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TRA POTERE E SAPERE: STUDI CRITICI SULLA VALUTAZIONE

A cura di Davide Borrelli e Diego Giannone

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RATING AGENCIES, SYMBOLIC CAPITAL AND THE EVALUATION OF NATION-STATES. A PRELIMINARY EXPLORATION

Abstract

By drawing on Bourdieu's concept of symbolic capital as the power of constructing social reality and naturalising domination, the article offers a preliminary exploration of the role of rating agencies in terms of monopoly of symbolic power within the contemporary 'financialised' world. The paper, therefore, critically examines the power and role of rating agencies, while also framing the practice of rating in terms of a highly political process – despite being veiled as a technical exercise made by experts – aimed to preserve neoliberal orthodoxy globally. Eventually, the paper analyses the downgrade of Italy's ratings in October 2018, that is, after the establishment of the new 'Yellow-green' government. In this case, I show that rating agencies acted in a pre-emptive way to foster the preservation of neoliberal agenda and fiscal austerity. The concluding remarks, finally, lay emphasis on limits and future potential of the research.

Keywords:

State, Financialization, Symbolic capital, Rating agencies, Neoliberalism

1. *Introduction*

In the current, troubled times of overlapping socio-political crises and turmoil, international finance emerges as the true *international* force behind the political economy of nation-states. Indeed, over the last decades

of sustained neoliberalization[1] and financial globalization, states have increasingly enacted macroeconomic and fiscal policies to attract international financial capitals and investments, while also trying to score positive assessments (improving the 'outlook') from rating agencies – by and large, the official trademark of the good shape of domestic economy, or the stigma of poor performance. In the neoliberal era, «[f]inancial markets – as stated by Timothy J. Sinclair – have again opposed the dictates of elected authorities and voters, to assume their "rightful place in the scheme of things". Now, we are told by the popular and scholarly press, there is no escaping these impersonal forces» (2005, p. 4). Thus, *to be credible* vis-à-vis financial markets seems to be the main, if not the only concern of policy-makers and state managers; furthermore, the assessments of rating agencies, especially during periods of fiscal turbulences, have a large echo in the media and push policy-makers to reassure investors about the credibility of their macroeconomic policy, which means guaranteeing the financial stability of domestic economy by imposing further neoliberalizing and fiscal consolidation measures. All the more so that this occurs within a global framework in which the gap between the rich and the poor has risen sharply (Piketty 2014; Cole 2018), in its turn determining a serious crisis of legitimation of state institutions and political parties on both the left and the right political spectrum. Especially after the 2008 crisis, in fact, the straightforward application of austerity measures, plus further neoliberalization processes, has remarkably affected the social contract which has characterised postwar societies, to the extent the welfare-state democracy has moved towards the 'neoliberal democracy' (Giannone 2010, chapter 1), this latter characterised by the pre-eminence of finance and economic imperatives over social cohesion and welfare, let alone rampant social inequalities. With specific regard to the years of economic crisis and stagnation (i.e. from 2008 to present), asking for 'sacrifices' to fix the economy has been a recurring mantra of policy-makers of different political orientations – sacrifices clearly solicited on the side of labour, precarious workers and pensioners, and mostly to recover the losses registered in the financial sector (see Gallino 2015, chapter 3, for a critical analysis of financialization).

1 In the words of Neil Brenner, Jamie Peck and Nick Theodore, «neoliberalization processes assume place-specific forms within cities and city-regions, but this increasingly occurs within a georegulatory context defined by systemic tendencies towards market-disciplinary institutional reform, the formation of transnational webs of market-oriented policy transfer, deepening patterns of crisis formation and accelerating cycles of crisis-driven policy experimentation» (2010, p. 329).

Given this briefly sketched framework, the present article is a preliminary attempt to frame rating agencies in the neoliberal era in terms of symbolic capital. More specifically, the purpose of the study is to explore the role and power of rating agencies by resorting to the category of symbolic capital as developed by the French sociologist Pierre Bourdieu. In fact, many of the studies that deal with the power of finance and rating agencies usually limit the analytical spectrum to the sole structural dimension of financialization. Whilst acknowledging the fundamental importance of structural analysis, I argue that, by extending the explanatory dimension to the symbolic plan, it is actually possible to understand better, and more in depth, the specific kind of power over which rating agencies exert the *monopoly*. Indeed, just three are the rating agencies internationally recognised by states, corporations and financial investors as the proper authorities in the business: Moody's, Standard&Poor's, and Fitch. Three private companies that exert power, through the practice of evaluation, over corporations, municipal governments, sovereign states; capable, therefore, of unparalleled influence over society as a whole. By studying rating agencies, the article aims to broaden the range of critical analyses concerning the question of evaluation in the neoliberal era, as «[e]valuation plays a strategic role in stabilizing, legitimizing and reproducing neoliberalism, as well as in neoliberalizing states» (Giannone 2016, p. 498). All the more so that the evaluation of government policies by rating agencies, as I will show in the paper, is an extremely strong constraint in terms of ongoing application of the neoliberal agenda and financial austerity. In fact, it is worth stressing that rating agencies, by regularly putting in place judgments of states' macroeconomic policies and economic situation, produce effects on the public debt (through influencing the *cost* of debt, as I will show in the article) and its sustainability, while also acting as powerful constraints against actual or potential deviations from the neoliberal dogma.

