

# Back in (debt) order

*by Jessy Bailly*

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**When dealing with the Covid-19 pandemic, the political and banking authorities seemed to shrug off budgetary concerns. But now that the pandemic's restrictions have eased, debt-related concerns are returning to the spotlight.**

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Reviewed: Benjamin Lemoine, *La démocratie disciplinée par la dette*, Paris, La Découverte, 2022, 157 pp., €13.

In an earlier book based on his doctoral thesis, Benjamin Lemoine looked back at the formation of what he calls the "debt order"<sup>1</sup>. From the 1960s onwards, a group of French political and technical decision-makers progressively deprived the state of its own financing circuit, replacing it with market financing. Since the 2000s or even earlier, a discourse has been gaining ground, asserting to citizens that public debt must absolutely be repaid, at the expense of social budgets. In his new book, Benjamin Lemoine refers to the "mechanics of shaping public opinion through the ideology of debt" (pp. 8-9). This moralistic approach to public debt obscures the authorities' reliance on financial markets and gained particular strength in the context of the European debt crisis at the beginning of the 2010s, beyond France's borders.

In *La démocratie disciplinée par la dette*, Lemoine argues that, despite the policy decisions made during the COVID-19 crisis to suspend the usual rules of budgetary constraint, a return to the debt order is not far off. In his view, there is every reason to

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<sup>1</sup> Benjamin Lemoine, *L'ordre de la dette. Les infortunes de l'État et la prospérité du marché*, Paris, La Découverte, 2016.

believe that the authorities' future economic and budgetary policies will quietly return to the path of fiscal austerity, after the lavish fiscal era of COVID.

## **The COVID years: a parenthesis rather than a turning point**

Benjamin Lemoine begins with the discrepancy between the rigorist discourse on public finances of the early 2010s and the discourse adopted in the context of the COVID crisis. In the latter, there was a "temporary easing of the budget constraint [...]" (p. 13). This was reflected in particular in the European stimulus program, Next Generation EU, which abruptly reinstated the long-discredited idea that magic money can trickle down through economies. Although governments took different approaches in managing the 2010 crisis and the pandemic, he argues that the debt order was already back on the political agenda a decade later. The resilience of the debt-dramatizing discourse echoes the work of Colin Crouch<sup>2</sup>, British political scientist and Emeritus Professor at the University of Warwick, who highlighted the resilience of neoliberalism in the aftermath of the 2008 economic crisis.

One of the interesting features of Lemoine's book is its constructivist perspective. This means that he puts the politically hegemonic view of public debt into perspective, showing that it has not always been a public problem. He also looks back on several historical events of the 20th century, when the debt order was not yet hegemonic. In 2016, Benjamin Lemoine described the origins of this narrative on debt, while here he shows how the first calls to order by decision-makers are already taking shape, and criticizes the budgetary obesity that was allegedly the result of COVID management.

One of the book's strengths is to show how the most dominant economic beliefs in political and economic fields are reproduced. The debt order did not impose itself naturally, but through the action of guardians who championed a return to the "economic harmonies" characteristic of today's economic and financial order<sup>3</sup>. Among these guardians, he singles out the "financial nobility of state", made up in particular of the representatives of finance ministries, central banks and treasuries. All these

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<sup>2</sup> Colin Crouch, *The Strange Non-Death of Neoliberalism*, Cambridge, Polity Press, 2011.

<sup>3</sup> Alain Supiot, *La Gouvernance par les nombres. Cours au Collège de France (2012-2014)*, Paris, Pluriel, 2020.

"censors" of alternative economic visions had the purpose of calling to order overly impetuous political representatives. The author illustrates how neoliberalism presupposes the active cooperation of dominant segments of the state in artificially maintaining a hypothetical "market order" (in contrast with ultraliberalism).

The book's originality, however, also lies in its exploration of the "capacity for harm" (p. 20) of the holders of public debt—the creditors—with regard to politics, by delving into archives and interviewing public and private financial players. Much like Robert Dahl, the Sterling Professor Emeritus of Political Science at Yale University, who in the 1960s asked "who governs" the city of New Haven<sup>4</sup>, Benjamin Lemoine takes the political power of creditors seriously, as they co-produce public policy. According to the author, the professionals who make their living from and for debt, of whom little is known, help to impose a "structural agenda" of reforms that legitimize a neoliberal order and the financialization of society (p. 126), in other words, to make politics through the financing possibilities of governments. This serves as a reminder that every financial relationship is fundamentally one of power.

In this regard, Benjamin Lemoine's analyses once again intersect with those of Colin Crouch, who coined the concept of "post-democracy"<sup>5</sup> to describe how states that are labeled democratic produce decisions that do not conform to the wishes expressed by citizens during elections, but to the interests of an economically dominant elite. This echoes the thesis defended by Lemoine, who speaks of politics confiscated by debt, in the sense that the politics of the ballot box are replaced by the politics of the holders of state debt (which he calls the bondholding class): "Whatever the outcome of universal suffrage, democratic life no longer affects the life of debt on the financial markets, which will follow its own course"(p. 16).

