

# PhD Projects

## The political economy of German finance and development: The turn of German banks to microfinance

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Microfinance has become a very popular development tool. It originally started as a purely philanthropic endeavour to end poverty but it has now become an integral part of mainstream financial markets. My project explores the political economy of this expansion of microfinance into global financial markets. Specifically, I examine the German banks' engagement with microfinance from the 1990s to the present day. Traditionally, banks had little interest for these very small loans and informal markets which implied relatively large administrative costs, higher risks and little returns. I therefore aim to understand the reasons and ambitions of German banks to get involved with this development endeavour before it became so popular for private capital in the mid 2000s.

Using a historical-institutionalist account, my project contextualises the turn of German commercial banks to microfinance within the trajectory of the German financial system. Methodologically, using semi-structured interviews and annual reports and other documents, I trace the specific microfinance practices that Deutsche Bank and Commerzbank adopted. These organizations' microfinance strategies relate to the challenges they faced in becoming global investment banks. Whereas Deutsche Bank mainly engages with global funds and complex financial tools, Commerzbank focuses on market development in South-eastern Europe. I aim to make a three-fold intervention with my project:

Firstly, I aim to broaden the geopolitical focus of Anglo-Saxon financialisation and development and explore the involvement of German commercial banks who claim to be pioneers of microfinance. Contrasting the two countries can deepen the understanding of how developments within countries with differing political-economic backgrounds shape (micro-) finance practices and how these practices interact with their national interests as well as their specific financial lineages.

Secondly, I am interested in the different kinds of innovations around the securitisation of microfinance which enable global banks to trade micro-debt that was previously inaccessible for global commercial institutions. Much research has focused on the innovations that create "poor-appropriate" financial tools for micro-borrowers whereas the different techniques necessary for global banks to deal with tiny, informal loans have received less attention. The microfinance practices of German banks differ substantially between the individual banks as well as from their previous engagement with social responsibility.

Finally, I am interested in the role of development institutions and the German state. Microfinance is often portrayed as a tool of neoliberalism in which states retreat while private capital and financial markets expand. However, I show that Western banks have collaborated closely with state-owned development banks to find lucrative ways to securitise microfinance. The involvement of financial guarantees for microfinance products by the German state has been crucial in steering investment into microfinance.

## The nation-state as an agent in international trade structure of a globalizing world economy (19<sup>th</sup> and 20<sup>th</sup> century)

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This thesis aims to study the structural aspect of foreign trade related to the notion of the nation-state in the context of a globalizing economy. In economic studies of foreign trade we seldom encounter the nation-state as a functional variable, although much of the data on which all trade analyses are based are obtained from national statistics. In the case of international trade studies, the notion of trade partner has received little attention and the role of the state is limited to a protectionist/anti-

protectionist guard in a world of horizontal corporate trade networks, downgrading thus the important aspect of nation-structure within the international economic field. But the notion of trade-partner is not only an economic concept, but a political and a sociological one as well.

Using trade share data, I disentangle the web of all trade partners for each country for whom the trade share exceeds 1% and work out the global trade structure at the meso-level of the nation-state.<sup>1</sup> I analyze how these structures, which do not necessarily constitute a network, evolve through time and what the implications are for the economic relations between nation-states. I depict trade shares similarly to a world trade-partner map,<sup>2</sup> and include multilateral imports and exports for 1896, 1906, 1965, 1980, 1995, 2005. I compare structures across this time horizon taking into consideration historical specificities.

Some of my findings are that in a century's time international trade structures shift only gradually and so it is plausible that they could be situated in a long-wave perspective. At the same time, they correlate to shifts in power and hegemony in the international economy relating to specific nation-states. Regionalism in international trade appears to be a field structured by the gravitational force of specific nation-states, elaborating thus the argument of Fligstein (2001) that global trade refers to a well-established trade between the leading regional economies. Structurally the change in trading patterns seems to fit a theory of an international economic field similar to that of Pierre Bourdieu (2005) where the nation-state replaces the firm as agent. In addition, each nation-state seems to have a gravity effect in the international economic field.<sup>3</sup> But not all nation-states' gravity effect and dynamics seem to have the same effects on international trade structure. Nevertheless, this combination of long wave theory and economic field theory clears a path for constructing a component of a temporal-structural non-deterministic model of economic change.

### Endnotes

<sup>1</sup>For the late 19th century I use data from Statistical Abstract of Foreign Countries. Part I-III. Statistics of Foreign Commerce, Department of Commerce and Labor, Bureau of Statistics, Washington, 1909. For the late 20th century I use data from United Nations, International Trade Statistics Yearbook, various years and the UN Comtrade Database.

<sup>2</sup>A similar thought is set in motion in the work of Grotewold and Grotewold (1957) but it restricts itself to a single trading partner

due to the kind of depiction that it adopts (cartographic maps). As a result the global view is lost.

<sup>3</sup>As theorized by Martin (2003). See also Fligstein, McAdam (2012).

