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Structural Power without the Structure: A Class-Centered Challenge to New Structural Power Formulations*

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Abstract
This article argues for the utility in conceiving of two distinctive approaches to the structural power of finance—New Structural Power (NSP) and Traditional Structural Power (TSP). While both are crucial to political economy scholarship, this article highlights the intellectual trade-off that is inherent to the adoption of one perspective over the other, and it stresses the explanatory advantages of the TSP perspective specifically. First, it shows how the TSP framework can facilitate an understanding of when policymaker ideas do and do not matter in the exercise of structural power, retaining the concept of "automaticity" in structural power operations. Second, it demonstrates how each framework is custom-built to explain substantively different aspects of the policy process, with TSP research aimed at system-oriented limitation mechanisms and NSP research aimed at agent-oriented selection mechanisms. Third, it contends that TSP formulations must be embedded within a model of (contradictory) functional explanation, which is the best way to gain empirical traction on the most important macrostructural developments in contemporary finance-led capitalism. Methodologically, this implies an agenda of "explanation through commonalities" rather than the NSP-favored "explanation through variation."

Keywords
structural power, financialization, class, capitalism, functional explanation

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Structural power denotes the capacity of business to exert indirect influence over public policy on the basis that investment decisions within a capitalist system are predominately made by private holders of capital. This legal right of business to control the allocation and use of capital generates the potential for elected officials to be swayed in their policy choices through anticipation of the investment consequences that might follow. As job creation, growth, and overall prosperity are heavily dependent on robust levels of investment, there is a recurring incentive for policymakers to attend to the needs of business actors and foster the conditions under which business owners might be encouraged to promote further economic activity. This dependence on private investment decisions gives rise to a unique power dynamic between business and government, whereby capital holders and their policy preferences—or, at least, capital holders in specific areas of economic importance—are often said to enjoy a privileged position within the policymaking process.

In the current era, it is the financial sector that appears to be a chief holder and beneficiary of structural power. Unsurprisingly, then, commentary on the structural power of finance has witnessed a renaissance since the 2007–8 financial crash. Casting aside the perceived rigidity and deterministic character of previous accounts of structural power, a wide range of authors have made efforts to explain more precisely how and why this mode of influence helps financial actors either win or lose in the policymaking process. Chief among those promoting what I term the "New Structural Power" (NSP) approach are Pepper Culpepper, Cornelia Woll, and the coauthored writings of Stephen Bell and Andrew Hindmoor.[1] Such efforts are not limited to these authors, of course, and the perspective is buttressed by a proliferating number of contributions.[2] Nevertheless, in explicating the core distinguishing features of NSP research, I shall refer primarily to the works of Culpepper, Woll, and Bell and Hindmoor. Furthermore, I shall refer to previous research on the structural power of business and finance—against which NSP works are explicitly pitched—as "Traditional Structural Power" (TSP), most prominently advanced by authors such as Charles Lindblom, Fred Block, Claus Offe, and Stephen Gill.[3]

There are three primary moves made by NSP authors that distinguish their analyses from the TSP approach.

First, there is a firm consensus that structural power is a variable. Thus, as the influence and strength of that power fluctuates depending on the specific context under examination, policy outcomes are considered *highly contingent and conditional*. This is especially true regarding the operation of structural power within and across different national contexts, as countries have substantially distinct institutional arrangements on the domestic front, and divergent levels of economic/political capacity on the international front, both of which impinge on the relative influence of financial flows and investment decisions over policymaking processes.

This perspective strikes at what is considered to be the Achilles' heel of TSP formulations, which depicts structural power as functioning to "automatically" discipline the independent motives of policymakers through unconscious market mechanisms. As such, TSP research is said to offer a highly deterministic reading of policy battles whereby capital owners are almost always assured victory, in an undifferentiated manner. Rejecting this approach, Culpepper claims that the presence of structural power "implies neither a deterministic outcome nor that the exercise of structural power must happen automatically and apolitically."[4] Instead, variable structures of financial markets create opportunities for some, constrain others, and shape the terrain upon which political contestation and bargaining is waged. A central motivation of NSP work, then, is to investigate the specific contexts in which the structural power of finance is rendered effective (or ineffective) for financial actors to prevail (or founder), and to different degrees. This is illustrated by the detailed work on how structural power influenced the character of distinctive bailout packages across countries, and how differences in their design benefited certain financial firms over others, or allowed some states to resist taking on a greater portion of the costs compared with their international counterparts.[5]

A second key feature of NSP work is that *actors are placed front and center of the analysis*. This coheres with the desire to produce more fine-grained accounts of structural power, but also to supersede the more system-oriented (i.e., capitalism or market societies) focus of TSP writings that are "based on relatively underdeveloped notions of agency."[6] Culpepper suggests that NSP research places "agents in the foreground as political actors taking advantage of the resources provided by structural power, rather than [showing] how the structure of capitalism advantages all business actors in the same mechanistic way against non-business actors."[7] Hence, contingency and variability present agents (be they firms, business associations, policymakers, etc.) with genuine and meaningful choices, allowing them to act with purpose and reflexivity to further widen the scope of possible outcomes.

It is little surprise, then, that NSP authors uniformly stress the strategic capacities of actors. Culpepper and Reinke, for instance, introduce the notion of "strategic structural power"—deployed *intentionally* by financial firms in negotiations with policymakers. This resource is determined by the level of a firm's profit generated overseas, with higher levels offering those firms scope to ignore the threat of regulatory sanction by state officials.[8] Similarly, Woll proposes that certain banks are able to leverage their structural power effectively by adopting a "strategy of inaction" when it comes to engaging in coordinated measures to stabilize the economy.[9] Woll elaborates upon this logic through a game-of-chicken metaphor, with two cars driving toward each other at full speed. If governments are convinced that financial actors are too disorganized to participate in collective action solutions to a crisis, then state actors will be compelled to swerve first, and thus, carry the burden of saving the economy from all-out financial collapse. None of this is a forgone conclusion, however, and the outcome depends crucially on highly contextualized political strategies, institutional legacies, business-government interactions, and the perceptions of different agents.

This links to the third key move of NSP research, namely, *the salience of ideas in affecting the strength and influence of structural power*. In this respect, NSP writings lean heavily toward a constructivist analysis, whereby a variety of idea-centered, intersubjective understandings—normative values, discursive tactics, ideological commitments, shared beliefs about market reactions, etc.—play a crucial role in "mediating" policy outcomes in the context of financial market pressures or capital flight.

The most forceful proponents of this perspective are Bell and Hindmoor, who claim there has been a considerable backlash against the financial sector because of the emergence of "aggressive new actors in the government and the regulatory sphere." These actors—especially in the empirical case of the United Kingdom—are equipped with "far more sceptical and critical" ideational frames concerning the form of appropriate financial governance and the true capacity of structural power wielded by financial actors.[10] Woll is also forthright in a constructivist approach, stating that her analysis provides a "negotiated structural power account" that "demonstrate[s] that structural advantage is not simply a material fact" but rather "[it] depends on perceptions, and it needs to be enacted in the course of negotiations."[11]

Once more, the analysis runs contrary to a core thrust of TSP approaches that, while no doubt recognizing the influence of ideas in certain respects,[12] clearly render ideational phenomena as secondary. Think, for instance, of the materialist conception of structural power in Marxist analyses whereby the preferences of capital owners are systematically attended to because of their "objective" class position and the state's dependence on tax revenue from continuing accumulation. In Lindblom's non-Marxist formulations, think of "the market as prison" metaphor, whereby policymakers are inescapably compelled to provide business inducements because of the persistent threat of disinvestment.[13]

These, then, are the three key distinguishing features of NSP formulations compared to TSP research: the variable and highly contingent nature of financial structural power, a focus on actors as the primary unit of analysis, and the prominent role of ideas. However, while these are the main features of distinction, we can briefly identify three further attributes of NSP work that logically align, and are relevant to, the discussion in this article.