The articles, finally, is organised as follows. Paragraph 2 discusses the political nature of monetary regimes and the structural power of finance in the neoliberal order. The following paragraph is an overview about rating agencies, while paragraph 4 introduces the category of symbolic capital as developed by Pierre Bourdieu and applies this to rating agencies. Paragraph 5 explores the case of Italy's ratings downgrade in October 2018 by the rating agency Moody's. Eventually, the concluding remarks lay emphasis on the potential for further research about symbolic capital and rating agencies to understand both contemporary financial relations and the political nature of evaluation practices.

2. *International finance and monetary regimes: political and structural factors*

The structural dimension and power of international finance as developed in the neoliberal era is the first step to understand the role, and transformations, of the political economy of the neoliberal state, as «the liberalization of financial markets has made rating increasingly important as a form of private regulation. States have had to take into account of private sector judgments much more than in the heavily controlled post war era» (Sinclair 2005, p. 3).

To explain the structural shift in finance and monetary policy occurred from the late 1970s (particularly after the so called 'Volker shock'[2]) first of all in the US, it is above all necessary to understand the political nature of money and finance. The shift in monetary policy from the postwar period to the neoliberal era should be seen, indeed, as a political strategy with fundamental political implications. Furthermore, as I argue in this section, the parallel processes of tight monetary policy (especially from early 1980s) and financial liberalization exposed states and some sectors of societies (particularly the poor and working classes) to the increasing power of finance, while also reducing the political margins of manoeuvre for organised labour.

Let's start then with monetary regimes, by first of all remarking that these are inherently political fields as they «discipline nation states and social actors in different ways. For example, they constrain the choice of economic policy priorities and the use of available policy tools, influence inter-capitalist relations within and between countries, and limit the demands of the working class» (Saad-Filho 2010, p. 89). The new money policy inaugurated in the late 1970s (better known with the terms monetarism and ordoliberalism[3], two commensurable macroeconomic theories) turned to be the *political* answer to the problems in the capital accumulation process emerged during the 1960s and 1970s along with the high level of socio-political conflict (see Campbell 2005, pp. 189-189). The monetarist paradigm – sponsored by governments such as that of Regan in the US,

2 The President of the Federal Reserve Paul Volcker inaugurated a tight monetary policy that strongly reduced inflation, which dropped from 13.5 percent in 1980 to 3.2 percent in 1983, in order to favour higher paces of capital accumulation and protect the value of dollar, no matter to rising unemployment (Harvey 2005, pp. 23-25; Campbell 2005, pp. 194-195; Glyn 2006, pp. 27-28).

3 These are two similar macroeconomic theories, with the difference that the second takes in much greater account the role of the state: see Bonefeld (2012).

Thatcher in the UK and also by the French socialist government of Mitterand after the turning point in the early 1980s – was able to impose the targeting of inflation, regardless unemployment levels, as the main concern of central bankers and the precondition to introduce a non-accommodating (towards working class) monetary policy, in turn favouring long-term wage moderation (Glyn 2006, chapter 5). The choice of decreasing-cum-targeting inflation – more generally, having low inflation permanently on top of the political economy agenda – regardless to unemployment was, on the one hand, a highly political choice despite being ideologically veiled as a 'technical' (and therefore neutral) decision; on the other, it also signalled the new pre-eminence of financial sector in the political economy of the state. As noted by Andrew Glyn, «the financial sector was always in the forefront of demanding orthodox financial policies and the defeat of inflation. High inflation [...] causes sudden shifts in the real value of financial assets such as bank deposits or bonds»; moreover, «there is no major difference of interest between finance and the big industry firms, which also stood to gain from wages being brought under control and profits being restored» (2006, p. 50).

If the Keynesian macroeconomic compromise was characterised «by fixed exchange rates, accommodating monetary policies, expansionary fiscal policies (especially through state-led investment and transfer) and "financial repression", including regulations to stabilize the finance system» (*ibid.*, p. 91), by contrast, the gradual but steady deregulation and international integration of finance favoured, at structural level, the transitions towards the neoliberal regime. In political and institutional terms, the increased role of finance had fundamental *systemic* consequences, particularly (I) the general increase in the pressures exercised by international finance on nation-states, which improved the resort to financial stock-market borrowing to finance primary budget expenditures[4]; (II) the institutionalization of financial market imperatives on key aspect of macroeconomic policymaking.