He describes how French governments, according to the political alternation, stick to economic policies designed to reassure the financial markets, without succeeding in de-instituting the regulated order of debt. This allows financial market actors to play a role in assessing public policies, distinguishing between political regimes that are credible from the (dominant) economic point of view, and immature, expansionist governments that are easy to blame.

Lemoine shows that there is a consensus between the financial nobility of state and the bondholding class (pp. 29-63), who work together to defend the "neutrality of

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<sup>4</sup> Robert Dahl, *Who Governs?*, New Haven, Yale University Press, 1961.

<sup>5</sup> Colin Crouch, *Post-Democracy*, Malten, Polity, 2004.

the market" (p. 102), to disembody the economy from politics, and to reduce the scope for any economic and budgetary policies that are out of step with what the financial markets are likely to value.

## **A different world might have been possible**

Nevertheless, Benjamin Lemoine's constructivist perspective is not fatalistic. Indeed, he seeks to show that the COVID crisis contained elements supporting the idea that economic policies could have been pursued differently. For example, he points out that the monetary authorities (pp. 65-113) took a number of decisions that broke with economic orthodoxy, such as buying up Member States' debts on the secondary financial markets, or keeping interest rates low, even negative, including for states with high levels of public debt. These decisions temporarily suspended their dependence on private finance—an ever-growing dependence, which should be seen in a longer historical context, since the 1960s<sup>6</sup>—even if not for the "right" ideological reasons:

"The central banks' interventions in the spring of 2020 did not have the political justification to monetize a Keynesian stimulus package as was the case after the Second World War. The intervention was circumstantial, proportionate to the inflation target, and above all urgently called for on account of financial instability (p. 86)."

He continues: "[...] there has never been any questioning of either the actual structure of financialization or the risky entanglement of sovereign debt with this speculative casino" (p. 97) in the post-COVID economic debate.

However, Lemoine repeatedly suggests that this narrative is in fact just one debt management option among many. In particular, he recalls the example he analyzed at length in his previous book:

"In the post-war period, state financing was essentially non-market, secure, and rooted in public control of the economy: debt sustainability was not a matter of concern (p. 58)."

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<sup>6</sup> Benjamin Lemoine, *L'ordre de la dette...*, *op. cit.*, chapter 1, pp. 45-82.

For the author, a return to non-market financing of the Treasury is a welcome solution, one that would enable the social state to be redeployed, as he so wishes. He believes that debt should be used to redistribute wealth in a socially just manner.

In any case, the solutions he proposes echo broader social currents that, from anti-austerity to the Yellow Vests protests, are calling for a reassertion of the sovereignty of public authorities over private financial and economic actors, to combat the "financialization" of society and what he calls "shadow democracy" (p. 57).

In this sense, Benjamin Lemoine's book is a work of critical economic sociology that seeks to discredit dominant economic beliefs in order to foster alternative approaches. The effort to bring private finance to heel must, then, be rooted in political will.

## **A few ideas for further study**

Although it would have been useful to know more about the sociology and heterogeneous profiles of the holders of debt securities, Benjamin Lemoine's book is valuable for its broader examination of the financialization of public policy and the controlled erosion of the state's social function.

We would like to suggest a few ways to expand on Lemoine's investigation. We know that numerous public and private actors have worked hard to legitimize the dramatizing narrative of debt, and to reinforce the debt order. However, we also know that this order is not fundamentally immutable. In fact, it could be interesting to focus on moments of de-institutionalization in relation to the ideology of debt, when governments take action that does not conform to the will of the financial markets (as was the case with Ecuador in 2008).

Although moments when the debt order has almost broken are rare (or barely visible), we could also consider the work done to validate alternative, non-neoliberal perspectives on the economic order. Though dominated in the field of economic thought, heterodox actors are nonetheless a valuable object of study that remains to be explored. Heterodoxy is not confined to economists, and the citizen debt audit collectives that have sprung up all over Europe reflect the desire of citizens' groups and activists to bring economics back into the political debate.

Finally, Benjamin Lemoine's work should be seen in the context of the political sociology of European economic policies, inasmuch as the debt order is co-produced at several levels of government. Fritz Scharpf, German political scientist and Emeritus Director of the Max Planck Institute for the Study of Societies, has analyzed the possibility of a (return to) social statehood in Europe<sup>7</sup>. He argues that the problem of a legitimate economic and financial order is linked to the fact that a particular vision of the economy has been constitutionalized (and in fact enshrined) in the European treaties. It might therefore be useful to launch a social debate on the de-constitutionalization of economic principles at European level. This seems essential if we are to legitimize (or even discuss) alternative economic visions.

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<sup>7</sup> Fritz W. Scharpf, "After the Crash: A Perspective on Multilevel European Democracy", *European Law Journal*, vol. 21 (3), 2015, pp. 384-405.