First, there is a clear methodological stress on the analysis of outcome variation. Resonant with the notion that the structural power manifests in variable ways and that policy battles are highly context specific, NSP authors squarely root their analyses in comparative research. As Culpepper proposes, "Theories of structural power should specify the sources of variation in structural power and show how that variation helps account [for] differences in outcomes"—an agenda that is carried out reliably in all the works referenced above.[14] For TSP authors, however, structural power is typically evoked when attempting to explain how it is that, despite minor discrepancies, state policies are characterized by a clear bias toward business and financial interests, within and across all market-based economies.[15]

Second, with determinism replaced by contingency, and automaticity looked upon with suspicion, the NSP literature conceives of states in a noticeably more powerful and autonomous light. A relationship of "reciprocal … mutual interdependence" is thus considered the appropriate way to conceptualize business-government interactions, rather that the (TSP) notion that capitalists have an intrinsic and permanent advantage over officials by dint of the fact that they monopolize investment decisions.[16] As such, finance frequently finds itself vulnerable to government pressure and fiat, be it through threats of criminal sanction, the purposeful restriction of "exit options," or dependence on the resources and coordinative capacity of states to resolve systemic crises.[17] At any given moment, then, governments potentially have as many aces up their sleeve as finance, and there is no a priori justification for suspecting that financial preferences enjoy a permanent policymaking bias.

Third, this conception of structural power implies a much more optimistic outlook on the possibility for democratic governance. Given that structural power varies across time and space, is differentially distributed across firms, and can be mediated/countered by state actors, there is the overriding impression that democratic deficiencies can be adequately resolved through sharper legislative tools and technical reforms. That is to say, any imbalance in the power relationship between private finance and policy-makers can be addressed through a variety of institutional fixes: for example, decreasing the dependence of domestic firms on foreign profitmaking or creating domestic structures that oblige private actors to engage in coordinated, collective action for the public good.[18] This is quite dissimilar to the implications attributed to TSP perspectives, whereby the eradication of political influence derived from structural power necessarily entails an attack on the capitalist, market-based economic system and its constituent class relations.

Table 1 categorizes these core distinctions between NSP and TSP formulations and serves as the analytical anchor upon which the rest of the article is based.

Recognizing Trade-Offs

What should be the response of those working in political economy to these theoretical developments? One response is to celebrate this academic progress, move forward, and leave behind the seemingly crude and unpolished TSP formulations. NSP writings

Table 1. Key Distinctions between Traditional and New Structural Power.

	Traditional Structural Power	New Structural Power
Primary unit of analysis	Economic system and class relations (macro)	Agents and institutions (micro-meso)
Primary mode of influence	Highly determinative—SP is an automatic, apolitical, market-based mechanism; SP constrains state policies through unintentional and unconscious means	Highly contingent—SP shapes the terrain for conscious, strategic action, political contestation, and negotiation; SP creates differential opportunities and constraints for various agents
Epistemological premise	Materialist—ideas play a secondary role	Constructivist—ideas play a prominent role
Methodological approach	Explanation through commonalities	Explanation through variations
Conception of state-business power relationship	Asymmetrical—business always has a distinctive upper hand	Mutual dependency—no group necessarily has the upper hand
Implications for democratic governance	Pessimistic—permanent clash between democracy and capitalism (rooted in class conflict)	Optimistic—variation in the strength of SP indicates that democratic deficiencies can be overcome (e.g., institutional fixes)

appear to have dragged the structural power of finance into a world of sophistication and appropriate complexity, and one that aligns comfortably with the dominant social scientific framework of new institutionalism: the primacy of agents, the enabling and constraining impacts of diverse institutions, the turn to ideas, and the robust methodological practices of cross-national comparative variation.[19] Indeed, several of my own writings operate primarily within the NSP framework, seeking to shed light on how financial actors can manipulate uncertainties surrounding the occurrence of structural power, and how structural power incentives can foster decisive policymaking alliances between finance and powerful public (central banks) and private sector (accountancy firms) groups.[20]

Nevertheless, in this article, I take a different tack and focus on demonstrating the importance of preserving TSP formulations, which provide crucial analytical leverage over many issues concerning the structural power of finance in contemporary society. The overarching contention is that TSP and NSP research, by dint of their distinguishing features, *are custom designed to address different kinds of explananda or dependent variables*. As such, the question is not whether one type of formulation should be discarded and the other maintained, but rather: which one is more appropriate to the kinds of phenomena that researchers choose to investigate and explain? This position, therefore, implies less of an antagonism between TSP and NSP perspectives, than it does an intellectual trade-off—whereby the advantages and disadvantages of one approach in tackling aspects of structural power are, to a considerable extent, inversely related to the superiorities and deficiencies of the other.

Broadly speaking, the TSP perspective *purposefully* directs a researcher's attention toward questions regarding the systemic and structural properties of the economic system. In particular, this means explicitly foregrounding the analysis of "macrostructures" such as class and capitalism, and delineating the ways in which the structural power of finance is implicated in shaping the evolution of these phenomena. In this respect, TSP formulations are (contrary to NSP approaches) less concerned with the fine-grained analysis of specific policymaking outcomes and their relevance to particular actors, and more concerned with a coarse-grained characterization of real limits imposed within the policymaking process, and the cumulative impact of (bounded) policy outcomes on the functions and dysfunctions of ongoing capital accumulation.

While the overarching concern with capitalism and class might appear somewhat quaint with respect to customary approaches to modern social science, I would argue that several of the most salient issues within contemporary political economy demand such an orientation. Crucially, this includes a range of themes intrinsically connected to the structural power of finance: the "status quo" nature of postcrisis financial reforms, the resilience of financialization, the necessity of unconventional monetary policy interventions to stabilize markets, the unprecedented rise in public debt levels, the continuing increase in wealth and income disparities, stagnating growth across advanced economies, and the challenge to democracy posed by populism.[21] It is rather unsurprising, then, that many of the leading figures in comparative political economy (CPE) and international political economy (IPE) research have turned their attention to these systemic, macrostructural concerns.[22] Indeed, it might be said that the explicit "break with . . . a class theoretic focus" is an unfortunate and deeply ironic feature of the NSP framework; for a research agenda explicitly aimed at being relevant and updated for the contemporary era, it also appears profoundly out of kilter with the tumultuous developments within modern capitalist democracies.[23]

For the purposes of this theoretical exposition, I will focus on three specific areas in which TSP approaches offer a superior analysis compared with NSP formulations and can legitimately function to advance our knowledge of the structural power of finance.

First, I show that, while ideas are often relevant for explaining the strength of financial structural power and its impact on policy outcomes, they are not *always* relevant. In certain circumstances—which I will specify—there are good reasons to believe that the ideas of policymakers are more or less rendered moot by the overwhelming, and thoroughly apolitical, force of (financial) market-generated structural power. In such scenarios, it makes sense to retain the core TSP notion of "automaticity" when considering capital flight and disinvestment dynamics, as it directs attention toward the system-level analysis of policymaking limits.

Second, I argue that, in many respects, TSP and NSP frameworks are aimed at explaining different elements of the policymaking process. The distinction here revolves around the notion of selection determinations and limit determinations, with the latter being a primary explanatory goal of TSP formulations, and the former being the core focus of NSP research. Limit determinations, however, by operating through a process of policy exclusions—or "negative selection filters"—are notoriously more difficult to get empirical traction on.[24] Nevertheless, they represent an essential feature of any complete explanation of policymaking, and as such, TSP approaches are better placed to leverage the concept of structural power as a key mechanism through which limits are established and regulated.

Third, I demonstrate how, by adopting a sophisticated form of functional explanation, TSP approaches generate crucial insights regarding the system-level dynamics of contemporary finance-led capitalism and its potential future development. While such insights are not in principle walled off from NSP research, they are in practice relegated by that approach to a form of institutionally mediated, microlevel activity, performed by conscious actors—in some sense, a structural power without the structure. By adopting a "contradictory functionalism," however, TSP perspectives are better placed to explain how occasional losses for finance remain compatible with systemic capitalist accumulation requirements, while at the same time demonstrating a definite, nonrandom, and systematic class bias in policy outcomes.[25] Furthermore, this perspective implies returning to the neglected task of explaining commonalities in outcomes rather than solely variations—the latter of which are ill suited to understanding some of the most salient puzzles in contemporary political economy. Such reasoning will be outlined with empirical reference to the emergence and resilience of "financialized" growth and the surprising absence of substantive financial reform after the 2007 global financial crash.