Financialization mattered to all sectors of society, from households to multinationals to consumption, with general increases in private and public debt[5]. For the sake of the present analysis, what is important to remark

4 In turn, this (at remarkable levels as in cases such as the Italian during the 1980s) involved the growth of the rate of interests on Treasury bonds sold on international financial markets, and, as a consequence, the rise of public debt.

5 The rise of private consumption remained high throughout the neoliberal period, despite the stagnation of real wages, due to the improved resort to financial borrowing – which determined a steady rise in private debt in almost all Western

here is the structural power of finance with respect to nation-states and the financialization of the range of activities concerning the enlarged public sector. Generally, in the neoliberal era the issuing of bonds by both governments and local municipalities has become the norm. This is due to a number of reasons such as the increasing fiscal austerity, which pushed local governments to resort to finance to guarantee the delivery of public services; the reduction of taxes on the wealthy sectors of society as a means to finance budgetary expenditures; the increased profitability of public bonds issuance. For example, «[t]o meet the Maastricht criteria for entry in the European Union, central governments were required to reduce budget deficits, thereby effectively pushing sub-national communities to shoulder greater financial burdens», let alone the fact that «[t]he legal and regulatory environment has also become more permissive of debt issuance» (Sinclair 2005, p. 97). Given this framework, it is easy to understand that the power of rating agencies, in both structural and symbolic terms, has risen sharply. More specifically, rating agencies, through their judgments, have the capacity to influence and shape the behaviour of policy-makers and, more broadly, of debtors. For instance, by downgrading a country's rating, the assessment has a direct impact on the cost of public debt and its long-term sustainability. Namely, contemporary financial integration and liberalization implies that, *on structural grounds*, the level of interest rates paid by the government (therefore, by the citizens through taxation) is directly influenced by rating agencies and their evaluation practices. This implies that the more the negative is the outlook regarding the economic performance of a country, the more the cost of debt will rise due to increasing interest rates following the increase in default risk; the effect, in practical terms, is 'stealing' money from real economy to repay the higher cost of debt itself. As stated by the Italian government in 1992 in relation to the beneficial accession to the European Monetary Union to decrease interest rates and the cost of debt:

countries. Andrew Glyn stressed that «[t]he expansion of household borrowing, from banks, credit card companies, mortgage companies, has been very rapid in the 1990s. The ratio of this borrowing to disposable income rose by 20–40% between 1991 and 2003 in the USA, Germany and the UK to exceed previous peaks. Mortgage borrowing, which is more comparable across countries, exceeded 100% of GDP in the UK and was 60–85% of GDP in the USA, Germany and Japan» (2006, p. 54). This increased resort to indebtedness was favoured by easier access to borrowing and credit (especially in the real estate sector), one of the causes of financial bubbles and crises.

> [w]ithout the perspective of the Monetary Union, the task to adjust the public finance would be much harder: the expectations of the Lira exchange rate would be unstable, with effects on the level of interest rates and on the cost of debt. Thus, it is necessary and urgent to create the conditions for the Italian accession to the Monetary Union in a permanent and irreversible way.[6]

Thus, through the mechanisms of (changing) interest rates, and the immediate impact on the cost of public debt and interest payments, nation-states became generally more exposed to the movements of international finance and the decisions of financial institutions, which greatly increased their overall profit share.[7] Within this framework, it is now important to understand the *specific kind of power/authority* held by international rating agencies, which, over time, came to have the leverage to influence nation-states and their political economy through the practice of evaluation.

3. *Rating agencies as international powers. An overview*[8]

The role of rating agencies is to assess the trustworthiness of credit bonds issued by corporations, municipalities and nation-states. In general terms, the practice of credit rating «should form just part of the information investors use to make decisions. Rating agencies themselves do not claim to provide more than some of the information investors need» (Sinclair 2005, p. 7). Such agencies therefore assess whether the bonds issued by

6 This passage is taken from the *Documento di programmazione economico-finanziaria* (Document of economic and financial planning), issued in 1992, page 17.

7 For example, Glyn stressed that, relatively to the US case, «aggregate profits of financial corporations rose from being one-fifth as big a non-financial profits in the 1970s and 1980s to a half after 2000» (2006, p. 52).

