrepresentation of fiscal relations produces explosive effects.

What is revealing is how this predication on the hegemonic discourse of risk actually fails to secure organizational integrity; instead precipitating volatility and financial/fiscal crisis. Conflating (immeasurable) uncertainty with (probabilistic) risk, and lacking the correct conditions of felicity – grounded in their respective (unique) national contexts – the success of these socio-technical devices of control is called into question as risk-based performativity becomes vulnerable to 'misfire' or breakdown (Callon 2010). As these isomorphic pressures exerted by ratings clash with the heterogeneity of national political economies – wherever they are located – they precipitate backlash as fiscal sovereignty reasserts itself in the face of the unbearable costs of adjustment. Populations can only tolerate so much austerity before the cuts prove too deep.

Performative Political Economy of Creditworthiness

In large part, as this book argues, what is problematic about the authoritative capacity of sovereign ratings is that it is based on a misrepresentation of immeasurable (qualitative) uncertainties as probabilistic (quantitative) risks. Commercialization of this false dichotomy only bolsters its salience. Now if the effects of such inconsistencies were negligible, and ratings were only 'informed opinions' devoid of any performativity, then it would be easier to disregard them. After all, given that often movements in structural macroeconomic or financial market conditions are already priced into the market (e.g., bond yields, credit default swaps), the utility of ratings is considered marginal. Novelty, however, is not their hallmark.

The performativity of ratings 'is not to represent what was previously unrepresented, but try and reorganize the circulation and control of representations' (Mitchell 2007: 267). Their authoritative leverage, arguably, is derived of how well they manipulate the constitution of sovereign debt as a particular problem of government – represented through a simple yet hierarchical infrastructure of referentiality – which could otherwise assume a different complexion; if not for the depoliticizing effects of ratings. Sovereign ratings do not actually eliminate the volatility and contingency implicit in fiscal politics. Rather represented in a different – more quantitative – form, they only give the *impression* of it being mitigated. Nevertheless, through this specific assemblage, which is simultaneously mechanic and enunciatory (Deleuze and Guattari 1987: 504), sovereign ratings are endowed with a social facticity that allows them to function as socio-technical devices of control in the constitution of a neoliberal politics of limits.

In order to understand how the operationalization of these modes of governance serves to redefine the budgetary realities facing governments around the world, and thus strengthen an epistocratic grip over democratic forms of rule, its performativity is problematized. The contention developed in the following chapters is that the authoritative capacity of ratings is constituted/reinforced through their performative effects; which create the conditions and subjectivities that serve to validate this epistemic/discursive framework, and in the process their utility and leverage. By focusing our attention on the specific subjects implicated in a debt crisis (i.e., CRAs, investors, and governments) and the empirical domains where this puzzle is rendered real, performativity combines the relationship between action and authority to yield an enhanced understanding of the construction, regeneration and sedimentation of this disinflationary political economy of creditworthiness; without succumbing to the limits of the 'structure versus agency' debate and its need to explain either agential intentionality or causality.

In his widely acclaimed contribution to the performativity literature, *The Laws of Markets*, Michel Callon (1998: 23) argues that economic theories and formulas 'do not merely record a reality independent of themselves; they contribute powerfully to shaping, simply by measuring it, the reality that they measure'. Referring to Deleuze and Guattari's (1987) notion of *agencement,* Callon (2007: 320-21) argues that economic formulas perform the worlds they suppose into existence. *Agencement* captures both the assemblage and agential dimensions of performativity without reducing it to either one. A hybrid of human and non-human entities (i.e., material, technical, textual devices), '*agencements* denote socio-technical arrangements when they are considered from the point [of] view of their capacity to act and to give meaning to action' (Callon and Caliskan 2005: 24-25). Analyzing how the calculative act of sovereign rating enables and exemplifies a 'socio-technical *agencement*' of creditworthiness reveals both its mechanistic non-human (risk) and discretionary human (uncertainty) elements. This provides an enhanced understanding of how action and authority combine to devise a political economy of creditworthiness according to which fiscal profligacy is assessed and corrective measures proposed (e.g., default). At the same time, the commonalities which exist between various *agencements* of creditworthiness – especially between corporates and sovereigns – are rendered visible. Similarities, however, do not guarantee their performative success in different spaces. Conditions of felicity are necessary for their programmatic actualization. Otherwise, lacking these favorable circumstances, the result is misfire.