When Ideas (Do Not) Matter

Over the past decade, Bell and Hindmoor have advanced an impressive range of case studies that illustrate, persuasively, how ideas function to "mediate" structural power relations. Here, I consider two critical questions concerning the topic: One, do ideas always matter to the operations of structural power, or only sometimes? Two, if ideas only matter sometimes, then in what *general contexts* can we expect to observe their influence?

I interpret Bell and Hindmoor as broadly comfortable with the view that ideas always play a major role in how structural power is exercised. The foundational constructivist principle comes from their claim that "business power is not an objective force but an artefact of relations between business and government which are in part materially defined and subjectively and inter-subjectively constructed."[26] This theoretical proposition sets the stage for a range of articles showing the impact of ideas in affecting structural power before, during, and after the financial crash of 2007–8. In one of those articles, the authors argue that the threat of structural power "is *only likely to be effective* if government actors believe that business investment is valuable and the threats credible. Neither set of beliefs arise automatically" (emphasis added).[27] In another, they advance the general claim that "the structural power of business varies . . . because government actors' normative and causal ideas about the value and determinants of business investment and credit flows vary. . . . Policy debates take place against the backdrop of constantly evolving arguments about the likely consequences of acting in particular ways and *these arguments shape the structural power of business*" (emphasis added).[28] In short, it is reasonable to conclude that Bell and Hindmoor see ideas as always playing an important role in how structural power is manifest and rendered effective within the policymaking process.

Here, I advocate a counterposition, arguing that ideas only have real significance in some contexts, while in others, the structural power of finance is better characterized as highly determinative, apolitical, and automatically generated. To be clear, the claim is not that ideas are irrelevant to the strategic positioning and deliberative engagement of state policymakers when faced with the threat of structural power; I take it as a trivial fact of the world that, in even the most constrained of scenarios, state actors face and make choices, and those choices will always be molded by, and justified through, various kinds of discursive and ideational practices. The point I advance below, however, is that, in certain contexts, these ideational tactics and dispositions can do nothing to alleviate the objective and immediate source of structural constraint (i.e., capital flight within financial markets). In such scenarios, the causal role of policymaker ideas in the exercise of structural power is rendered distinctly subordinate, and in other contexts still, effectively irrelevant.

To demonstrate, let us look closely at each component of the social interaction that occurs in a typical example of structural power, analyzed by means of a 2×2 table (Figure 1). On one side, there are the (financial) market operations of "capital flight"— the most basic mechanism of structural power discussed by the literature. What matters here is the simple observation of whether a flight of capital and investment does or does not occur.[29] On the other side, there is the dimension of policymaker ideas—specifically, whether or not policymakers *believe* that capital flight is a legitimate threat. For the sake of simplicity, I shall assume that if policymakers do indeed believe that capital flight is a real threat, they will consciously act to provide financial market inducements, as a means to ward off the threat and address financial sector

		Status of policymakers ideas	
		PM believes threat (provides inducements)	*PM does not believe threat (provides no inducements)*
Capital flight operations	*CF occurs*	Point of no return	Classic automatic recoil
	CF does not occur	Self-inflicted wound	Bluff call

Figure 1. Policy scenarios resulting from the interaction of ideas and capital flight.

concerns. Inducements can take various forms and involve measures such as a commitment to austerity/budget restraints in order to address deficit and debt concerns, commitments to inflation targeting, the watering-down or scrapping of allegedly burdensome financial regulation and other punitive reforms, the redesigning of bonds on more favorable terms for investors, and so on. In short, any kind of policy measure designed to assuage the worry of financial markets that investment into that country poses an intolerable risk, or constitutes a bad investment. Conversely, if policymakers do not believe that capital flight poses a credible threat, they will forgo the provision of inducements, judging themselves to be sufficiently insulated from the dangers of financial disinvestment.

As such, we are left with the formulation and the production of four possible policymaking scenarios as shown in Figure 1.

I have labeled each scenario with a short aphorism conveying the essential dynamic of the policymaking situation. Moreover, the shaded quadrants represent those in which I contend ideas are largely irrelevant to the manifestation of financial structural power, while those unshaded identify scenarios in which I consider ideas as intrinsic to the immediate outcome. Let us now consider each scenario in turn.

Point of No Return

The scenario in the top left quadrant is one where ideas appear to matter least in the exercise of structural power. The defining feature of the scenario is that, irrespective of what policymakers think about the workings of capital flight, and irrespective of how they might act on the basis of those beliefs (ideas/perceptions), they find that they can do nothing to alleviate investor fears and restore normality to investment flows—at least in the short run. To put it plainly, confidence in that country has gone beyond a point of no return, and there are no identifiable tools at a government's disposal to retrieve it. Ideas, in this context, are completely sidelined by objective market forces.

Here, we might designate the Greek debt crisis as a paradigmatic example—especially during its peak from late 2009 to early 2012. Once Greece revealed a fiscal deficit twice the size of what was previously reported, combined with escalating debt, the country was routed by bond markets. Interest rates rose to unmanageable levels, while domestic creditors raced to shift their deposits abroad. The Greek government reacted by submitting themselves completely to austerity and structural reforms—initially, by voluntary declarations and emergency action, and subsequently, by locking themselves into a formal Troika-designed bailout package. Crucially, however, none of this mattered to financial markets, with ten-year bond yields remaining between 10 and 35 percent over the following two years. Much like hurricanes, floods, or other natural disasters, policymaker ideas were futile in changing this dynamic.

The core dilemma in this particular case was that investors faced a contradiction in their needs: on the one hand, they desired austerity, structural reform efforts, and sustainable finances; on the other, they understood that these measures were very likely to push the Greek government into even deeper debt. Moreover, if pushed far enough, Greece might have no choice but to default—not only hurting bondholders directly but setting a precedent for other countries in the region to follow.[30] It is not difficult to conceive of similar scenarios where investors pose conflicting requirements that governments are unable to satisfy. For instance, the thorny question of regulatory overhaul in the immediate aftermath of a financial crisis. Or, perhaps, the conflicting preferences that are generated among market participants over the wisdom of large-scale central bank interventions. In the event that such a dilemma results in the aggregated flight of capital from a country, irrespective of the inducements and concessions provided by state actors, it is simply incompatible with the strong constructivist claims of NSP literature.

Classic Automatic Recoil

The next scenario matches Lindblom's classic "automatic recoil" metaphor. Empirically, we can think of the notorious case of François Mitterrand who, in 1981, faced a severe backlash of disinvestment after implementing nationalizations, wealth taxes, and wage increases. From the TSP point of view, Mitterrand moved outside the very real structural constraints of policymaking and was punished severely for doing so. Thus, while such constraints are not immediately discernible, they are automatically generated and imposed in practice through the aggregated assessment of market participants.

Similar manifestations relating to contemporary financial markets include the bout of panic that followed the Sarkozy-Merkel agreement to bail in exposed bondholders at Deauville and the "taper tantrum" following the Fed's announcement about winding down its quantitative easing program. Both events resulted in a market backlash that compelled policymakers to adjust their original plans. More broadly, however, these objective forces profoundly influenced the future intentions of policymakers and narrowed their understanding of feasible policy options.[31]

It is difficult to see how ideas play anything but a subordinate role in such a manifestation of structural power.[32] Nevertheless, one potential response from NSP authors is that, because there is no *formal mapping* of where the constraints lie, the boundaries between market acceptance and rejection are highly variable, and thus, susceptible to being shaped by differently constructed intersubjectivities. For instance, the same negative response might not be experienced by a conservative government implementing expansionary measures, compared to one that is socialist. Moreover, a developed country might be allowed more scope for maneuver than a developing one, as might a country with a stellar record of debt repayment compared to those without. Different market responses might also be elicited based upon the timing and sophistication of policies.