8 This paragraph, due to reasons of space, is but an introduction to rating agencies. To examine in depth the issue of rating agencies in a critical approach, see in particular the widely cited *The new masters of capital. American bond rating agencies and the politics of creditworthiness* (Cornell University Press, 2005), by Timothy J. Sinclair; Michel Feher, *Rated agency: Invested politics in a speculative age*, (Zone Books, 2018; this also for a broader critical examination of the question of ratings in the neoliberal era); Lawrence White, *The credit-rating agencies and the subprime debacle*, in «Critical Review. A Journal of Politics and Society», volume 29, issue 2-3, 2009, pp. 389-399, and also by L.J. White, *Markets. The credit rating agencies*, in «Journal of Economic Perspectives», volume 24, issue 2, 2010, pp. 211-226. The works of White are particularly important to understand the role of rating agencies in the subprime mortgage crisis, which triggered the global financial and economic crisis in 2007-08.

a private or public actor are worth of credit or, by contrast, the debtor is unlikely to repay the loan. In other words, if there is, and to what extent, a real or potential default risk. So, 'the purpose of credit rating agencies is to help pierce the fog of asymmetric information by offering judgements [...] about the credit quality of bonds' (White 2010, p. 2013). Bonds are evaluated through letters (AAA, BBB, BB, B), and plus or minuses (AA+, BB-). The media often report the rating agencies' assessments of a certain country's bonds by revising downward or upward its outlook, and re-assigning a certain rate – which in turn usually triggers heated political debates at national levels and commitments to adjust the economy.

In terms of actors, despite existing some 150 credit rating agencies worldwide, the companies that are able to influence the bond market are three, two located in New York, that is Moody's and Standard&Poor's, and one, Fitch, between New York and London – clearly the location of rating agencies reflects the hegemony of North-Atlantic relations and capitalism of the Twentieth and Twenty-First centuries. Historically, the practice of rating started in early 1900s, and was characterised by an 'investor pays', that is potential investors used to pay agencies such as Moody's (established in 1909), Poor Publishing Company (1916), Standard Statistics Company (1922)[9] or Fitch Publishing Company (1924) to evaluate the bonds of private companies and acquire information before making investments; such companies therefore earned their revenues by publishing manuals in which they regularly rated credit bonds.

In the history of private rating companies – mostly a US story – two junctures should be emphasised (see White 2010, pp. 212-218). The first occurred after that, in the US, a decree passed in 1936 prohibited banks from speculative operations, so that «these were forces to use the judgements of the publishers of the "recognised rating manuals" – which were only Moody's, Poor's, Standard, and Fitch. *Essentially, the creditworthiness judgments of these third-party raters had attained the force of law*» (*ibid.*, p. 213; emphasis in the original). Some decades after the institutional*ised* centrality of agencies in the US bond market, the second important transformation occurred in the early 1970s, when the 'Issuer paid' system substituted the 'Investor paid' method. In other words, the entity issuing the bonds actually pays the agencies to rate its bonds, opening up the doors to potential conflicts of interests and repercussions in terms of downgrading an issuer's credit bonds, or likewise upgrading the rating of a company despite default risks.

9 Standard Statistics and Poor's merged in 1941.

Three further and interlinked elements should be stressed in the analysis of rating agencies: first, the barriers to the entrance of potential competitors on rating credit market, which technically makes this market sector an oligopoly; second, the poor (public) regulation that surrounds the activity of rating agencies; third, the activity of surveillance of rating agencies.

In relation to these points, it is first of all important to stress that, when analysing rating agencies, we are faced with an oligopoly in which three *private* companies hold the monopoly of rating activity, exerting a key influence on global financial markets, nation-states and therefore societies. Why, over more than one hundred years from their birth, rating agencies remained substantially limited (in terms of power and influence) to these three elephants in the room? According to White (2010, p. 217) «the credit rating industry was never going to be a commodity business with hundreds of small-scale producers. The market for bond information is one where potential barriers to entry like economies of scale, the advantages of experience, and brand name reputation are important features». Furthermore, with respect to the US, the

> Securities and Exchange Commission was remarkably opaque in its designation process. It never established formal criteria for a firm to be designed as a "nationally recognized statistical organisation," never established a formal application and review process, and never provided any justification or explanation for why it "anointed" some firms with the designation and refused to do so for others (*ibid.*).

In relation to the question of regulation, the argument goes that «tight regulation would potentially destroy the key thing agencies have to sell: their independent opinion on markets matters» (Sinclair 2005, 9). Thus, opaque operations, controversial relation between public authorities and private corporations (which are *de facto* public authorities), and poor regulation characterise the environment of rating activity. Actually, governments around the world outsource regulatory judgments to these three companies, also granting them the power of evaluation and permanent surveillance. Surveillance is particularly relevant to the present analysis, as «once issued, rating officials maintain surveillance over issuers and their securities. They warn investors when developments affecting issues – their tax base, say, or their market – might lead to a rating revision. either upward or downward. [...] Rating agency surveillance shapes the thinking and action of debt issuers» (*ibid.*, p. 8). What does this mean to nation-states? As already noted, rating agencies scrutinize both private companies and nation-states, judging the creditworthiness of the bonds they issue. If, with respect to the first, the

