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Technocratic Exceptionalism: Monetary Policy and the Fear of Democracy

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What do border guards and central bankers have in common? Both operate, on a day-to-day basis, in political spaces exempt from many of the norms of liberal democratic politics and yet have the power to define and constrain them. In order to understand the role of such routine suspensions in the norms of liberal politics, we need to move beyond analyses that focus narrowly on security exceptionalism or emergency-management and pay attention to the practices of technocratic exceptionalism. Drawing on Foucault's lectures on biopolitics, I examine the ways in which economic theory and practice has sought to resolve some of the central tensions in liberalism by protecting the market from too much democracy—a kind of exceptionalism exemplified by the doctrine of central bank independence.

> Janet Yellen and Mario Draghi are very important players in the world economy, arguably more important than the US President or the German chancellor. And yet they are not elected; if voters do not like the job they are doing, they cannot get rid of them. (Buttonwood 2015)

What do border guards and central bankers have in common? Both operate, on a day-to-day basis, in political spaces exempt from many of the norms of liberal democratic politics and yet have the power to define and constrain liberal rights. Where border guards can decide when and how the rights of asylum and citizenship apply, central bankers make vital decisions affecting citizens' livelihoods, insulated from democratic oversight. Although there has been some excellent analysis of the ways in which contemporary security exceptionalism takes place through the mundane practices of "petty sovereigns" (Butler 2006, 65) and involves "little security nothings" (Huysmans 2011), there has been little attention paid to the ways in which similar dynamics play out in political-economic contexts. Focusing on the role of central bankers before, during, and after the recent financial crisis, this article argues that, in order to understand the role of such routine suspensions in liberal democratic norms, we need to move beyond analyses that focus on security exceptionalism and emergency-management and pay attention to the mundane practices of technocratic exceptionalism.

Although technocratic exceptionalism may appear to be an oxymoron, it is in fact a powerful way of understanding the subtler, routine ways in which the logic of liberal exceptionalism often operates. While emergency exceptionalism operates through an episodic logic in which normal politics are suspended in times of declared crisis, technocratic exceptionalism works through a different temporality, operating on a continuous basis in the background, suspending normal political processes over certain issue areas or certain individuals deemed dangerous enough

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to exempt from normal politics. One of the key reasons that it is important to see many of these technocratic practices as a kind of exceptionalism is because they share a similar logic to emergency forms, operating as a set of strategies for managing the key constitutive tensions in liberal democratic polities. Such exceptions do not exist outside the law but instead operate at the limits of liberal politics—both defining and reconciling the tensions between freedom and necessity, universality and particularity, inside and outside, peace and war.

There is of course an existing Marxist literature reflecting on the centrality of emergency exceptionalism in both security and economic domains (Panitch 2002; Callinicos 2003; Neocleous 2006). Yet, the most thoughtful of these analyses have rejected the concept of exceptionalism for assuming that moments of violent state action are exceptions to the liberal rule of law rather than being a function of those laws, emphasizing instead the crucial role of economic emergencies in reinforcing the capitalist state (Neocleous 2006; Zizek 2010). While such analyses of the central and even productive role of emergencies in capitalist development provide important insights into recent events, they tend to downplay the often-contingent pressures driving the rise of any given set of policies and to overstate the coherence and stability of liberal forms of governance.

There also exists a second strand of Marxist analysis, which, drawing on Gramsci, Hall, and Poulantzsas, pays more attention to the everyday dynamics of neoliberal politics. Through his concept of new constitutionalism, Stephen Gill has pointed toward the ways in which neoliberal states have constrained democratic influence over economic policies by locking in trade and intellectual property laws through international agreements (Gill 1998). More recently, Ian Bruff (2014) has reminded us of the centrality of the liberal state to capitalist development and has argued that we are witnessing the rise of a kind of authoritarian neoliberalism that erodes the state's democratic basis by insulating it from political conflict. Although Bruff in particular argues that his analysis is one that sees this process as contingent and contradictory, the logic of these analyses nonetheless remains quite narrowly class-based and less attuned to tensions within liberalism (as well as neoliberalism), particularly in relation to its relationship with security and citizenship. While drawing some inspiration from these critical political-economic literatures, this article moves away from a narrow focus on the contradictions of capitalism, using Foucault's lectures on the birth of liberal political economy as a way of examining the complex relationships between the political-economic and security logics of liberal governance.

Those scholars of security and citizenship who have sought to undertake this kind of analysis of liberal theory and practice have, for their part, generally ignored its political-economic dynamics. This oversight is particularly striking given that one of the main theoretical resources for many scholars working on these questions is the work of Michel Foucault, particularly his lectures on biopolitics—lectures which are, in fact, primarily focused on the role of political economy as the form of rationality that underpins liberal forms of government (Foucault 2004, 13). In these lectures, Foucault points to the paradox that defines the relationship between the government and the free market in a liberal polity: the market must be free from interference if it is to function "naturally" and produce "normal" prices; yet that freedom also requires a whole host of constraints—to ensure the functioning of the market and to maintain the stability of the political order in the face of the dangers produced by that freedom—dangers of which we have been reminded once again with the 2008 global financial crisis.

In developing the concept of technocratic exceptionalism, this article seeks to bring some of the insights from critical security and citizenship studies into the study of political economy, contributing to a small but growing literature that seeks to understand the internal logics of liberalism through these twin lenses (e.g., Amoore and de Goede 2008; Brassett and Vaughan-Williams 2012; Amoore 2013). In so doing, this study also seeks to build on the work of those scholars of politics, sociology, and anthropology who have delved into the everyday practices of monetary policy in order to reveal the ways in which their apparently depoliticizing, technical logic is in fact highly political (e.g., Riles 2011; Holmes 2014; Braun 2017).