These objections raise the prospect that the scenario identified in the bottom right quadrant ("bluff call," discussed below) is one that can be actively molded by competent policymakers—thus avoiding the automatic recoil response. Ultimately, actual outcomes and potential alternatives must be demonstrated through empirical investigation—not theoretical fiat. However, in empirical cases where financial markets immediately signal their disapproval, and policymakers are forced to retreat, it is legitimate to claim that ideas are thoroughly marginalized.

Self-Inflicted Wound

The third scenario is more conducive to constructivist interpretations. It speaks to a situation whereby the structural power of finance appears to have won the day, but there are strong reasons to suspect that this is more a function of faulty reasoning on the part of policymakers. A good example here is the sharp turn toward austerity measures in the period 2009–10 (after the brief period of Keynesian stimulus following the global financial crash) by countries that seemed to face no serious threat from financial markets and were likely capable of extending the period of fiscal expansion. This includes countries such as Germany, the Netherlands, and the United States, whose bond yields were at historical lows yet still saw policymakers determine that fiscal retrenchment was an appropriate course of action. In this respect, the policy is one that is "self-inflicted," rather than one anchored in real market constraints, and as such, is heavily dependent on ideational processes. This aligns with Colin Hay's suggestion that the ideational construction of capital mobility threats, rather than their material reality, has more explanatory power over policymaking outcomes.[33]

A more cynical—but plausible—interpretation of this scenario is that policymakers are purposefully leveraging the specter of market backlash as a pretext for their autonomous fiscal restraint preferences. This move modifies our baseline assumption at the outset, which is that policymakers will only offer inducements when they genuinely believe there is a threat. In this new interpretation, inducements are provided, despite the belief there is no threat. However, this modification does not change the core analytic implication of the scenario: namely, that ideas—or perhaps more precisely in this instance, ideological commitments—play a prominent role in policy outcomes.

Bluff Call

The fourth scenario is one that I interpret NSP authors to consider significantly more plausible (and hence, more frequent) than TSP authors would be comfortable acknowledging. As stated appropriately by Bell and Hindmoor, the core reasoning here is that "state capacity and the ability of state elites to withstand structural power threats can be enhanced by the very ideas and basic conceptions that state elites formulate and utilize."[34] In short, policymakers can leverage ideational phenomena to call bluff on financial agents who reflexively warn of capital flight whenever the state plans to implement policies that go against their (particularistic) interests.[35]

In the case of bank capital reform in the United Kingdom, Bell and Hindmoor argue that a combination of ideational learning and institutional reconstruction challenged the structural power of finance and rendered it ineffective in preventing significant financial reforms. Crucially, these variables are linked. For instance, the Bank of England did the intellectual groundwork in establishing the view that higher bank capital standards are likely to enhance (rather than restrict) domestic lending. Subsequently, they brought this ideational frame into the newly established Financial Policy Committee, which was given significant policymaking autonomy and resources to pursue strict regulatory requirements. Moreover, they managed to exploit the highly politicized and "noisy environment" surrounding financial reforms, gaining support from the media and the public, both of whom treated the claims of private banks with skepticism.[36]

This scenario indicates the potential for ideas to combat the strength of structural power and influence policy outcomes. However, much like the classic recoil scenario discussed previously, this position is vulnerable to corresponding TSP claims: namely, that, in many instances, market forces will simply not respond in the way that policymakers anticipate or hope they will, irrespective of the diligent ideational work they devote to designing new policies. If market participants collectively turn against these proposals, ideas will be subordinated to material constraints. Again, these alternatives can only be verified through empirical investigation. Analytically, however, they are both feasible outcomes, and there is no a priori theoretical justification for dispensing with one framework in favor of the other.

Conclusions

The four scenarios identified show that, while ideas can certainly impact the exercise of structural power, it is equally possible for ideational phenomena to be rendered moot by the overwhelming force of financial market movements. This is particularly true in instances that resemble the point-of-no-return scenario, where the contradictory "demands" or "needs" of financial markets cannot be adequately satisfied by governments in a reasonable time frame. In the classic automatic recoil scenario, it is also possible for ideas to be subordinated to objective forces; however, the substantive issue here revolves around the question of what and how much governments can do to frame and present policy proposals in a way that will be accepted by financial markets. If successful, policymakers can actively shift the outcome to a bluff call scenario, undermining the conventional refrain by financial agents that markets will reject policies targeting their private interests. Ultimately, however, this aspect of the debate can only be adjudicated by empirical evaluation of particular outcomes. Finally, in cases where policymakers provide financial inducements when there is clearly no need for them to do so, we can confidently claim that ideational phenomena are at play—either through policymaker misjudgment or ideological commitment.

Besides illuminating the various scenarios that result from the interaction of policymaker ideas and capital flight, there are two main conclusions to be drawn from this analysis.

First, because there are clear analytical (and empirical) grounds for believing that ideas are rendered irrelevant in certain contexts, there is no theoretical justification for adopting the strong constructivist lean of NSP formulations. NSP research has made genuine progress in demonstrating how ideas matter in the exercise of structural power, but it would be an overcorrection to presume that ideas *always* matter or play a meaningful role. In this respect, the TSP framework remains crucial to the analysis of objective structural influence by financial markets over policy.

Second, the identification of common scenarios in which ideas are thoroughly subordinated to objective market reactions confirms the need to recognize "automaticity" as a legitimate and salient characteristic of structural power operations. One major implication of retaining the automaticity concept is that it directs attention away from an exclusive focus on microlevel agents and toward a more macrolevel, systemic analysis. As mentioned, the apolitical and spontaneous generation of structural power by financial markets crystallizes the real constraints imposed on policymakers in practice, but in so doing, also provides crucial information concerning the scope and limits of "functional" policy proposals—that is to say, policies necessary to ensure the reproduction of accumulation and prevailing economic relations.[37] Gaining further traction on how these limits are established, maintained, and subject to change over time is a vital—though typically neglected—task of policymaking research. It is to this matter the article will now turn.

Identifying Limits and Selections

In this section, I will demonstrate how structural power has primarily functioned in TSP formulations as a potent mechanism for establishing and regulating policy limits—not for illuminating the passage of specific policies. The upshot is that the TSP approach holds a crucial analytic advantage over the NSP perspective for understanding how the parameters and boundaries of policy debates are generated because of its overriding focus on a system level of analysis, and as such, must be retained for use by political economists.

Two Categories of Policy Explanation

The intellectual task of explaining policy outcomes is divided into two distinct categories of purpose.[38] The first—selections—is by far the most common and is extensively studied by most political scientists working within the dominant framework of interest group politics, new institutionalism, and formerly pluralist-behavioral approaches. Selections refer to the *social processes that causally determine which specific policies are actively chosen by political actors from a preordained and feasible set of possibilities* and are subsequently implemented through legislative and bureaucratic action.

Preordained and *feasible* are crucial adjectives that point at the second category of purpose: limits. That a particular range of possibilities is preordained indicates that any given set of policy options are derived from a broader set of alternatives and, thus, are chosen through some additional determination process. Relatedly, that the subset of considered possibilities are characterized as feasible takes account of the fact that policymakers ordinarily adopt measures they judge to be realistic on the basis of certain political criteria and that they feel stand a chance of achieving their desired purpose. Limits thus refer to *the social processes that causally determine the way in which a broader range of policy alternatives are filtered into a narrower range of alternatives that are then subject to selection considerations*.

These two very distinct types of causal processes propel the researcher toward different aspects of social phenomena. Both, however, are necessary for any complete explanation of policy outcomes.

Selection determinations operate at the micro level of policymaking through formal and procedural routes within liberal democracies. A key characteristic is the examination of positive policy choices, typically through the calculated engagement of actors. Inquiries involve understanding why a specific policy succeeds or fails, why it is chosen over a small number of alternatives, how actors mobilize to support or defend it, how negotiations are conducted, how efficient is the policy design, what problem it tackles, and so on.

Limit determinations—or what we may call exclusion mechanisms—relate to structural properties of the social order and, thus, operate at the macro level of analysis. Research in this domain identifies "negative" policy selections, or processes of exclusion, which are less conducive to direct observation through formal policymaking procedures.[39] Such exclusions are typically the result of boundary-drawing norms imposed by system-level phenomena—in this instance, macrostructures such as class and capitalism. Core questions include why and how some measures are deemed appropriate while others are systematically omitted from the policy agenda; what the character of omissions tells us about social power relations; upon what basis a policy option travels from omission to inclusion (or vice versa); and how this might relate (functionally) to economic reproduction.