Two dimensions to this performativity are discernible. First, given their procedural dimension, as a discursive practice, sovereign ratings have 'illocutionary' performative effects (Austin 1962; Callon 2010). Through their description of budgetary positions, such as 'junk', these utterances communicate a range of judgments about proper fiscal conduct, which inform the constitution of a politics of limits. Formulated through a readily identifiable scale, ratings are how this (neoliberal) normative statement about creditworthiness gets translated into practice. Against this mentality, a government's creditworthiness is assessed and its capability to perform the fundamental functions of 'government' (i.e., finance programs for citizens) is hindered with each subsequent downgrade.

Yet credit ratings are not simply a linguistic process. 'Perlocutionary' performative effects of this austere political economy of creditworthiness are visible on the broader governmental assemblage, which depend on the reality produced by said ratings in order to dictate successfully how fiscal sovereignty should be exercised. The effective control of ratings to provoke the prescribed disinflationary management of government finances is intimately linked to the naturalization of the neoliberal logics implied in and promoted by said ratings. Performativity in action, or what Callon (2007: 330) refers to as 'performation', 'encompasses [the] expression, self-fulfilling prophesies, prescription, and performance' of varying degrees of budgetary prudence or profligacy, which endow the problem of government debt with social facticity and create the conditions where it is enacted and reproduced. A politics of limits is constituted through sovereign ratings which privileges and naturalizes the separation between economics and politics so as to elevate the position of expertise relative to that of democratic governments. However persuasive this looks on paper, there is a fundamental disjuncture between the artificial normality of this purported fiscal reality and the diverse political economies around the globe.

As contestation abounds, Callon (2010: 164) is correct to assert that the success of illocutionary performativity is only temporary because its capacity 'to make inactive and invisible [its] overflowing and misfires' for an extended period of time is dubious. There is a critical breaking point; after which the performativity of ratings fails to engender successfully a disinflationary program as governments begin to take measured steps to repoliticize the discourse and enact policies to protect their citizens. In the European context, ratings may eventually precipitate the 'converse' of what they describe to alter political economy 'in such a way that [their] empirical accuracy...is undermined', or what MacKenzie (2006: 19) labels as 'counterperformativity'.

Budgetary politics is replete with numerous exigencies which, when excessively aggravated, can randomly sabotage the programmatic ambitions of its surveillance to refute ratings. The practical adoption of sovereign ratings, and thus an adherence to their neoliberal program can, in fact, serve to hinder convergence towards their prescribed fiscal normality. In this instance, however, it is not only the empirical validity of the model itself (read sovereign ratings) that is the focus. Of significance is also how sovereign ratings can jeopardize their own programmatic ambitions by creating the very conditions which refute their disinflationary rationalities and further impair their calculative capability. In the attempt to satisfy its austere masters (i.e., IMF, ECB and Germany), a country like Greece or Portugal may impose intolerable costs on its citizens, which can trigger a violent backlash and a prolonged civil unrest; whereby the politics of resilience/resistance attempt to reclaim lost fiscal sovereignty. At this critical juncture, increasingly governments shift from appeasing financial markets to protecting their own citizens.

How much this growing austerity fatigue will be tolerated before boiling over and forcing governments to take measured steps to repoliticize the discourse is quite uncertain. Transposing risk techniques from the corporate sector may seem to borrow some semblance of control over an otherwise volatile and uncertain fiscal landscape. But without the appropriate felicitous conditions rooted in the dynamics of national budgetary sovereignty to sustain this performativity, this approach is vulnerable to failure (Callon 2007). Here the uncertainty of fiscal relations challenges the performativity of sovereign ratings to secure a politics of limits through risk. Tensions flare and crisis looms as this (nominal) artificial fiscal normality imposes (real) severe, socio-political costs on the populations of heterogeneous economies. As it ruptures, it further engenders an antagonistic relationship between the programmatic (neoliberal expertise/risk) and operational (social democratic politics/uncertainty) dimensions of fiscal governance whose severity cannot be forecast with any certainty. What constitutes as the 'political' in the economy becomes revealed and renegotiated. Technical practices become susceptible to repoliticization – albeit temporarily. Slowly, the grip of Anglo-American capitalism becomes resented; and even disturbed.