As both Karl Polanyi and Friedrich Hayek noted in their different ways, the constitutive tension between market freedom and political stability becomes even more difficult to manage once the elite liberal polities of the nineteenth century become liberal democracies in the twentieth century and citizens find that they can vote out political leaders who seek to privilege market freedom over political stability. Since the rise of neoliberalism in the 1980s, the solution to this core tension has been to follow Hayek's lead and protect the market economy from too much political oversight. This strategy and the profound skepticism about democracy that it embodies underpin the vast majority of the economic theories that dominate today, as well as many of the economic practices that they justify. By demarcating a range of different economic problems that must be protected from too much democracy, these routine policy practices effectively create and reproduce little pockets of exceptionalism on a day-to-day basis.

The remainder of this article is organized into four main sections. I begin by developing a preliminary analytic framework for studying emergency and technocratic exceptionalism, drawing on the existing scholarship in critical security and citizenship studies. I then seek to extend and complicate this framework by exploring the history and practice of economic exceptionalism, drawing on Foucault's lectures on biopolitics and exploring Hayek's influence on contemporary economic theory and practice. I go on to apply the insights gained from this analysis to the case of central banking, focusing on monetary policy before, during, and in the long aftermath of the 2008 global financial crisis. I conclude by evaluating the relationship between emergency and technocratic exceptionalism in the economic context and considering the implications of this study for broader efforts to think exceptionalism beyond emergencies.

Exceptionalism in the Governance of Security and Citizenship

I am building here on a rich and contested literature in political theory, critical security, and citizenship studies on the role of exceptionalism in liberal polities.[1] Although most scholars have tended to focus on the role of exceptionalist politics in times of (real or declared) emergency, there also exists a growing literature intent on examining its more mundane and technocratic manifestations. I will take each in turn briefly here, in order to identify some of the main analytic categories and insights—as well as the gaps—that I will then build on in developing a conception of technocratic economic exceptionalism.

Whether in the tradition of the Copenhagen School's work on securitization or directly drawing on the work of Carl Schmitt and Giorgio Agamben, scholars in political theory and international relations have found the idea of a "state of exception" to be a potent way of making sense of governments' tendency to suspend normal political rights and procedures in the face of an apparent threat. Although scholars in these various traditions do not generally use the term themselves, it is useful to think of their object of study as *emergency exceptionalism* because of its focus on declared moments of emergency and crisis—most commonly in the context of war.

In his analysis of the politics of exceptionalism, R. B. J. Walker reminds us that all exceptions involve processes of drawing lines (between here and there), making discriminations (between this and that), and ultimately defining limits (between the

[1] There also exists a literature on exceptionalism in nonliberal contexts and in North-South relations (e.g., Ong 2006; Best 2007); this article focuses instead on the particular logic and role of exceptionalism in the Global North in liberal (and particularly liberal democratic) polities.

norm and the exception) (Walker 2006, 2010). Liberalism as a form of governance does not avoid the problem of limits but rather gives them a particular form—as a series of constitutive tensions. The most potent of these is the tension that Walker defined in terms of inside/outside: the fact that liberal polities are grounded on a set of universal aspirations regarding human rights and freedoms but can only pursue them in the context of particular, territorially bounded states, which can and do come into conflict with one another—conflicts that can grievously threaten the rights and freedoms that liberal polities seek to foster (Walker 2010, 114).

Emergency exceptionalism can thus be understood as a particular tactic of liberal governments through which they define and manage the limits of normal politics: yes, liberal citizens enjoy certain universal rights and freedoms, but—so the logic goes—these can be suspended in extreme moments, often in the context of war, when the very survival of the state is threatened. Emergency exceptionalism has thus classically been understood in terms of a particular kind of temporality—a temporary rupture in normal politics in order to address an extreme but singular threat.

Although there are significant differences among the various strands of exceptionalist scholarship, as I have suggested elsewhere they can be usefully synthesized by defining emergency exceptionalism through three key moments or moves (Best 2017b). The first of these moves involves defining the limits of normal politics—usually through the invocation of a threat that justifies a temporary move to exceptional politics. The second involves suspending the norm—generally by bypassing usual democratic and sometimes legal processes, in order to act more quickly and efficiently to meet the declared threat. The third move is a more complex and contested process of putting the exception into place, usually through various bureaucratic means, involving a whole host of practices that work to operationalize and ultimately routinize the exception. Although the first two of these moments could potentially be understood through a formal Schmittian conception of exceptionalism as a pure expression of sovereign power, the third moment forces us to consider the complex social practices required to enact any particular suspension of normal politics.

This sociologically attuned conception of exceptionalist practices becomes even more important as we move from emergency to *technocratic exceptionalism*. The constitutive tension between inside and outside the modern liberal state that manifests itself in moments of crisis also enables a second set of background limits, circumscribing the demos and the rights of citizenship. Citizens of a liberal democratic polity are always members of a particular bounded demos who also identify as individuals with universal rights and freedoms.[2] This second limit, or tension, is not only the enabling condition for decisions about war and peace (which depend on the prior division of the world into inside and outside, citizen and noncitizens, friends and enemies) but also produces a subtler kind of exceptionalism. Modern liberal democracies affirm the universality of human rights while at the same time granting full rights only to their own citizens—and, even then, rarely to all in equal measure (Nyers 2004, 203).