In short, the examination of policy selections typically points "downward" to the micropractices of individual political actors and tells us why specific policies succeed or fail. The examination of policy limitations points "upward" to the exclusion mechanisms generated by system-level macrostructures and tells us why the policy options are structured in the way that they are.[40]

NSP and TSP as Purpose-Built Frameworks

Figure 2 provides a schematic representation of how both categories of explanation relate to TSP and NSP approaches to policymaking.[41]

In NSP formulations, structural power is called upon as a mechanism that helps to directly explain final policy outcomes—usually through its strategic deployment by conscious agents**.** In this respect, the concept gains a degree of precision and concreteness that most TSP research cannot achieve. Moreover, because selection determinations

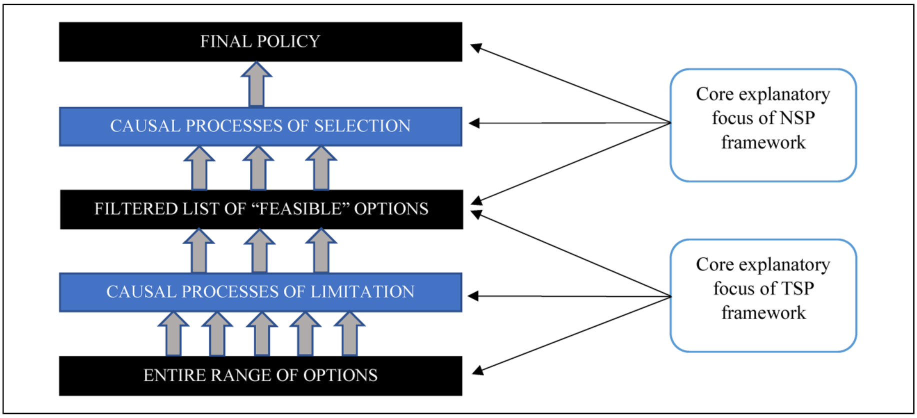

Figure 2. Relation of NSP and TSP approaches to selection and limit determinations.

are plainly observable and refer to policy events that have actually occurred, it is easier to get empirical traction on and operationalize the impact of structural power. Finally, the "filtered list of feasible options" phase is a key area of analysis, as it constitutes the battleground upon which elected officials compete and identifies policy alternatives that stand a chance of being implemented but are eventually dropped.

The range of feasible options matters for TSP research to the extent they define the terrain of respectable mainstream politics. However, it is the use of structural power as a mechanism of limitation that illustrates the wider policy-setting agenda and serves to preclude options that would disrupt economic reproduction.[42] The key methodological challenge resides in identifying and explaining nonevents—a high bar for social scientific research.[43] Finally, reference to "the entire range of options" exhibits the radical lean that often characterizes this research—in particular, Marxist approaches. In this respect, there is an explicit normative dimension that contemplates (or advocates) an alternative policy agenda, and even alternative economic systems.[44] However, from a strictly positivist viewpoint, one should consider this perspective as posing the objective question: What are the possible, or likely, future trajectories of capitalism?

Of course, the focus on limits has always constituted a central element of the Marxist research agenda, particularly in relation to a Marxist theory of the state. The writings of Poulantzas, for instance, are principally concerned with illustrating the state's repressive functions, in both its physical and ideological guise. Similarly, Claus Offe aims to show how "exclusion mechanisms" display an "affinity to class interests" and how the state operates as something approximating the "ideal collective capitalist."[45] However, the inability to reconcile thorny issues concerning the notion of "relative autonomy," as well as claims of naive functionalism and unfalsifiability, marginalized such views in modern political economy.[46]

Nevertheless, a substantially narrower claim concerning *the structural power of business and finance as a limitation mechanism* has persisted—migrating first through IPE globalization studies and picked up once again by CPE in the aftermath of the global financial crash.[47] As indicated, however, NSP researchers recast structural power as a tool that can be used to explain policy selections. The problem with this approach, however, is that, even if NSP research was able to accurately explain and predict the success and failure of all policy proposals taken in relation to the financial sector—this would still tell us almost nothing about why those proposals made it onto the agenda in the first place, and whether or not the phenomenon of structural power had something to do with alternative proposals never being considered.

It should be stressed that this is a long-standing drawback of research focused upon policy selections. The same deficiency was admitted by David Vogel in 1983, who noted that the overriding concern of pluralists is with very particular policy disputes that lead them "to pay insufficient attention both to the boundaries of corporate political influence and to the processes by which political agendas themselves are formed." As such, Vogel was fully aware that the pluralist paradigm was not well suited to the task of "illuminat[ing] the parameters within which political conflict itself takes place."[48] Instead, Vogel's primary contribution was to develop a "sophisticated model of interest group politics" that stressed the variation of business influence over different time periods.[49]

It should come as no surprise, then, that Vogel's research on the "fluctuating fortunes of business" is the driving force behind the NSP conviction that structural power should be considered a variable, and that investigations into agenda setting must be significantly curtailed.[50] Of course, the institutionalist bent of NSP authors potentially puts them at a better vantage point than the old pluralists to capture more of the context under which policy parameters are demarcated. Nevertheless, as noted by Pontusson, the new institutionalist paradigm itself displays a myopic focus on mesolevel political institutions, while sidelining the broader structures of society that offers insight on the "systemic power of capital and . . . the interests of collective actors and how they change over time."[51]

It is these system-oriented aims that are central to Lindblom's classic (non-Marxist) TSP formulations. In *Politics and Markets*, for instance, his primary concern is *not* to develop a fine-grained and nuanced account of how and why specific policy selections are determined but rather to examine how an indispensable feature of capitalist democracies—"especially the law of private property"—functions to constrain the range of policy options considered, and hence, produces a systematic bias toward business preferences in policymaking outcomes.[52] Within those boundaries established by structural power, however, the seemingly contradictory phenomena of occasional business loss, conflict between policymakers, and corporate efforts to instrumentally mobilize are effectively accommodated. In an illustrative passage, Lindblom argues that

> conflict [between business and government] will always lie . . . within a range of dispute constrained by their understanding that they together constitute the necessary leadership for the system. . . . *They therefore do not dispute the fundamentals of their symbiotic relationship—private enterprise itself, private property in productive assets, and a large measure of enterprise autonomy, for example. They dispute over an ever-shifting category of secondary issues*—such as tax rates and particulars of

> regulation and promotion of business. . . . Extreme positions on . . . a continuum are not disputed by government and businessmen. Some narrow range of disagreement is, however, constantly disputed. (emphasis added)[53]

What Lindblom terms "secondary issues" here essentially constitute policy selections—the main explananda of NSP research. Of course, disputes over these "secondary issues" is still undoubtedly fierce, and that is what motivates business actors to consciously mobilize in an effort to sway government officials or public opinion. This process, however, is in no way analyzed by Lindblom in terms of the exercise of structural power.

Instead, Lindblom categorizes these efforts through a range of supplementary mechanisms that modern political economy typically conceives of as instrumental power: corporate campaign funding and lobbying, special access to decision-making forums and government elites, and organizational and informational capacities.[54] All of these run-of-the-mill electoral and interest group activities characterize the arena of "polyarchal politics," within which, Lindblom contends, business maintains "disproportionate influence."[55] However, these struggles are explicitly nested within a conceptual hierarchy that sees the primary function of structural power as precluding debate over policy alternatives that are incompatible with market-based systems based upon "private enterprise, private property, [and] enterprise autonomy."