evaluations are based on taxation, corporate strategies, government policies, or broader market conditions, in relation to states the evaluation criteria are largely based on their economic performance and macroeconomic policy. If the first is mainly based on GDP growth, and GDP future projections, the second concerns the macroeconomic policies outlined and implemented by national governments. With 'macroeconomic policies' I do not point to some ill-defined and ill-shaped set of heterogeneous public interventions, but to the so-called structural reforms, that is, an empty signifier that in substance means neoliberal measures[10]. Therefore, rating agencies concretely turned to be, through their surveillance and evaluation practices, the guardians of Washington consensus throughout the world. In fact, by the constant threat to downward the growth estimations of a country in case of deviation from neoliberal measures and permanent fiscal adjustment – causing an upsurge in interest rates paid by the state concerned, and therefore the cost and magnitude of debt – such private corporations have the power to limit the margins of manoeuvre of non-aligned governments. This regardless to other indicators as rising poverty levels, rising socio-economic inequalities, or growing mistrust in state institutions.

From this, we can easily understand that the practice of evaluation, behind the apparently technical and neutral appearance, has fundamental political implications. Next step is to explore, by resorting to the concept of symbolic capital, the kind of power and influence rating agencies have and exert.

4. *Rating agencies, symbolic capital and neoliberal orthodoxy*

At this point, we need to make sense, and problematize, the question of evaluation in particular when it comes to rating the state and local governments. Methodologically, it is important, first, to avoid viewing the state as a unitary actor, internally homogenous in terms of classes and class-frac-

10 A study of Crespy and Vanheuverzwijn (2017) showed, in relation to the European Union socio-economic governance (especially in relation to the framework of the European Semester), that the policy ideas underpinning the empty signifier of structural reforms are typically neoliberal policy recipes such as the liberalisation of products and services markets, the deregulation of labour markets, and public administration reform. More broadly, the ambiguity of structural reform discourse is functional to the application of the neoliberal measures from the 1980s (the so called Washington consensus), made of a mix of austerity policies, privatization, liberalization and market deregulation, pro-wealthy taxation, and labour market flexibility.

tions, and thus by looking at this as passive entity subjected to the power of rating agencies. In other words, relevant segments of domestic political elites, and upper classes, pushed to improve the external constraints exerted by rating agencies in order to promote processes of neoliberal-oriented economic restructuring and fiscal austerity. Second, it is also necessary to understand what kind of power relations actually binds together agencies and governments within international financial relations. As skilfully stressed by Sinclair, «a view of rating simply as a coercive force does not capture the whole story. Consideration also must be given to where rating shapes, limits, and controls – often in connection with the generation of authority – rather than the brute application of power» (2005, p. 10). Given this framework, I argue that the category of symbolic capital can help to make sense the type of influence exerted by rating agencies in contemporary 'financialised' world.

4.1. *The concept of symbolic capital*

The structural analysis of finance and financialization is the first step to explore contemporary global political economy and, at the same time, the transformation of political institutions. However, the analysis of the structural factors related to international finance explains just a part of the story. In fact, in order to explain the specific role of rating agencies and the *political* relevance of evaluation in terms of symbolic power, we need to resort to a further explanatory dimension, the already-mentioned symbolic field. The category of symbolic capital is particularly relevant to understand the impact of evaluation and how this preserves neoliberal *doxa* and permanent austerity.

In what follows, I present the concept of symbolic capital as developed by Pierre Bourdieu in particular during his lectures at the *Collège de France* between 1989 and 1992[11], whereby the French sociologist sought to explore the symbolic power specifically with respect to the state. First of all, by rewriting the Weberian definition of state as the monopoly of physical coercion, Bourdieu defined it as the monopoly of physical and *symbolic* violence, «inasmuch as the monopoly of symbolic violence is condition for possession of the exercise of the monopoly of physical violence itself» (2014, p. 4). What is, then, symbolic capital and power? In general terms, the symbolic field is the domain of cognition and recognition, the space whereby social agents are familiar(*ized*) with(in) a certain order of meaning

11 *On the State. Lectures at the Collège de France, 1989-1992*, 2014, Polity (Cambridge, MA). See also *Language and Symbolic forms*, 1991.

and, through this, make sense of reality. Seen this way, relations of force, to Bourdieu, are immediately also relations of meaning – *meaning* here understood as a cognitive function through which humans construct, order, interpret and categorise the objects of reality in the mind. Symbolic forms, on the other hand, are the principles of construction of social reality, forms through which the meaning is constructed, insofar as «social agents are not simply particles moved by physical forces, they are also knowing agents who are bearers of cognitive structures» (2014, p. 165). Thus, symbolic power is «a power of constructing reality, and one which tends to establish a *gnoseological* order: the immediate meaning of the world [...]» (1991, p. 166). Symbolic capital (just as symbolic violence, and power), on the other hand, is nothing but the accumulation of symbolic resources, that is, of the power of constructing social reality in a certain way rather than in another. In relation to this, Bourdieu also skilfully stressed that symbolic capital *possesses an intrinsic materiality;* in other words, contrary to those who see these two kinds of power in opposition with each other, the French sociologist theorised symbolic relations (and violence) as inherently bounded with the materiality of (unequal) resources distribution and production relations.