The exceptionalism contained in these exclusionary citizenship practices is most evident in situations like the recent refugee crises prompted by conflicts in Syria and elsewhere, which reveal in stark terms the increasingly extreme measures that the EU and other governments are willing to use to avoid accepting refugees. While liberal democratic leaders are bound by international conventions on the rights of refugees, they also retain significant power to define when and how those conventions apply, deciding who counts as a citizen and who does not, whom to let in

[2] This is a tension that Schmitt saw as an impossibility (since the demos for him only existed in opposition to an outside enemy) but that other theorists, including Chantal Mouffe, have suggested has the potential to produce a kind of productive agonism in modern democracies (Mouffe 1999; Schmitt 2007).

and whom to refuse. We can read this kind of crisis response through the lens of Giorgio Agamben's work, seeing the refugee camp as the archetypal form of the exception-as-rule—a hypothetically temporary response to a moment of crisis that quickly becomes the norm, creating zones of exception in which the law does not apply and thus making the ultimate sovereign decision regarding who is included in political life and who is relegated to bare life (Agamben 1998).

Yet, as a growing number of sociologically inspired scholars have argued, such an analysis misses the ways in which these exceptional spaces are also enmeshed in and encoded with profoundly social and bureaucratic practices and procedures (Johns 2005; Bigo 2007; Huysmans 2008, 179). They also overlook the ways in which the reproduction of the lines between citizen and noncitizen (as well as war and peace) depend on a myriad of legislative, legal, and practical decisions and practices that reproduce certain exceptions on an everyday basis. As William Walters suggests, the new logic of security and citizenship is active and productive, not simply seeking to keep out threats but also to produce a new kind of citizen (Walters 2004). The temporality at work in the everyday production of exceptional politics is therefore quite different from the Agambenian idea that the exception has become the norm: it is not a singular, temporary logic that has been made permanent but rather a heterogenous set of mundane practices that reproduce the distinctions between those included and those excluded, the norm and the exception.

Should we then dispense with the category of exceptionalism altogether and just focus on the mundane and routine processes through which liberal governments produce new practices of citizenship and security, as some scholars have suggested? I want to argue here that although there are indeed dangers involved in formal conceptions of exceptionalism (Huysmans 2008), the concept itself remains a powerful one when combined with an attention to its social production. Using the lens of technocratic exceptionalism allows us to not only see the concrete social practices through which governments seek to produce certain forms of citizenship and security (and economy, as I will suggest below) but also to pay attention to the ways in which the logic of *threats*, *limits*, and *suspensions* continues to operate in these more mundane settings.

Threats continue to play a potent role in defining these new practices of security and citizenship—yet these are a subtler and more pervasive kind of threat than the formal declaration that we have come to expect in times of emergency: a constant background of chatter about those flows of people and things from outside the homeland that can do us harm: "illegals, traffickers, terrorists" (Walters 2004, 241), which induce a permanent state of unease (Bigo 2002) or even neurosis (Isin 2004). This pervasive, circulating threat may not be powerful enough to justify an abrupt rupture with normal politics and the declaration of an emergency, but it is sufficient to rationalize a series of subtler *suspensions* of the liberal norms of citizenship, as the universal ideal of social citizenship is gradually replaced with a complex series of controls designed to classify, segregate, and manage different degrees of citizenship, sorting people at the border and beyond (Balibar 2009).[3] To return to Walker's terminology, instead of a singular politics of the *limit*, we find instead a series of lines, discriminations, and gradations that produce a whole host of minor exceptions.

Liberalism and its Political-Economic Tensions

Although the overwhelming majority of the scholarship on exceptionalism has focused on security practices, these same logics of exceptionalism also play a key role

[3] I am not, of course suggesting that the universal norms of citizenship, including the social form that held sway in the post–World War II era, were ever fully achieved in practice but rather pointing to the ways in which even these regulative ideals are shifting today. On this shift, see also Walters 2004.

in the political-economic realm. The tensions between universality and particularity and between freedom and necessity that define liberal theory and practice also play out in the realm of political economy. If the central tensions that enable security exceptionalism are those between inside and outside, citizen and noncitizen, then the tension at the core of economic exceptionalism is that between the universal promises of a free market economy and the particular demands of political stability.

It is worth remembering here that political-economic questions are not peripheral to the project of liberal governance. Although we can find a range of accounts of the central place of political-economic questions in the evolution of liberal theory and practice,[4] I start here with the one put forward by Foucault in his lectures on biopolitics at the Collège de France between January and April of 1979. Given the key role of Foucault's conception of governmentality in much of the scholarship on the bureaucratic practices of security and citizenship, it is notable that he dedicated so much of his analysis of the evolution of liberal governmentality to its political-economic character.[5]

Foucault's stated goal in this year's lectures was to trace the gradual shift in the dominant logic of government from the seventeenth century's raison d'état to the rise of biopolitics (Foucault 2004, 21–22). He claims that what defined the newly emergent governmental rationality in the eighteenth century was an internal set of limits that established the appropriate scope and form for governmental action. After arguing that "the intellectual instrument, the type of calculation or form of rationality that made possible the self-limitation of governmental reason was not the law," he goes on to suggest that "obviously, it is political economy" (Foucault 2004, 13). More specifically, he argues, this new form of governance was a kind of liberalism, preoccupied with the idea that "*on gouverne toujours trop*" (one always governs too much) and committed to the belief that the solution is "*laissez-nous faire*" (Foucault 2004, 20).

Three key concepts and institutions form the groundwork for this new liberal rationality of government. The first is the market, whose capacity to form "natural" prices makes it a key source of truth—but only as long as it is left free from intervention so that the play of individual interests can produce the general good. The second key concept is that of utility, which replaces legitimacy as the key criterion for evaluating governmental action. The third and final concept is interest, both individual and collective, which becomes the principal logic through which the government takes action—no longer acting directly on subjects' bodies, as the king once did in exacting punishment, but indirectly by managing public, individual, and governmental interests (Foucault 2004, 30–31, 40–41, 43–46). In sum, he suggests:

> The fundamental question of liberalism is: What is the utility value of government and all the actions of government in a society where exchange determines the true value of things? (Foucault 2004, 46)

Paradoxically, although the principle of "laissez faire" serves as a key constraint on government expertise and action, the freedom that the market enables must also actively be produced and maintained through government action. As Foucault notes, a liberal government is "a consumer of freedom," depending on a free market, private property rights, and the freedom of discussion for its success.