Similarly, Lindblom relates how business frequently invokes (instrumentally and discursively) the logic of structural power, by "predict[ing] dire consequences" throughout the policymaking process, as a means to persuade government officials that specific antibusiness measures will be counterproductive.[56] For Lindblom, however, these policy debates create an exaggerated impression of the actual scope of policy contestation and the true dispersion of political power within market-based systems. Businesspersons, in particular, are susceptible to such illusions:

> Their impression is overwhelmingly of a constant defensive fight to maintain a reasonable minimum of business independence so that they can get the job done. I suggest that businessmen look more deeply. They are indeed constantly and inevitably engaged forever in a fight for their prerogatives. *But it is a fight on the edge of a battlefield most of which they long ago captured. The businessman commands almost all the field*. A disproportionate business influence on government is so pervasive as to go unnoticed, however vigorously business goes on defending itself at the fringes. (emphasis added)[57]

This "unnoticed" control serves to explain why business still feels the need to mobilize instrumentally, aiming to secure their maximal and particularistic policy preferences, despite their structural dominance over the wider policy agency.

An analogy might be made with NSP research that focuses disproportionately on high-profile selection battles that play out "on the edge of the battlefield" instead of probing limit determinations that are reenacted so habitually that they pass over without recognition. In this respect, in is incorrect to interpret NSP research as simply an extension or sophisticated refinement of TSP formulations; rather, it is a discrete framework that is custom designed to target a different phenomenon. To the extent, then, that researchers want to focus on understanding the setting of policy parameters and policy limitations, the TSP approach offers superior analytic leverage.

The Structural Power of Finance as Limitation Mechanism

A TSP concept of structural power makes no claim with respect to a comprehensive theory of the state. Rather, it makes a more restricted claim that, in the contemporary world economy, whatever it is that policymakers desire to achieve, the policies they enact are fundamentally constrained by the necessity to ensure that the financial sector, broadly conceived, is not severely damaged or diminished. Policymakers can, of course, make substantive changes to the makeup of the financial sector—regulating and modifying its behavior in various ways, for instance, or instituting conditionalities to which it should adhere. But in doing so, the state always runs the risk that it will overshoot the mark and end up facing capital flight, hurting its own credit institutions, fostering instability, and impairing its overall growth prospects. To the extent that policy miscalculations engender such consequences, there is a high likelihood that state actors will quickly retreat from those measures.

Another way of putting this is to say that the structural power of finance operates in such a manner as to establish and regulate the limits of policymaking. This is a coarse-grained claim that does not comport well with the relatively fine-grained claims generated by NSP research. This is to be expected, however, as it deals with system-level, rather than microlevel, outcomes. As such, it is attending to an explanation that occurs at a higher level of abstraction, but one that is nonetheless essential for producing a complete understanding of policymaking outcomes.

In order to get better empirical traction on the character of this limitation mechanism, the next section contends that a workable TSP analysis is best embedded within a model of functional explanation—albeit one that allows for contradictory processes, including suboptimal forms of reproduction. The logic of this model, and the analytic implications it holds for studying the ongoing process of financialization, is the subject of the next section.

Traditional Structural Power as Functional Explanation

The Systemic Focus of Functional Explanation

As discussed, TSP research focuses primarily on explaining system-level phenomena, thus probing the broader setting of policy parameters and policy limitations under which policymakers must work. With respect to the notion of financial structural power, a functional explanation corresponds to this task in at least three different ways.

First, it analyzes the relationship between the workings of financial structural power and the dynamics (i.e., the stability and change over time) of macrostructures such as class and capitalism. The association most relevant here is how a given historical configuration of class and capitalism promotes and reinforces the structural power wielded by finance, and vice versa. At the current historical juncture, it is a post-Fordist, finance-led accumulation regime—or financialization—that substantially shapes the content of those macrostructures.

Second, given these dynamics, the explanation identifies how a pattern of policy exclusions integrates with the broader macrostructures. In a functional TSP approach, the fundamental claim is that there is an observable pattern of bias toward finance within policymaking, and that bias sustains the very accumulation structure that benefits financial actors. What is functional about this is that a recurring pattern of bias is itself explained by the reciprocal effects that it has on the threat of capital flight and, thus, its beneficial consequences for financialized reproduction. This constitutes a feedback loop between pro-finance policies and the threat of capital flight, whereby the latter process has causal primacy.

Third, the explanation draws attention to more or less severe system-level dilemmas that periodically emerge and disrupt this maintenance function and to the subsequent attempt to reconfigure social structures as a means to sustain ongoing accumulation. In the case of contemporary finance, this relates specifically to how growing dysfunctions within the sector can instigate (global) instability and a prolonged period of economic stagnation, as demonstrated by the 2007–8 financial collapse. In this context, the key policymaking task is to produce structural adjustments that satisfy both the demands of investors, while at the same time ensuring that financial activity is aligned with broader social prosperity and a tolerable level of public legitimacy. Given the globalized nature of systemic constraints, however, there can be no assumption that such solutions will be spontaneously generated, optimal, or even possible, as the failure of postcrisis regulatory reform illustrates.

The three systemic elements of a functional explanation outlined above provide a useful map for considering how the processes of financialization relate to a functional explanation of structural power. For signposting purposes, I term these elements (1) the functional fit (how macrostructures intersect with financial structural power), (2) the functional feedback loop (how a pattern of pro-finance bias in policymaking is maintained), and (3) the functional dilemma (how changes in the system over time trigger the need for new maintenance functions). I discuss each of these elements in turn, with illustrative reference to the growth regime of finance-led capitalism.

The Functional Fit

This is the most studied of the three elements and thus will be outlined only in a cursory manner here. The key insight is that, as advanced capitalist democracies transitioned from a regime of organized Keynesian into their post-1970s, market-driven, neoliberal guise, the financial sector took on a pivotal functional role in making that transition possible and sustainable. From a TSP perspective, the shorthand concept for this functional fit is "financialization," characterized by a complex range of interrelated processes involving, inter alia, the liberalization and deregulation of financial markets, the sharp growth of public and private debt, the spread of shareholder value norms, and increasing shares of profits and GDP derived from financial activity.

The corollary of this transformation is the heightened economic and political significance of financial actors—a reemergence of the rentiers, or more simply, the repositioning of financial actors as the leading fraction of the capitalist class.[58] Notwithstanding the growing political agency of financiers within the policy process (basically amounting to instrumental power), TSP research places an emphasis on the growing structural importance of everyday financial activities to the reproduction of national economies and the global economy more generally. Irrespective of ideational and normative leanings, then, all serious and competitive parties have been compelled to ensure that the functional role played by finance is not damaged or disrupted.[59] While the period of financialization is clearly marked by the growing wealth and income inequality, it is the growing *political inequality* of social classes that is most analytically relevant to the TSP approach and an outcome that is rooted in the centrality of finance to the contemporary accumulation process.

Leading political economists describe this transformation from different angles but embed their analysis with the same functional through line.

For Streeck, the trajectory is marked by sequential crises, each one requiring the involvement of progressively liberalized financial markets to solve pressing distributional conflicts. The abandonment of capital controls in the 1970s as the first step toward defeating inflation, the growth in public debt to maintain social peace in the 1980s, and the shift toward a regime of "privatized Keynesianism" in the 1990s and early 2000s to compensate for stagnating wages and austerity—such measures relied heavily on the deregulation and rapid growth of financial markets, as well as complex financial engineering and leveraging to facilitate private household borrowing at record levels, and the creation of globally interconnected housing and credit bubbles.[60]

For Blyth and Matthijs, the transformation is depicted in terms of an endogenously driven macroregime (MR) shift.[61] The postwar regime (MR1) is defined by the policy target of full employment, requiring the systematic repression of finance across a range of institutional spheres. The post-1970s regime (MR2), however, is the mirror opposite, with finance privileged through the key policy target of price stability and low inflation. As such, MR2 involves record levels in capital's share of GDP, the prevalence of independent central banks, globalized markets, highly mobile financial actors, and unprecedented levels of inequality. The result is a "creditors' paradise," whereby policymaker attempts to curtail difficulties within the global system only "accelerate" further volatility and the tighter coupling of the institutional pillars that support MR2 policy outcomes.