Overview

The overarching focus of this book is the way sovereign ratings help constitute and validate a (neoliberal) politics of limits underpinning fiscal relations and the ensuing conflictual relationship between the imperatives of private markets/expertise and democratic governments in establishing how political discretion is exercised in the economy. At the heart of this power struggle is the construction and commodification of authoritative knowledge underpinning the social facticity of sovereign creditworthiness. My contention is that the relative obscurity and neglect of the exact production, regeneration and sedimentation of this austere fiscal normality needs to be redressed in order to help illuminate some of the serious inconsistencies which permit this asymmetry to continue with its intensifying effects. Unless these 'black boxes' are unpacked to reveal how the problem of sovereign debt is formulated and legitimized through a specific configuration of the practices of risk and uncertainty, we are compelled to rely on incomplete and inadequate explanations of how the statements of a private agency can adversely affect the capacity and prospects for national self-determination. Integral to the socio-technical *agencement* of control, ratings are the internal forms of governmentality instrumental in the depoliticization of this narrative.

Not only does this analysis refocus the debate on the act of (sovereign) rating, rather than simply being bogged down by the enigma of its institutional agency (CRAs), it also disturbs the hegemony of risk in the construction and administration of this space and subsequent asymmetry. Greater clarity and an enhanced understanding of the authoritative capacity of sovereign ratings are essential for the design of effective regulatory frameworks capable of intervening to mitigate industry excesses and managing crises when they do erupt. Without comprehensive governance, reversing this tide and reclaiming some of the lost fiscal sovereignty vital for democratic self-determination will remain quite challenging.

The main themes identified above are further elaborated in the course of five chapters. By identifying the numerous major financial scandals and fiscal crises in which CRAs have been implicated, Chapter 1 documents how the severity and frequency of CRA involvement in these crises is increasing. Although each crisis has its own contingencies, I argue how the ascendance and significance of ratings and risk discourse is proving particularly problematic for democratic governments across the globe like never before. The embedded popularity of credit ratings in general is derived from their symbiotic relationship with the hegemony of risk management. EMU has only amplified and reinforced this movement; as the mitigation of currency risk via fixed exchange rates has shifted attention to credit risk and bond yield spreads.

Given the growing prevalence of sovereign ratings all across the world, it is quite odd that so few IPE accounts exist which document how their construction contributes to their authoritative ascendance and sustainability. Available analyses, however, lack the necessary analytical instrumentality to penetrate the seemingly hermetic enclosure of the ratings space. Applying dated categories and methods, their ability to open up technical expertise and its 'scientific' performance of finance to critical scrutiny is greatly circumscribed. For this purpose, Chapter 1 introduces the main ‘deconstructive’ and ‘reconstructive’ ethos of this book; through which significant conceptual themes are revealed that inform the remainder of our analysis: authoritative knowledge, performativity and the politics of resistance/resilience. Each one is developed as I excavate the territory of sovereign creditworthiness to show how it is constituted through its assessment and articulation.

Not only does this critical analysis expose the contingencies, inconsistencies and ruptures in what is often presented as a rational and self-evident technocratic process, but the problematization of sovereign ratings serves to disturb and diminish their depoliticizing effects; thereby allowing us to ‘test the limitations and the exploration of excluded possibilities’ (Ashley and Walker 1990: 263). Attentive to what Callon (1998: 36-37) labels as ‘framing’ and ‘disentangling’, alternative knowledges of creditworthiness excluded or disqualified by a risk-dominant approach may now be revisited and may gain an audience in the continual renegotiation and reconfiguration of credit markets. At once, this ‘insurrection of subjugated knowledges’ (Foucault 1980: 81-82) reveals the counter-hegemonic discourses available across Europe and it sheds light on how intrusive ratings are in the rapidly expanding emerging markets (BRICs). Higher GDP growth and savings rates may allow these economies to absorb their governments’ considerable deficits for the interim. Nevertheless, their relative fiscal fragility and inflationary tendencies threaten to erode the value of accumulated savings, increase capital costs, and dampen investment; which could jeopardize these credit strengths. Substantial industrialization and societal pressures, such as growing inequality and environmental degradation, compound the challenges of modernizing their economies at a higher cost. Together these forces are increasingly straining the resiliency of their indigenous communities and traditions to remain relatively autonomous of Anglo-American budgetary conventions.