[4] For example, in *The Machiavellian Moment*, J. G. A. Pocock tells a similar story of the central role of political-economic changes in shaping early liberal political theory and practice (Pocock 1975, chapter 14). Other classic accounts of the relationship between political economy and early liberal thought include Hirschman 1978; Hont and Ignatieff 1983.

[5] There is, of course, a rich sociological literature that has used Foucault's earlier work to think through the dynamics of neoliberalism, although most of it was written before Foucault's lectures were formally published. See Barry, Osbourne, and Rose 1996; Rose 1999; Hindess 2001).

Yet, at the same time, it must also produce freedom, "but this very act entails the establishment of limitations, controls, forms of coercion, and obligations relying on threats, etcetera" (Foucault 2004, 64).

Government controls are not only needed in order to create the conditions for market freedom, however; they are also an essential means for managing the dangers that the free interplay of interests in turn produce:

> The liberal art of government is forced to determine the precise extent to which and up to what point … individual interests insofar as they are different and possible opposed to each other, constitute a danger for the interest of all. (Foucault 2004, 65)

What Foucault (2004, 65) describes as "the game of freedom and security" is a complex process of producing freedom while also managing the attendant dangers to both individual and collective interests. In the language that I am using in this article, this complex relationship between market-based freedom and political stability thus also becomes a defining tension within liberalism.

Economic Exceptionalism

What are these dangers that a political system organized around market freedom must protect against, and how does it seek to do so? Although Foucault does provide a few examples of possible dangers and responses, as I will discuss below, he does not conceptualize them in terms of exceptionalism. This is no doubt due in part to his discomfort with a concept that he associated with the logic of sovereignty, which he was careful to differentiate from the logic of governmentality in both of these lectures (Foucault 2004, 1–26, 267–90) and in his earlier discourse *Security, Territory, Population*.[6] If, however, we follow the lead of the critical security studies and citizenship studies scholars discussed above and move exceptionalism beyond the formalism of sovereign decision-making into the social dynamics of governmental practice, then we can begin to see how the political-economic tensions that Foucault identifies within liberalism, and the dangers that they produce, might come to be managed through strategies of both emergency and technocratic exceptionalism.

One obvious answer to the question of what dangers a system of liberal government might need to manage is the problem of economic crises—a constant in the history of liberal political economy. The 2008 global financial crisis was a stark reminder of some of the more dramatic dangers of a political and economic system organized around a highly liberalized market. As I have argued elsewhere, we can learn a great deal about how liberal governments respond to economic crises by using the concept of emergency exceptionalism (Best 2017a,b). Emergency provisions such as martial law have not just been used in times of war but have also historically been invoked to put down strikes, pass emergency legislation such as the New Deal, and respond to banking crises (Roosevelt 1933; US Senate 1974; Scheuerman 2000).

In many of these moments of economic crisis, we can see the same emergency logic of exceptionalism at work as in instances of securitization, as political and economic leaders work to define the limit of normal politics and economics, suspend political and economic norms, and put the exception into practice. In the recent financial crisis, for example, political leaders invoked the extreme threat of economic collapse—the possibility that, as Ben Bernanke put it, "There won't be any economy on Monday"—as a justification for taking emergency measures (Duke 2009). These same leaders then set out to suspend both political and economic norms—bailing

[6] As Regan Burles points out, Foucault does however develop an implicit, remarkably Schmittian conception of exceptionalism via the idea of coup d'état in his lectures on *Security, Territory and Population*. At the same time, the conceptions of governmentality and sovereignty that underpin this earlier analysis of the exception are complicated by his later thinking as set out in his lectures on biopolitics (Foucault 2007; Burles 2016).

out corporations instead of letting them fail, suspending trading on the stock exchanges, nationalizing certain failing banks, and pushing through enabling legislation where adequate emergency authority did not yet exist. The work of putting these exceptionalist provisions into practice was a much more gradual, uneven and contested process, involving a whole host of legislative, private, and bureaucratic actors (Best 2017b).

While this type of emergency response is the most visible form of economic exceptionalism, it coexists with a second, subtler kind of exceptionalism. In security exceptionalism, we saw that the same constitutive tensions between inside and outside were managed through both temporal breaks between normal times and moments of crisis and through mundane bureaucratic strategies that sought to limit the rights of citizenship in various ways. In the same way, the liberal tension between market freedom and political stability can be managed through both emergency actions and technocratic strategies that suspend either market freedom or political control in one issue area.

A political system based on market freedom generates not only periodic crises but also more mundane ongoing disruptions or dangers. Foucault provides some examples of such dangers, including the possibility that individual workers' illnesses or accidents could harm collective or firm interests (Foucault 2004, 65). The historical response to such problems in many liberal states was of course the provision of various forms of social security and insurance (Ewald, Gordon, and Miller 1991). Yet, even these seemingly mundane efforts to reduce the risks of a market economy require ever-greater forms of state intervention and control, simultaneously fostering and threatening market freedom and ultimately producing what Foucault (2004, 69–70) describes as a series of "crises of liberalism."