In the financialization literature proper, similar developments are embedded within a regulation/social structures of accumulation regime perspective.[62] One especially novel insight in this domain is the dominance of finance over productive corporations through the mechanism of shareholder value. Under this model, companies are forced to boost quarterly profits at all costs—restructuring firms, outsourcing production, withholding long-term investment, and transferring large profits to shareholders through continuous share buybacks and dividend payouts.[63] Two important implications of this for financial structural power are, first, the rise of the institutional investors and their growing centrality to the phenomenon of capital flight and, second, a closer alliance in policy preferences between productive and financial segments of capital, creating further pressure for policymakers to conform to the expectations of financial markets.[64]

In all of these narratives, the growing structural power of finance is shown to be functionally enmeshed with the dramatic transformation in macrostructures over recent decades and the embedding of financial activity within contemporary accumulation dynamics. By focusing so heavily on a system level of analysis, then, and especially the various processes of financialization, the TSP perspective is suitably placed to elaborate on the system-level policy constraints that emerge from such close integration. By contrast, the NSP approach is better placed to explain the multiple divergences in financial policy preferences among nations and the diverging fortunes of different subsectors of finance. While this latter task is a necessary enterprise, it can simultaneously cloud the fact that the financial sector as a whole has experienced a sustained rise in political and economic fortunes across *all* economies and thus become an indispensable source of profit generation and capital provision for the global economy itself, as a collective unit.

The Functional Feedback Loop

At the core of the TSP approach is a functional feedback process, which offers an explanatory format that is a further source of distinction with the NSP perspective.[65] As expressed by Wright, functional explanations explain the existence of a particular phenomenon by virtue of its beneficial effects on something else. Alternatively, as Cohen puts it, the consequences of some phenomena help to explain their very existence. The unusual feature of this explanation is that, superficially, it appears to contend that the effects of an event or process come before its cause (i.e., the effects of A cause A), thus reversing the temporal structure of a standard causal explanation. However, as argued by Elster, the problem is eliminated by the recognition that functional explanations are not built to account for any single event but rather a persistent pattern of recurring events.[66] Through this stipulation, functional explanations posit the emergence of a feedback loop, whereby the logical effects of one event feed back into the production of another later instance of that same event. This reciprocal loop is thus a self-sustaining and durable feature of the social structure. Crucially, the crux of the explanation lies in the fact that the consequences of this feedback loop are sustained precisely *because* they have beneficial (i.e., functional) effects for the social structure in question—and even more specifically, beneficial effects for an identifiable social group or class.

While this is a tricky explanatory format, the core logic as it relates to the contemporary structural power of finance can be depicted as in Figure 3.

At the bottom right of the model is the social fact that inserts tension into the system—the legal right of property owners to dispose of their assets as they see fit, as ensured by the formal separation between political and economic spheres within capitalist democracies. Of course, at any given historical moment, it is not necessarily the case that finance will be privileged in this particular domain. Previous periods of capitalist history have seen finance repressed through all kinds of policies that curtail (although never wholly eliminate) the exercise of this right: for example, capital controls, reserve requirements, and so on. However, through the potent historical

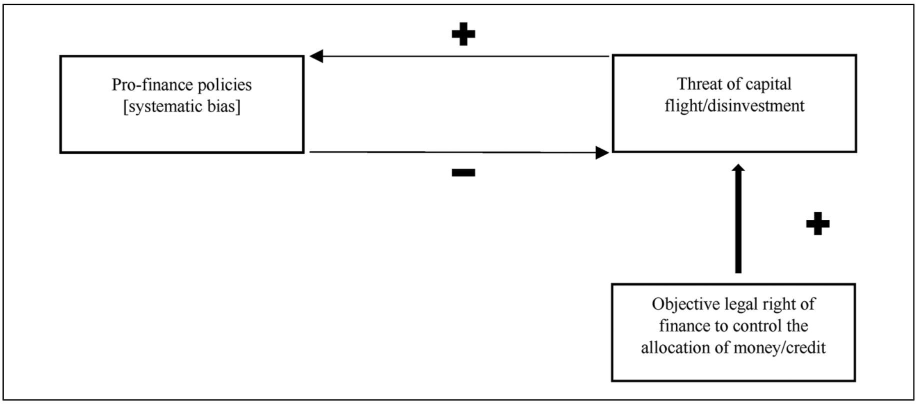

Figure 3. The structural power of finance as functional explanation. (Wright, Levine, and Sober, *Reconstructing Marxism*, 156.)

combination of a progressively deregulated monetary system and the emergence of highly integrated global financial markets, this right is maximized, resulting in the consistent threat of capital flight and disinvestment.

Beyond a certain point of financialization, this threat becomes a top priority for policymakers, as the primary accumulation model is highly dependent on the smooth functioning of investment flows. As such, the threat of capital flight forces policymakers to internalize the dangers of ignoring such threats and, as the TSP approach claims, instigates a general pattern of pro-finance bias in their policymaking. This pattern has the effect of ameliorating the recurrent tension in the system, thus functionally producing the necessary stabilizing benefits for both the dominant accumulation model and the class relations that undergird it. In sum, the patterns of pro-finance policies are functionally explained by their consequences for the system as a whole: tampering down the prospects of disinvestment (the central causal force) and, as a result, functionally reproducing the social structure in which the process is embedded.

For the purposes of the current discussion, there are two crucial takeaways from this explanatory model of financial structural power.

First, the pattern of policy bias is likely to be characterized by a slew of (negative) policy limitations rather than (positive) policy selections. As discussed previously, the TSP approach does not attempt to explain every specific policy outcome and holds no assumption that every outcome will be a victory for finance. There are plenty of policy initiatives that can work against financial interests without the system falling into disrepair and ongoing disruption. However, because the consequences of antifinance policies are ex ante unknown and potentially severe, policymakers need to have some way of ensuring that miscalculations concerning the threat of capital flight do not occur on a frequent basis. The most parsimonious way of achieving this is by the establishment of clear and strict policy parameters and the adoption of a narrow policy agenda that filters out the most radical or reckless policy options.[67] It is in this sense of the term that one can observe a pattern of bias at the system level of analysis.

Concrete examples of this abound in the area of finance: balanced budget rules and norms; the 2 percent inflation target for central banks; constraints on money creation; and automatic wage controls, or, as noted incisively by Stephen Gill, the "locking in [of] political commitments to orthodox market-monetarist fiscal and monetary policies [that are] perceived to increase government credibility in the eyes of financial market players."[68] Such policies function primarily as limitation mechanisms, tying the hands of future governments, and form a commonsense standard concerning the feasible scope of policy options. Given the fact that NSP research is predisposed to viewing policy selections, rather than exclusions, as the primary manifestation of financial structural power, it is less well suited to elaborating on the presence (or not) of a substantive pattern of pro-finance policy bias.

Second, there is a crucial *asymmetry* in the reciprocal relationship between the pattern of bias and the threat of disinvestment that gives further justification to the advantages of focusing on system-level, rather than agent-level, dynamics.[69] The asymmetry can be illustrated with reference to Cohen's use of "dispositional facts" that support the functional interconnections—facts that are true about the social world irrespective of the feedback loop. In this case, it is a dispositional fact of policy-making dynamics that, all other things being equal, pro-finance policies are likely to reduce capital flight. This reality gives grounding to the formation of a pro-finance bias pattern and can be expressed formally in the following way:

Dispositional fact: [Pro-finance policies → reduced capital flight]

Functional explanation: [Pro-finance policies → reduced capital flight] → pro-finance policies

Note, however, that the same functional logic is not applicable in reverse, despite it also being a dispositional fact that, all other things being equal, the threat of capital flight likely results in the production of pro-finance policies.

Dispositional fact: [Threat of capital flight → pro-finance policies]

False functional explanation: [Threat of capital flight → pro-finance policies] → threat of capital flight

In the second set of statements, the dispositional fact does not explain the threat of capital flight. This asymmetry points to the causal primacy of the threat of capital flight. Hence, even though there is a clear reciprocal relationship between the two phenomena, they do not have equal standing in the functional explanation. It is the threat of capital flight that explains the pattern of pro-finance policies, not vice versa. Or, to put it another way, it is the threat of disinvestment, which is itself rooted in the objective legal rights of a capitalist democracy, that causes the need for and provision of a pro-finance policy bias.