Central to the symbolic field is also the category of *doxa*. *Doxa*, to Bourdieu, is the *unquestioned* adhesion to the dominant cognitive order prevailing at a certain point in time within the social world. «The social world presents itself in the form of a *doxa*, a kind of belief that is not even perceived as belief» (2014, p. 184). The effect of the *doxic* adhesion is the naturalisation of the relations of domination and subordination inherent to a specific world order. What is also important to stress is that the establishment of a *doxic* order is also the outcome of political struggles to, on the one hand, construct and impose a certain meaning of the social world; on the other, to naturalise the hierarchical relations inherent to that very order (*doxa*). In other words, what Bourdieu refers to as misrecognition; what is misrecognised is, ultimately, the arbitrary construction of the social order and of social hierarchies.

4.2. *Rating agencies and the monopoly of symbolic power*

So, symbolic power is the power to impose, legitimate, and maintain a certain gnoseological order, that is to say, a certain meaning of the world. In this respect, rating agencies are an extraordinary interesting analytical case at least for two main reasons. First, the structuration of the 'rating business' revolves around only three main actors that are capable to impose barriers to competitors and dominate the practice of assessing both private corporations and, above all, states and local municipalities. Second, the kind of symbolic

capital owned by rating agencies is a specific form of technocratic knowledge. In other words, due to the high technicality of evaluation and rating, these agencies are able to perform a number of interlinked tasks: they can easily claim the intrinsic neutrality (veiled under the technical discourse) of such a kind of judgments, fictitiously presented as non-ideological and non-political statements but, as I just said, as a highly technical activity made by experts in the sector. Furthermore, forms of heterodox analyses of international finance and financialization are automatically excluded as *sources of quasi-institutional authority, as rating agencies are*. The *de facto* institutionalisation of rating agencies is indeed a further important element that places rating agencies in a peculiar position. In other words, these are private corporations that fulfil a public function (as rating actually is), which in turn has systemic effects on communities around the globe.

This picture given, the last point is to remark the role of rating agencies in terms of imposition and legitimation of neoliberal agenda around the world. In paragraph 1, I already remarked the effects of rating agencies' evaluations on the cost of debt and the sustainability of public finance. The question to remark here, however, is that the criteria of the ratings are not dependent, say, on questions like poverty, rising socio-economic inequalities, or the equality of opportunities for all. The rationale of the 'good or bad' rating is ultimately linked to the profitability of financial capital and capital accumulation, in its turn linked to the respect of neoliberal agenda and fiscal austerity. From this follows that the constraining power of rating agencies vis-à-vis nation-states is a strong push to line up governments around the neoliberal *doxa*. Next paragraph offers a case study to support the argument developed above. By examining the downgrade of Italy's ratings by Moody's in October 2018, I show to what extent this rating agency (but similar assessments came also from other sources) acted pre-emptively to push the new Italian government to avoid deviations from tight austerity and neoliberal agenda.

5. Rate and discipline: analysing the case of Italy's downgrade in October 2018

In October 2018, the rating agency Moody's downgraded Italy's ratings from Baa2 to Baa3[12]. The evaluation process started right after the establishment of the new government in June 2018, when the pro-EU and

12 The statement can be found here: https://www.moodys.com/research/Moodys-downgrades-Italys-ratings-to-Baa3-stable-outlook--PR_390302. (accessed the 25

pro-austerity centre-left party (*Partito Democratico*) suffered a historical defeat, while populist and right-wing political forces improved nationwide. The 'Yellow-green'[13] government formed a few weeks after the elections, and currently in power, is backed by a coalition between the populist Five-Star Movement and the right-wing and nationalist Lega; moreover, the coalition contract is made of a mix of anti-establishment, anti-corruption and anti-migration measures, while also comprising a few measures aimed to tackle rising poverty levels (prominently the so-called citizens' income). More importantly, the government in charge announced to (at least partially) loosen-up fiscal austerity, triggering immediately a struggle with the European Union about the level of primary expenditures and budgetary deficit. By entering into the struggle through an evaluation of the *announced* policies of the new government, Moody's downgraded Italy's ratings exactly on the respect of fiscal austerity and neoliberal agenda. In fact, the case of the recent judgment of Moody's is highly interesting exactly to shed light on the kind of rationality and logic that underpins the practice of evaluation, and its political implications.