Although Foucault points to the dangers produced by a liberal political economy, he glosses over the political dynamics that turn these tensions into outright conflicts—chief among them being the shift from the elite-dominated liberalism of the nineteenth century to the mass democracies of the twentieth century. As both Karl Polanyi and Friedrich Hayek noted (while fundamentally disagreeing on its implications), a truly free market is not compatible with a robust democratic society because that society has a habit of rising up and attempting to restrain market freedom for the sake of greater stability and substantive equality—in the form of unions, strikes, legislative constraints on economic freedom, or even the turn to fascism or communism.[7]

Polanyi's proposed solution to that tension in liberal democracy, and the one that gained some purchase in the Keynesian 1950s and 1960s, was to constrain liberal economic rights by resubordinating the market to democratic processes—effectively suspending some of the freedoms of the market for the sake of greater political stability and democratic control.[8] This particular solution to the tensions of liberal political economy is the one that Foucault is referring to when he speaks of the recurrent crises of liberalism—including the crisis that he was living through in the late 1970s while giving these lectures, as persistent recessions combined with rampant inflation were fueling a widening rejection of the Keynesian solution and the rise of Hayekian neoliberalism.[9]

[7] Polanyi 1944; Hayek 1994. Or, one might add, by supporting right-wing populist leaders like Marine Le Pen and Donald Trump.

[8] Although it is counterintuitive to do so, we can think of this Keynesian compromise as another kind of technocratic exceptionalism: the underlying threat of depression and war (as was learned the hard way in the first half of the twentieth century) justifying the suspension of the norms of market freedom in certain areas through a much more interventionist state than was accepted in the nineteenth century, resulting in a kind of technocratic exceptionalism that was put into place through a massive apparatus of expert bureaucratic techniques.

[9] Foucault was thus giving these lectures at a key historical turning point in liberalism, as the Hayekian interpretation and resolution of this constitutive tension was beginning to gain political ground.

I want to argue here that this emergent form of neoliberalism, which was just beginning to catch hold in the late 1970s and that largely remains with us today, relies on a particular kind of technocratic exceptionalism—one that establishes the limits of normal politics by invoking an existential threat, suspends normal democratic oversight around certain issues, and puts the exception into place through a set of highly technical theories and policies that work in the background, through routine everyday practices, to produce a particular kind of liberal economic subject.

What is the *threat* that is so serious in the second half of the twentieth century that it requires the suspension of democratic politics? If we follow Hayek's logic, it is not so much a threat to the state as the threat *of* the state—or, more precisely, the threat of a state subject to the whims of "unlimited democracy."[10] It is well known that Hayek saw grave problems in the liberal state's increasing support of social welfare—a slippery slope of interventionism that he believed would lead inevitably toward totalitarianism. Like the German ordoliberals, with whom he had a close but contentious relationship, Hayek believed that Nazism was not an aberration but rather a natural result of the state's overactive involvement in the economy and thus a warning to those keen to expand the state's economic role in the postwar era (Foucault 2004, 109–10).[11]

What is less well known is the extent to which Hayek relied on Carl Schmitt, the father of exceptionalist politics and a Nazi-era jurist, in formulating his critique of welfare liberalism. William Scheuerman provides an insightful analysis of the intellectual links between these two powerful mid-twentieth-century thinkers, who both raised similar critiques of the liberal state but ultimately proposed very different solutions (Scheuerman 1997; see also Irving 2018). Hayek drew on Schmitt's critique of legal positivism to develop his criticism of the "slippery slope" from welfare liberalism to communism or fascism. Both challenged what they saw as a shift from general to particular legal norms, in which specific groups and individuals are increasingly the objects of law, effectively blurring the genuine role of law with bureaucratic, administrative action.[12] The expansion of the state into these new areas, Schmitt argued, actually rendered it increasingly powerless, as the "total state" was progressively colonized by clientelistic interest groups (Schmitt 1985; Hirst 1999; Schmitt 2007, 22). Schmitt's solution, of course, was to create an authoritarian state that could rise above such particularist pressures and regain meaningful power.

Hayek's, in contrast, was to attempt to return to a "purer" form of liberalism that was unencumbered by the demands of social welfare by carefully limiting democratic oversight of economic activity. Rather than simply arguing for a minimalist state, Hayek, like the ordoliberals, argued that the solution was to constrain state overreach through the articulation of clear rules that would ensure that the state only acted in order to support a competitive market economy (Hayek 1994, 63).

The threat that Hayek invokes is thus an extremely powerful one—the potential enslavement of liberal societies through a gradual decline from Keynesianism toward totalitarianism. While the extreme terms with which he articulates the threat of too much government are somewhat muted by the economists who have followed his lead, this "phobia of the state," to cite Foucault once again, remains a constant in the neoliberal rollback of the welfare state that he helped to inspire (Foucault 2004, 75–78). This underlying threat has translated into a profound skepticism not just of the state but more specifically of democratic systems because political leaders are too quick to respond to the demands of the public when they seek to restrain the destabilizing effects of the market.

[10] Sean Irving (2018, 113) provides a thoughtful analysis of the influence of both Schmitt and the ordoliberals on Hayek's belief that unlimited democracy, and the influence that it gave to the masses, was a major cause of the rise of economic planning.

[11] For an influential interpretation of Foucault's discussion of ordoliberalism, see Lemke 2001.

[12] Foucault (2004, 171-73) also discusses Hayek's conception of "law and order" in his lectures on biopolitics, but he does not touch on the links with Schmitt.

The threat of too much state thus serves as a justification for *suspending* democratic oversight over certain key areas of economic policy. It can be seen in the many different variants of public choice theory that have come to dominate so much economic policymaking in recent years, including the theory of "rent seeking," which argues that the public allocation of goods is hugely inefficient (Krueger 1974); the public choice analysis of bureaucracy, which views public sector workers as self-interested maximizers whose interests are rarely consistent with general welfare (Niskanen 1971); and political business cycle theory, which claims that politicians always drive up inflation just before an election, thus eroding economic sustainability (Nordhaus 1975). Each of these theories is highly skeptical about the potential economic role of the state, particularly when it is responsive to the concerns of a mass electorate.