### References

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## Economy and moral in blue. A sociological study of the illegal dollar market in Argentina

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Between 2011 and 2015, the development of an illegal dollar market has acquired a growing economic, political and social relevance in Argentina. Increasing inflation rates opened intense discussions about the value of the local currency, and the external constraints of the economy led the national government to introduce strict regulations on the foreign exchange market, in order to address the lack of dollars. Beyond the importance of this market in terms of its volume of transactions, its sociological significance lies in its capacity in highlighting deeper dimensions of the logic of Argentine capitalism, showing the extension and consolidation of multiple illegal yet legitimized practices in the local financial community. This transactions and its object of exchange, locally known as "blue dollar", are also productive to observe significant long term practices that shape the local financial cultures where the dollar itself is more than the numerical reference for the currency exchange but a true social and cultural value. Through a qualitative research approach, this project aims to characterize the "blue dollar" market from a socio-cultural perspective. This means, by apprehending the illegal practices as manners of acting, feeling and thinking that are crystallized in material, but also cognitive and evaluative structures created and recreated in the local financial communi-

ty through specific social ties and dynamics. The articulation between the theoretical perspective of what can be seen as cultural studies of the economy (the contributions of Marion Fourcade, Jane Guyer, Kieran Healy, Michèle Lamont, Jens Beckert and Viviana Zelizer, among others) and cultural criminology (outlining a tradition from Edwin Sutherland to the subculture theories and its critics) allows for rethinking the tensions between the normative and the moral dimensions of these economic strategies. After a socio-historical reconstruction of the recent process of financialization of the local economy in order to comprehend how illegal currency trading became a regular and extended practice in the local financial community, I focus on the description of the heterogeneity of financial and commercial agents (as well as their business strategies) that shape this complex network of financial intermediations as a liminal space between what is legal and illegal. As well, I analyze the set of meanings and values that configure the “blue dollar” as a currency that is illegally traded but legitimately earned or saved, and also define its exchange as an illegal practice but not criminal or immoral. These constructions are related to the ways in which financial agents define the social function of the market and distinguish the currency they trade (producing moral differentiations between “white”, “black” and “blue” dollars), as well as their insights and judgments about the legitimacy of State intervention over the economy and the capacity of the national currency to fulfill the principal monetary functions. Finally, the thesis also attends to the public debates over this illegal market, since the “blue dollar”, its price and its forms of exchange acquired not only great visibility in the public arena, but also became the object of political disputes between multiple agents and social discourses that seek to either legitimize or criminalize those practices. In conclusion, the project suggests that the illegal dollar market does not operate in opposition to or beyond the formal financial institutions, nor is it opposed to extended beliefs and values that organize our economic culture, even though it may contravene foreign exchange regulations. In these transactions, a powerful and socially legitimated cultural (and moral) grammar is produced and reproduced, allowing us to understand why it is not a taboo to buy and sell “blue dollars” in the local financial market.

## The Politics of Financial Literacy Education

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In my dissertation project I explore the ascent of financial literacy education as a policy project, and ask how it changed in the course of the recent crisis. The question I am interested in is how different actors have understood the issue of financial literacy and which narratives have become dominant at the EU, US and OECD level (since the mid-2000s). Has financial literacy been a project favouring the spread of financial rationalities or rather a consumer protectionist one? Also, to which extent has the subprime crisis served as a narrative anchor point for proponents of financial literacy? I argue that a view on narratives can help identify key coalitions and opponents of financial literacy education and lets us understand the role of ideas and policy frames in the promotion of and opposition against financialization.

Financial literacy education has been a core ingredient of the rise of a mass consumer culture in finance, but an equivocal one. The concept's appeal was nourished by its own ambiguity: while some of its proponents emphasize the importance of changing consumer behaviour towards more risk-friendly stock market investment, others want to see it as a project of consumer protection against financial industry. How can this coalition of proponents between industry, public administration and consumer groups possibly be holding together? Which actors were excluded and which ones included?

By analyzing publications such as reports, consultation responses, press releases by, and interviews with, major actors in the field such as public administrations, financial industry, consumer organizations, and academics, I want to gain an understanding of how they saw financial literacy education and how that perception changed in the crisis years. In order to identify key actors in the field, the project will additionally draw on network data that comprises global financial literacy summits, conferences and advisory groups both in the EU and the US. The project thereby combines methods from discourse analysis and social network analysis.

Following other scholars from international political economy (e.g. Blyth, 2002; Schmidt, 2008), I argue that ideas serve the purpose of forming discourse coalitions (Fischer, 2003). This approach transcends the borders of classical interest-group research (Korpi, 2006) which focused rather on resource mobilization as the main element of explanation.

By identifying key narratives of financial literacy education and at how they are shared among different actor groups, I thus aim at explaining how ideas of personal responsibility and financial market participation have spread throughout civil society actors and policy-makers. Insights from this analysis could thus contribute to an understanding of the political repercussions of financialization (van der Zwan, N., 2014) in terms of rationalities and policy frames.

Furthermore, by examining financial literacy narratives across time, the project can identify how large-scale events may change actors' perceptions of the norms that can legitimize reform proposals. This research can thus show how discourses of financial literacy education changed from an investor-oriented focus (risk diversification of investments, pension planning) to rather debtor-oriented

issues (sustainable management of personal budgets, choosing the right mortgage contract) in the aftermath of the subprime crisis.

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