The Economic Exception.

The idea that economic power binds sovereign power has long been a mainstay in the international political economy literature, especially in international finance. International markets and finance constrain and control the political, and as a result, the "economic" tends to be conceptualized as external to politics and society. This view has many sources, but a particularly influential one is the work of Karl Polanyi, whose classic concern with economic embeddedness in the social and the political, and its reversal in market society, highlights the introduction of the gold standard as a turning point in the commodification of money, and the consequent separation of the economic and the political.

Polanyi, of course, is also a critic of the very idea that the separation of the "economic" from the "social" and the "political" is anything other than an ideological fiction. This has led to confusion and several attempts to solve this inconsistency in the neo-Polanyian literature. The central issue here is one of regulation: does the disembedded economy that Polanyi identifies in modern market society entail deregulation? Or on the contrary, is the idea of the disembedded economy an ideological fiction meant to obfuscate and mystify the very real regulatory efforts that sustain the allegedly free market—the re-regulation from which market society derives its stability and power?

In this paper, I propose a new solution to this Polanyian problem—specifically, to the question of the relationship between the economic and the political/social. This confusion is neither specific to Polanyi, nor one that can be solved within the dichotomous framework through which it is represented. It is the very idea that the economic and the social/political can be understood in terms of boundary, or of its converse, as a unity, that is problematic. Rather, attempts to separate or re-unite the economic and the social, (whether or not mediated by the political), insofar as they draw attention to the question of boundaries, they also draw attention away from the question of indeterminacy and excess—or the state under which the economic and the social constitute each other through emergency, crisis, and exception. My goal here is to flesh out a theory that derives from such a re-orientation, a theory that, borrowing from Agamben's theory of the state of exception, foregrounds what I call the "economic exception:" the place in which the social and the economic cohere *thorough a suspension of regulation that creates the conditions for the applicability of regulation.* The state of economic exception, I suggest, preserves market regulation by suspending it—a paradoxically and seemingly contradictory relationship that, nevertheless, once unpacked, helps us make sense of (1) the role of crisis in reproduction of markets (2) the sources of economic legitimacy that bolster the authority of institutions of governance like central banks.

Unlike the state of exception in the law, the focus of Agamben's work—a state that he shows to be intimately connected to *anomie* and the potential for violence by the sovereign—the economic exception rests less on coercion than it does on the threat of disorder, giving rise to a mode of governance that threads a fine line between fearmongering and technical mastery. The economic exception serves to center economic order as a good to be preserved, and to charge society with its preservation. Instead of framing the economy as something to be regulated or deregulated, the state of economic exception calls for a suspension of regulation in order to preserve market order and therefore the possibility of regulation.

I show the emergence of this mode of governance through a historical analysis of the annual reports of the Bank of Italy between 1960 and 1990—the period immediately following the economic "miracle" of the 1950s and ending with Italy's adoption of strict austerity measures to join the path towards the Euro.