Yet Hayek, like the ordoliberals and the American neoliberals, did see some role for government—particularly in maintaining price stability through a rule-based monetary order (Foucault 2004, 138–39). The initial form that this took in policy circles in the late 1970s and early 1980s was through the adoption of Milton Friedman's monetarism, which sought to reduce monetary policy to a simple technocratic rule (Friedman 1963). Although early monetarist attempts to control inflation through the money supply ultimately failed, policymakers have nonetheless continued to adopt a rule-based approach that is insulated from democratic oversight—a policy underpinned by key economic theories, including the rational expectations hypothesis and credibility theory, which suggest that certain key economic policies must be insulated from public influence, lest politicians be swayed by public pressure to adopt less than credible economic policies (Muth 1961; Sargent and Wallace 1976; Kydland and Prescott 1977; Blackburn and Christensen 1989).

In spite of these economists' staunch support for liberalism—and even libertarianism—their theories retain a rather conservative skepticism about the democratic process that is remarkably reminiscent not just of Hayek's but also of Schmitt's critique. Through their efforts, pockets of technocratic exceptionalism have been integrated into the rhythm of everyday political-economic life, suspending democratic oversight over certain economic decisions and thus ensuring that, to paraphrase Foucault, the state does *not* govern too much.

Technocratic Economic Exceptionalism in Practice: Central Bank Independence

How has this suspension of democratic norms been put into practice? As these various economic theories have become increasingly accepted, certain economic decisions have been gradually removed from democratic influence. In the microeconomic realm, the state has reduced its formal influence through deregulation and the growing reliance on private sector self-regulation (for example, through proxies like the credit rating agencies). In the macroeconomic realm, the most evident example of this trend is the almost complete withdrawal of the state from monetary policy through the widespread adoption of central bank independence. It is this set of practices that I will examine in greater detail here in order to explore the place of technocratic exceptionalism in contemporary economic life and its central role in responses to the 2008 global financial crisis.

As I discussed above, the wider global response to the financial crisis can be very usefully understood in terms of emergency exceptionalism. As the years have passed since the financial crisis first struck, many of the exceptional measures that were introduced in response have been wound down. By December 2012, for example, the US government had sold its last remaining shares in the insurance giant AIG—the firm whose bailout in September 2008 was one of the more extreme government actions in the midst of the crisis (Sparshott and Holm 2012). Yet, even as governments' reliance on such measures has declined, central banks have continued to play an exceptional role in the economy.

Since the crisis, central banks around the world have adopted a wide range of so-called "unconventional" policy measures, including exceptionally low interest rates (near-zero or negative),[13] quantitative easing (involving buying up government bonds to lower long-term interest rates and force investors into riskier investments), and both direct and indirect credit easing (providing long-term liquidity to banks to encourage them to lend more and directly buying up corporate bonds to lower rates) (IMF 2017, chapter 3). All of these measures have been framed as temporary, exceptional responses to the serious threat posed by the crisis and thus operate through the logic of emergency exceptionalism—even if it is a variant of that exceptionalism that has turned out to be much less temporary than initially assumed.

If we dig deeper into this emergency response to the crisis, however, we find an underlying set of dynamics that also bear the markers of exceptionalism. Why were central bankers able to act as quickly as they did at the height of the crisis and to pursue such unconventional policies since then with little formal debate or opposition? Because they have been granted a high degree of policy autonomy. Although political leaders did exercise considerable influence over monetary policy in the Keynesian era, one by one, since the early 1980s, national governments have accepted Milton Friedman's call for an independent monetary authority (Friedman 1962). In the process, they have granted central banks considerable autonomy over the setting of interest rates and other key monetary policies, severely limiting the capacity of both the legislature and the executive to exercise influence over such decisions.[14]

At first glance, central bank independence appears to be a largely technical matter that should not be confused with the more dramatic kind of exceptionalism involved in responses to the recent financial crisis. Yet if we look more closely, we can see how it works as a subtle example of technocratic exceptionalism that uses implicit threats to justify the limits of normal politics, suspends democratic oversight, and puts the exception into practice through highly obscure and technical means that seek to shape individuals' perceptions and practices in profound ways.

It is clear that the doctrine of central bank independence sets a limit on the scope of democratic rights by defining monetary policy as an issue that should be beyond democratic control. Yet, is this a political move or merely a technical matter of convenience? In order to see whether it is political, we need to go back to the logic of exceptionalism that I outlined above and see whether the same invocations of *threat* and necessity apply. When we do so, it becomes apparent that the idea of threat plays a subtle but crucial role in justifying central bank independence.

I have suggested that the neoliberal anxiety about democratic governance is linked to a Hayekian fear of a slippery slope from welfare liberalism to totalitarianism. The doctrine of central bank independence is based on a related fear—the threat of inflation and its potential political consequences. Derek McCormack (2015) has pointed to the powerfully affective nature of our experience of inflation as it disturbs and disrupts our everyday rhythms of life—particularly in those moments when it spirals out of control. That visceral experience of inflation is at the heart of central bankers' representations of the importance of their mission, as Juliet Johnson (2016) argues in her ongoing research on central bank museums. Every bank museum has a display that discusses the dangers of inflation, and many try to make it real to the visitor—by, for example, demonstrating how quickly $100 is reduced to just pennies of purchasing power with a high rate of inflation.

[13] Not only are many current central bank interest rates negative in real terms (taking inflation into account), but several central banks, including the ECB, have actually adopted nominally negative interest rates, effectively charging for deposits, something that many economists had believed to be impossible to put into practice.

[14] Although governments appoint central bankers, they generally have very few options to sanction or remove them, allowing bank governors to set the instruments, targets, and in some cases even the objectives of monetary policy (as is the case in the United States). I have discussed these dynamics in much greater detail in Best 2016.