Identifying the alleged offences and conceptual apparatus sets the stage for a more in-depth analysis of how this supposed *immunity* of ratings is acquired. Chapter 2 provides insights into the actual mechanics of sovereign ratings, their corresponding discourses, and governmental programs. How CRAs manage to command market authority, while remaining relatively immune from serious governmental interference in their business, is linked to the way that they appropriate and deploy risk and uncertainty as modes of governance. Here the analytics and operations of sovereign ratings are analyzed to reveal how their construction enables their social facticity. By dissecting the rating methodologies employed by Moody's (2008a, 2012a) and S&P (2011b), we come to terms with how attempts to calculate a sovereign's propensity towards fiscal failure by using risk techniques similar to corporates or structured finance are riddled with inconsistencies and misrepresentations of uncertainties as risks. Although measuring fiscal variance through risk calculus fails to account for the uncertainty in framing budgetary relations, it does provide an appearance of objectivity which helps reinforce the credibility and utility of ratings. This chapter begins to reveal how ratings depoliticize the political economy of creditworthiness.

The question of how rating agencies are still able to exercise authority over the political economy of creditworthiness given their poor track record is related to the performative effects of ratings. In order to come to terms with this authoritative capacity, Chapter 3 expands on the government through risk and uncertainty introduced in the previous chapter. Here I build on, but go beyond, Sinclair's (2005) seminal account to problematize specifically how the subjectivities and authorities implicated in the sovereign debt crisis are created and maintained. The analytical category of 'performativity' helps us grasp how ratings, as an internal form of governmentality, help produce the fiscal realities which they seek to describe by creating the conditions that serve to legitimize their epistemic framework and credentials. This relationship between action and authority is aligned with a self-systemic, and thereby self-regulating, logic of Anglo-American versions of capitalism. Studying meaning and materiality together, we come to a better understanding of how ratings act as a socio-technical device through which sovereign debt is made into a problem of government.

Mapping how these calculative practices enable a particular socio-technical *agencement* is accomplished through the analytical tools of 'deconstruction' and 'reconstruction'. Through a diagnostic approach, I trace how these performative practices have self-validating/self-generative effects on CRAs, constitutive effects on investors, and prohibitive (unintended) consequences for beleaguered national governments. Together this matrix normalizes a volatile politics of limits, which privileges the discourse of risk over the government through uncertainty. Deconstruction exposes their 'illocutionary' and 'perlocutionary' effects; as ratings communicate notions of fiscal normality which inform the constitution of a political economy of creditworthiness. Reconstruction demonstrates how based on this (dubious) knowledge, the performation of the politics of limits surrounding sovereign debt is tenuous and vulnerable to breakdown.

Ultimately, this is a discussion about the politics of limits and who has the authority to decide and say what those parameters are. As experts deploy quantitative calculative techniques, such as ratings, they make qualitative judgments about democratic governments, which undermine their sovereignty. Chapter 4 focuses on how this fuels an antagonistic relationship between epistocracy and democracy. Whereas the (neoliberal) discourse of risk has become a hegemonic force, which has penetrated virtually every socio-economic space, this chapter contextualizes this asymmetry by locating it in hot spots around the world where the redefinition of the politics of limits is most pronounced. Beginning with the most pressing of these episodes, namely Europe, I take stock of how this antagonism may develop and how regulators may inadvertently aggravate it. Given their faster growth rates but lower standards of welfare, the conflicts are not as disruptive in the emerging economies – for the moment. Increasingly more assertive, however, through bodies like the G20, the BRICs are on a collision course with the CRAs; it is merely a matter of time and severity. The economic turbulence and slowing growth, which started to rattle emerging markets by the second quarter of 2013, may only amplify these frictions.

Once crisis erupts, as fiscal sovereignty is excessively threatened, the terms of the political within the economy are revisited. Technical and depoliticized enclosures open up to test the limitations of excluded possibilities. By no means does this eliminate the significant role of expertise in political economy. But it does problematize epistocracy's grip over democratic forms of rule and how authority is conceptualized and practiced. This allows us to consider if and how the repoliticization of market relations may constitute alternatives to the Anglo-American model of creditworthiness. Questions about its coherence and depoliticization of fiscal relations sets the stage for an investigation of what is being done to manage the ratings space.

In conclusion, Chapter 5 revisits the main themes addressed in the book while reflecting on potential future problems that may be looming on the horizon; namely the BRICs and America. Sanctioning informal judgment is not an easy task but regulators must be reminded that the simultaneous accommodation of both free financial markets and democratic constituencies under the current system is often untenable. Moreover, given the global scope of credit markets, for a regulatory program to be effective, it will require international commitment rather than lackluster regional schemes. Irrespective of these factors, one thing that can be said with certainty is that the severity and frequency of these crises is growing and there is no sign of the rating agencies losing this battle.