The two drivers that led Moody's to downgrade Italy's ratings are the following. First, we read in the statement that «[a] material weakening in Italy's fiscal strength, with the government targeting higher budget deficits for the coming years than Moody's previously assumed. Italy's public debt ratio will likely stabilize close to the current 130% of GDP in the coming years, rather than start trending down as previously expected». Second:

> [t]he negative implications for medium-term growth of the stalling of plans for structural economic and fiscal reforms. In Moody's view, the government's fiscal and economic policy plans do not comprise a coherent agenda of reforms that will address Italy's sub-par growth performance on a sustained basis. Following a temporary lift to growth due to the expansionary fiscal policy, the rating agency expects growth to fall back to its trend rate of around 1%. Even in the near term, Moody's believes that the fiscal stimulus will provide a more limited boost to growth than the government assumes.

Thus, the perspective of loosening up the fiscal austerity regime (that is, expansionary fiscal policies) is, by itself, a cause of slowdown of economic growth in Moody's view, let alone the lack of plans for 'structural reforms', the already-mentioned empty signifier that inherently refers to the implementation of neoliberal measures. Now, besides the fact that it is exactly the

of January, 2019).

13 Yellow is the colour of the Five Star Movement, while green is the League's.

permanent austerity regime that, from the early 1990s, has caused permanent stagnation and the slowdown in productivity growth, what is particularly important in Moody's statement is the apparent contradiction between the overall evaluation of Italian economy and the judgment of the Yellow-green government policies. In relation to the first element, we read that «Italy still exhibits important credit strengths that balance the weakening fiscal prospects. These strengths include a very large and diversified economy, a solid external position with substantial current account surpluses and a near balanced international investment position. Italian households have high wealth levels, an important buffer against future shocks and also a potentially substantial source of funding for the government». So, why downgrading Italy's ratings? The answer is to be found in the assessment of the *planned* policies of the new government[14]. Again, we read that «[t]he material upward deficit revision reflects in particular the implementation of the Five Star Movement's flagship measure, the so-called citizen's income, as well as higher spending on employment centres and new routes for early retirement». Such a measure is, in fact, the flagship of Five Star Movement especially to tackle the rising poverty levels in the South of Italy, the bulwark of the Movement's electoral success. With respect to 'early' retirement, the electoral success of both Five Star and the League was related to the abolition of the Fornero Law, a pension reform bill passed under the technocratic government of Mario Monti in 2011 which raised the retirement age. Here, we already see a clear conflict between the electoral mandate of the Five Star and the pressures exerted by rating agencies in terms of preventing deviations from fiscal austerity and structural reforms. Indeed, structural reforms are the second driver of Moody's judgment, and likewise offer interesting elements to analyse the kind of assumptions that underpin the agency's evaluation. On the one hand, the agency laments that the reform agenda of the government, mainly due to welfare provisions as the citizens' income, is short-sided and unable of lifting the country's economy on a sustained basis. On the other, Moody's regards in positive terms

14 It is worth stressing that I do not analyse, in the paper, the Yellow-green government agenda and macroeconomic policy, as this is not the task of the research; my analysis is limited to explore how this was evaluated by Moody's. However, it suffices here to say that such agenda is rather contradictory and made up of a heterogeneous array of measures which by no means can be regarded as socialist-oriented. Indeed, so far the Yellow-green government general policy-making address seems to be more a mix between proper neoliberal measures (as the flat tax), combined with 'mild' austerity and selective anti-poverty measures. Furthermore, the so-called citizens' income seems to be more a workfare measure, as it pushes the unemployed to accept jobs at any conditions.

the tax reform of the Yellow-green government, namely the flat tax reform, strongly backed by the League (the right-wing segment of the coalition). Such reform, it is worth noting, is generally a pro-wealthy measure that results, first, in increasing socio-economic inequalities (already skyrocketing globally); second, in generating less revenues to state budget. Not so paradoxically, in this last case Moody's does not seem preoccupied about the sustainability of public finance.

Eventually, it is also worth mentioning that, in the widely quoted statement, Moody's also outlines a macroeconomic pathway that would lead to the restoration of the lost position of the country and thus to a new upgrade – a sort of financial version of the Biblical parable of the return of the prodigal son. Thus, Moody's states that

> [p]ositive rating pressure could emerge if a coherent programme of structural reforms were to be introduced, including for example measures which increased the efficiency of the public administration, improved the functioning of the labour market and the education system and strengthened competition, all with the ultimate goal of raising productivity growth in the Italian economy. A change in the fiscal stance that would result in a declining debt trend would also be credit positive.