Underlying these discussions of the problems of moderate inflation, however, is the specter of hyperinflation. Just about every central bank museum depicts the horrors of the German hyperinflation of the 1920s, in which families famously had to push wheelbarrows of cash to buy a loaf of bread. Although Hitler's rise to power actually came later and was driven by unemployment rather than inflation, the narrative told by central banks glosses over these historical nuances in order to draw the lesson that the stakes of monetary mismanagement are very high indeed (Blyth 2013, 56–57). This early lesson about the dangers of inflation has also been compounded by the experience of runaway inflation in the 1970s—an experience that Federal Reserve Chairman Alan Greenspan (2004) once referred to as a "trauma" that "was still so vivid in the 1980s that preventing a return to accelerating prices was the unvarying focus of our efforts during those years." Inflation may not be an immediate or imminent threat. But it is a potent and visceral one.

Rather than finding an explicit declaration of an imminent and existential threat, what we find justifying central banks' autonomy is an implicit assumption of an underlying threat. Rather than powerful rhetoric, we find dry economic theory, as the threat has been embedded in models and metrics, slipping out of the spotlight of the emergency event and into the background of expert technocratic practice. Advocates of central bank independence draw on credibility theory and the time inconsistency thesis, discussed above, to argue that governments will tend to promise low inflation but actually deliver policies that produce high inflation because that is what is most likely to get them elected. Although the tone of these warnings is much more subdued than those used in an emergency context, they nonetheless invoke the same kind of economic necessity and the same argument that the problem of price stability is too serious to be left to the vagaries of the democratic process.

Because central banks are generally seen as technical rather than political, giving them autonomy over monetary policy allows governments to depoliticize potentially controversial measures, *suspending* normal processes of political debate. Once again, however, we might set the same test: if this maneuver is truly an example of exceptionalism, we would expect to see the stakes of this move as political and not just technical.

In fact, although the setting of interest rates may appear to be a highly technical matter, it is also profoundly political, not only steering the economy as a whole toward either expansion or contraction but also producing winners and losers: just think of the different impacts of very low or very high interest rates on savers (including both the affluent with money to spare and retirees who depend on their savings) and borrowers (many of whom either have limited resources or are young families getting started).[15] This is why, until relatively recently, monetary policy was seen as an intrinsic part of a government's overall responsibility for defining a country's economic direction.

Since they gained autonomy, central bankers have consistently made such decisions with one particular concern in mind: low inflation. In contrast with the postwar years, which saw a more accommodating attitude to moderate inflation as the cost of a full-employment economy, since the 1980s economists and policymakers have focused almost obsessively on low inflation as the goal of monetary policy, a focus that has tended to place the interests of investors over those of people concerned with finding and keeping a job. Central bankers' maintenance of very low interest rates in the 2000s has also been identified as a major cause of increasing wealth inequality, as low rates fueled an asset bubble that disproportionately benefited the rich (Fox 2009; Wisman 2012). In the aftermath of the 2008 financial crisis, moreover, central banks have gained even greater, largely unchecked, power. After their brief flirtation with fiscal stimulus, governments have retreated to

[15] On the neoliberal culture that makes central bank independence a "rational fiction," see McNamara 2002. On the politics of inflation, see Hirschman 1981; Kirshner 2000; Widmaier 2005.

austerity once more, shifting much of the responsibility for the ongoing exceptionalist practices needed to prop up the market economy onto central banks.

Perhaps the single most powerful indicator of just how exceptional the power of central banks like the Fed has become is the change in the size of their balance sheets: the Federal Reserve's balance sheet, representing the massive quantity of bonds that the bank has bought to ease credit conditions, has quadrupled since 2008 to over $4 trillion—and is likely to remain around that level for quite some time, even as the Fed has begun to move gradually toward "normalization" over the past year. In the Euro area and in Japan, central banks have bought up 100 percent of the bonds released by those governments in recent years. Worldwide, in 2017, central banks collectively held assets worth over $21 trillion—constituting 37 percent of GDP in the major industrialized economies (IMF 2017, 18–19; Mayger and Dormido 2017). Moreover, at the very same time as central banks began to take on this unprecedented monetary role, many of them were also granted considerable new powers to develop macroprudential regulations to help them oversee financial stability. In the United States, for example, the Federal Reserve now has the authority to determine what additional leverage limits and liquidity requirements are required of those institutions deemed to be Systemically Important Financial Institutions (SIFIs)—prudential standards that can be extremely costly for those institutions.[16]

Given the size of their assets and the considerable expansion of their economic role, it is not that surprising, therefore, that even liberal pundits like the Buttonwood columnist in the *Economist*, cited in the introduction to this article, have begun to wonder at the lack of democratic oversight of central bankers who arguably wield greater power in some areas than their respective government leaders.

Yet, in spite of this enormous growth in central banks' power and influence, what is particularly notable about the technocratic exceptionalism of central bank practice is how *routinized* these crucial decisions have become—not just allocated to technocratic bureaucrats but increasingly reduced to quantitative rules. Since the early 1990s, most central bankers have moved toward an ever-narrower approach to their mandate, using inflation targeting and other kinds of rigid rules to limit any discretion over monetary policy, in the belief that any discretion (even by technocrats) would tend to produce too much inflation.[17]

This allergy to political discretion represents a particularly acute form of the "state phobia" that Foucault identified in neoliberals—a phobia that paradoxically produces increasingly authoritarian forms of power in disguised form. As Andrew Barry has pointed out, although metrics appear to eliminate political debate, they in fact merely black-box them—as the prior assumptions and decisions that went into a particular set of models become forgotten as the metrics take on a kind of unquestioned facticity (Barry 2002). The fact that a central bank might follow the Taylor Rule in setting interest rates, for example, effectively conceals the decisions about inclusions and exclusions that have gone into that rule (which privileges a very low level of inflation), further obscuring the power dynamics at stake (Taylor 1993).