The case of Italy's ratings downgrade testifies that the mentioned judgment is not actually linked to the actual performance of Italian economy; to a relevant extent, the economic context was not even mature for such an assessment to be made in terms of the actual effects of the implementation of government policies. Moody's stance, on the contrary, appears to be more *a pre-emptive statement aimed to prevent Italy (one of the world's largest economies) from deviating from the application of neoliberal agenda and fiscal austerity, rather than a specific evaluation of the concrete effects of the new macroeconomic policies* – effects that, again, have not even materialised. Not by chance indeed, the only measures openly endorsed by the agency are those relatable to neoliberalization processes as the flat tax. Seen this way, it is easy to understand to what extent the monopoly of symbolic power by rating agencies, conceivable as a specific kind of technocratic power (seen the discussion in the previous paragraph), is directly linked to the neoliberal *doxa* and to the preservation of neoliberal agenda. Therefore, evaluation turns to be a high political practice veiled of technical neutrality and aimed to preserve the *status quo,* while at the same time advancing the interests of financial investors and capital accumulation.

6. *Concluding remarks*

This article sought to conceptualise the role and function of rating agencies in contemporary global financial architecture, especially vis-à-vis national governments, by resorting to the concept of symbolic capital; in so doing, the paper has also tried to frame critically the practice of evaluation as an inherently political fact with fundamental political consequences. On the other hand, the effort of the research was avoiding strictly structuralist visions of international finance, while also avoiding reading the power of rating agencies as a mere application of brute force.

The paper has started from acknowledging that, nowadays, rating agencies act as the international watchdogs and keepers of neoliberal orthodoxy, as they actually have the institutional power to do so. Particularly the practice of evaluation, despite being veiled as a technical and neutral endeavour fulfilled by high skilled and trained experts, has relevant and systemic political implications (for instance concerning the cost of public debt). The Italian case discussed in paragraph 4, for example, showed to what extent the rating practice acts as a form of discipline (also pre-emptive) against *potential* deviations from the neoliberal orthodoxy.

The effort of the article, along with contributing to the critical reflections concerning the evaluation, was also to introduce the relevance of the symbolic dimension in contemporary international financial relations. In this respect, rating agencies offer an interesting case of analysis under several respects. First, they constitute an oligopoly in the business of rating, thus with extremely high levels of condensation of power, knowledge and authority; second, the rating activity is characterised by an intrinsic technocratic allure, which automatically strengthens the authority of rating agencies over policy-making agendas; third, the practice of evaluation is itself a political fact insofar as it ultimately results in the worldwide preservation of the neoliberal *doxa*. With respect to this last point, especially when it comes to assess governments and local municipalities, the evaluation of government policies has systemic political implications, and is plainly at odds with democratic accountability. In other words, by influencing governments to pursue the straightforward application of neoliberal and austerity measures, rating agencies actually work to reduce the possibility of political-economy alternatives. Moreover, governments elected on an alternative (or partially alternative) platform find themselves in the position of being restrained in their policy-making agencies by non-accountable institutions, as rating agencies in fact are.

As stated at various points of the paper, this is a preliminary analysis of the symbolic power of rating agencies. The article is an initial conceptual exploration of the question at stake; in this regard, more work has to be done to strengthen the theoretical and conceptual apparatus of the research, especially to explore rating agencies through the lenses of technocracy and symbolic power. However, more research is also needed in other respects. First of all, by taking a slightly different perspective and 'open up' the state in order to explore when, how, and why segments of national political class actually use ratings to legitimise themselves and their policy agendas to the public opinion – or, by contrast, to delegitimise their opponents.

Then, more research is also needed to explore more in depth the 'epistemic community' of experts that make the assessments. Indeed, while we tend to regard such communities as internally homogenous and cohesive, the reality is that whatever community is characterised by many overlapping layers of internal conflicts. The question, therefore, is to understand if, within rating agencies, austerity or the neoliberal *doxa* are questioned, and if more heterodox forms of macroeconomic knowledge are allowed and are actually capable to make a stance and influence rating assessments. Furthermore, if differences and nuances among rating agencies exist, and if so why. In other words, are rating agencies a single bloc (in epistemic and political-economic terms), or they have different positions with respect to austerity and neoliberal orthodoxy?

Concluding, the analysis of evaluation practices of rating agencies is key to understand contemporary international financial relations. At the same time, the category of symbolic power, prominently the one owned by such private institutions, is important to shed light on the functioning of contemporary neoliberal capitalism, and the relations established within this mode of production – especially in terms of ongoing imposition of neoliberalization. Rating agencies, moreover, also influence the functioning of contemporary democracies. In other words, policy-makers are more worried to meet the demands and requirements of rating assessments, than to tackle key domestic issues as rising poverty, the growth of precarious jobs, or rampant inequalities. On the other hand, debt relations (both private and public), and the permanent surveillance/evaluation of debtors by rating agencies, are increasingly redefining how democracies actually work. In fact, especially after 2008 global financial crisis, we witness to the crystal-clear structural conflict between international finance and welfare-state democracy, inasmuch as what moves international finance, and financial investors, is plainly at odds with the substance and functioning

of democracy itself, which either is based on the confrontation among real alternatives and with the promotion of social inclusion, or is not.

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