Moreover, although such rule-based orders may appear to require a passive form of government, they in fact require a great deal of day-to-day effort to interpret, synthesize, and mobilize public perceptions, as Douglas Holmes' (2014) research into central bank practices has demonstrated. Even the near-libertarian Greenspan recognized in a 2004 speech that the most rule-based forms of monetary policy,

[16] On the growing role of central banks in macroprudential regulation, see Baker 2013; Goodhart 2014; Langley 2015.

[17] The most influential of such rules is the Taylor rule, first introduced by John Taylor in a 1993 paper (Taylor 1993). For a thoughtful critique of it, see Bernanke 2015. In recent years, central banks have found it increasingly difficult to stick to such rules, even as they continue to define their mandate in these terms, making the exceptional character of their power increasingly visible, as I suggest below.

like inflation targeting, were dependent on complex discretionary judgments for their implementation (Greenspan 2004). Far from removing politics, these often-mundane technocratic practices are actually the sites of a great deal of political work (Riles 2011). Maintaining a credible monetary policy involves not only collecting and analyzing complex social information, such as investor and consumer sentiment, but also working to inform and alter that sentiment through carefully crafted statements and performances (Holmes 2014). As Benjamin Braun (2017) has pointed out, central banks articulate various (often incorrect) "folk theories" of how money works in their effort to legitimize their policies. At the same time, as Liam Stanley (2014) has argued, many of the narratives that political and economic elites deploy in times of crisis work to produce acquiescence among working people to the painful effects of postcrisis economic policies.

We can see here how, in Foucault's terms, neoliberalism produces a style of government that is at once minimalist and maximalist:

> To the same extent that governmental intervention must be light at the level of economic processes themselves, so must it be heavy when it is a matter of this set of technical, scientific, legal, geographic, let's say, broadly, social factors which now increasingly become the object of governmental intervention. (Foucault 2004, 141)

Beyond the headlines about negative interest rates and massive bailouts, the practices of central bank independence thus reproduce a kind of technocratic exceptionalism in the quietest of terms, making up new kinds of *economic* citizens, to build on Walters' (2004) insights into everyday security practices.

Conclusions

The power that we have granted central banks in liberal democratic societies may not initially appear as a kind of exceptionalism comparable with the emergency responses we see in times of war or economic crisis. Yet, if we look more closely at both kinds of policy response, it becomes apparent that the difference is more one of degree than of kind: in both cases, key actors have invoked a powerful threat in order to define the limits of normal politics, suspended liberal democratic norms, and then routinized those exceptions through a series of bureaucratic practices. At a more fundamental level, moreover, both sets of practices can be understood as strategies for managing some of the constitutive tensions of liberalism—between universality and particularity, outside and inside, citizen and noncitizen, free market and political stability.

Of course, there are also some important differences between emergency and technocratic forms of exceptionalism—differences that exist in both security and economic contexts. The threats that are so explicitly announced in emergency situations become more muted, pervasive, and implicit in technocratic exceptionalism, whether in the form of a background anxiety about the potential risks posed by immigrants or the underlying fear of the effects of unchecked inflation. The suspension of liberal norms also operates quite differently in technocratic contexts: the temporal logic of emergency exceptionalism, which draws a line between normal and exceptional times, is replaced with other kinds of lines. In the examples of securitized citizenship discussed earlier, those lines are drawn around particular people and groups and work to include some in the community of democratic citizenship and to exclude others or to offer to some a fuller set of rights than to those deemed a greater risk. In the case of central bank independence, those lines are drawn around particular issue areas, limiting the scope of democratic oversight by protecting those economic issues believed to be too important to leave to the ignorance of voters and the representatives they elect. Here too, the lines being drawn have the effect of including some economic citizens more fully than others—the simple rule of maximizing price stability actually intensifying patterns of inequality and exclusion.

If the exceptionalist character of these practices has not gained much attention until recently, it is because they are so embedded in mundane metrics and techniques that the exclusions and exceptions that they enable become invisible. Even though these technocratic rules rely on the active production of particular kinds of economic habits and sentiments to work, this kind of work occurs in the background, avoiding scrutiny even as it seeks to produce a kind of acquiescence to the more visible forms of exclusion and inequality involved. This means that instances of technocratic exceptionalism tend to be less contested than their emergency counterparts. Yet, in the aftermath of the 2008 financial crisis, as the US Federal Reserve, the ECB, and other central banks have greatly expanded their role in the economy, continuing to pursue unconventional policies long after the immediate crisis has passed, the exceptionalist character of their power is becoming more visible—and is therefore also coming into question.

Part of what is so useful in thinking about these practices in terms of exceptionalism is thus the way that it allows us to identify and understand the relationships between emergency and technocratic forms. In the case of central banking practices, the relationship is a complex one: the relative autonomy of central banks enabled them to respond to the emergency as quickly and as radically as they did. Their emergency actions in turn intensified their exceptional status, increasing the powers that they wield. Yet, over time, this more dramatic exceptionalism has begun to raise questions not just about these new powers but also about their technocratic exemption from democratic oversight. By paying attention to the exceptionalist character of these technocratic practices, we can develop a richer appreciation not just of the forms of power at stake but also of the possibilities of resistance that exist.

Technocratic exceptionalism is a powerful way of understanding some of the key dynamics in liberal governance. Although border guards and central bankers exercise their authority in very different terrains in contemporary liberal polities, they both wield a kind of exceptional—even arbitrary—power that simultaneously sustains and undermines liberal democratic society. Whether we are looking at the increasingly fragile architecture of liberal citizenship rights in the context of recurrent refugee crises or the seemingly endless recourse to exceptions in global monetary policy, such a capacity to understand the technocratic exceptionalism of liberal governance appears more important than ever today.

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