The analytical upshot of this asymmetry is that it offers a justificatory case for focusing more on the systemically generated causal threat at the root of the explanation, rather than the effect variable in isolation. In particular, an exclusive focus on the agent-level activity (NSP research) involved in the construction of the bias pattern could easily degenerate into a view that posits an incidental and contingent willingness of policymakers to offer financial inducements, rather than one that is nonrandom and systematic. However, an emphasis on the causal threat of capital flight makes the system-level linkages (TSP research) in the explanation particularly salient, and it more firmly grounds the analysis on the stabilizing benefits provided for capitalist reproduction.

The Functional Dilemma

The model of functional explanation presented above is highly simplified, as a means to communicate the basic dynamics. A more sophisticated version would provide adjustments to avoid falling into the trap of naive functionalism, characterized by teleological and homeostatic assumptions, outright dismissal of microfoundations, reification of social structures, etc. As such, the TSP approach would be well served by adopting a form of contradictory functionalism.[70] Such a model would facilitate a robust system-level analysis, while also incorporating further complexity into explaining how the structural power of finance is integrated with economic reproduction. More specifically, it would emphasize the frequent suboptimality of functional processes, posit "multiply-realizable" kinds of social stabilization, incorporate the possible role of intending agents in shaping feedback mechanisms, and, most importantly, *recognize how beneficial solutions can later transform into self-undermining dysfunctions*.

This latter feature of the model connects directly to the notion of a "systemic dilemma" and its impact on functional reproduction and change within social structures. The basic idea is that, after an indeterminate period of time, it is likely that various events or processes—be they endogenously or exogenously generated—will emerge to complicate or block the smooth functioning of any system-level feedback process.[71] In such moments of flux, established social structures are vulnerable to modification and elimination. Such system-level dilemmas are, conventionally, attended to by state policymakers, who have the authority to make key decisions concerning the reconfiguration of prevailing structures and who strive to achieve a tolerable equilibrium whereby accumulation resumes and social disruption is minimized. Given a combination of systemic and institutional constraints, however, and the potential for active resistance by different social groups, there is no guarantee that such efforts will be successful or viable.

Here, I discuss such a moment with regard to the empirical context of contemporary financialization—namely, the 2007–8 global financial crisis. The collapse led most analysts to believe that the economic and political supremacy of financial sector interests was emphatically over. Indeed, the renaissance in structural power thinking was motivated in part by the desire to understand precisely how and why the financial sector became so politically unassailable in recent decades and how it might fare in attempting to protect its interests in the crisis aftermath, despite the widespread delegitimization of a finance-led accumulation model and public anger toward the industry.

That the financial sector has been overwhelmingly successful in maintaining their preeminent political-economic standing is without question. This is most stark in the domain of postcrisis regulatory reform, where a litany of postponed, watered-down, and abandoned measures demonstrate the enduring political power of finance. This is true across virtually every single policy domain—Basel III capital and leverage ratios, structural banking and ring-fencing reforms, Too Big to Fail banks, shadow banking, the use of internal models, bank bonuses and remuneration, securitization, and transaction taxes, among others.[72] As put succinctly by a leading IPE scholar, it has been a distinctively "status-quo crisis."[73]

How, then, can political economy best account for the frustration of reforms? My contention is that, while the NSP framework can provide significant traction in understanding *variation* in reform efforts across different national units, it is largely incompatible with offering an explanation accounting for the collective failure of deep-rooted reform efforts across *all* national units. The TSP approach, however, has an analytic advantage in addressing this question, given its primary focus on system-level macrostructures that, in an era of finance-led globalization and cross-national integration, produces highly similar constraining effects across all jurisdictions.

More specifically, the cause of divergence between perspectives stems from their distinctive methodological commitments, outlined in the introduction. In keeping with common practice in contemporary social science, NSP research focuses almost exclusively on explaining variation in outcomes, while TSP research stresses commonalities. Taken in isolation, both of these tendencies have advantages and disadvantages. The more relevant question is, however, which methodological approach is best suited to addressing *the most important puzzles presently facing* the field of political economy?

The issue is highlighted incisively by Kees van Kersbergen with regard to the well-known problem of "growing political disaffection across capitalist democracies." In a passage worth quoting at length, he makes a trenchant argument concerning how this crucial political economy topic might be best studied:

> My point rather deals with the apparent obligation to construct puzzles in terms of variation, while the really interesting puzzles are rather problems of similarity where, theoretically, variation is expected. What is the bigger puzzle: that levels of political disengagement vary somewhat between advanced democracies or that—despite widely varying institutional arrangements, political histories, cleavage structures, cultural traditions, socioeconomic conditions, etc., and despite the worldwide popularity of democracy as a political regime—all well-established democracies are confronted with the same problem of political disaffection? Surely, the manifestations vary, but *is it not more puzzling that the decline of engagement is a feature of democratic systems everywhere and more or less at the same time*? . . . If the pressure to deal with problems of variation only is such that such puzzles of similarity can no longer be raised legitimately, then this is a tragedy for comparative politics. (emphasis added)[74]

Precisely the same objection can be raised with regard to explaining the topic of regulatory failure. In short, what is a more important puzzle to explain—the fact of minor variations in financial reforms between countries, or the fact that financial reforms across all countries have been watered down and defeated and, most importantly, have not addressed the most obvious vulnerabilities in the system?

The point can be extended to the topic of banking bailouts in the wake of the financial crash, which has been a central focus of NSP research.[75] Despite the sophistication of such works, the conclusions end up amplifying the relevance of what are, in most cases, small variations in the construction of national bailout packages, while having very little to say about the fact that bailout packages (a) were considered necessary for all countries after the crash, (b) were often carried out in the face of public opposition, and (c) were almost invariably constructed in a manner that shielded financial creditors from suffering losses.

Even on the more general question of financial political influence, the NSP literature often provides an inflated impression of financial sector policy losses, by dint of the fact that certain subsectors of finance have not fared as well as other subsectors, or as well as their counterparts in other countries. However, this does little to contextualize those losses in terms of the narrow policy parameters that have allowed the financial sector to continue to grow as a whole (globally) and have done nothing to blunt the prominent consequences of financialization: for instance, rising debt levels, housing and stock market inflation, increased inequality, slow growth, and so on. Indeed, the very act of recognizing these developments feeds into the more profound question concerning the potential for "definancialization" and the possibility of a shift away from finance-led accumulation. Tellingly, this critical question is usually only addressed by authors who share a strong affinity with the TSP focus on system-level, macrostructural analysis.[76]

To be clear, the claim is not that explaining variation in the particular manifestation of these phenomena between nations is unimportant; variation, of course, offers significant analytical leverage with respect to adjudicating between plausible independent variables. Nevertheless, the structure of such a methodological approach impinges on the kinds of questions that are possible to ask and answer. The core claim, then, is that explaining commonalities in system-level outcomes is sometimes a more important (and overlooked) task, and one that speaks directly to several of the most salient puzzles within the field of political economy *at the current moment*. With respect to these questions, a TSP approach offers substantial advantages.

Conclusion

This article champions the idea that both the NSP and TSP frameworks are valid approaches to the study of financial political power but are distinguished by substantively divergent analytic targets and explanatory goals. Emphasizing the particular utility of the TSP approach, I demonstrated how it helps to better specify the contexts in which ideas do and do not matter and how it is specifically designed to identify policy exclusions that are generated primarily at the system level of analysis. This level of abstraction brings the study of macrostructures such as capitalism and class into the foreground, which is critically absent from the NSP approach and urgently needed in the field of modern political economy.

Furthermore, I showed how the TSP approach is most appropriately embedded within a functional explanatory model. This model facilitates the analysis of how structural power is functionally integrated with the core dynamics of capitalist accumulation requirements and how these interconnections work to produce a systematic pattern of pro-finance bias in policy outcomes, despite the presence of occasional losses. Finally, I showed how a TSP approach helps to address a range of vital political economy questions that hinge on the analysis of policy similarities rather than policy variations, including the total failure of financial reform efforts and the striking resilience of financialization in the contemporary world.

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Notes

1. Pepper D. Culpepper, "Structural Power and Political Science in the Post-crisis Era," *Business and Politics* 17, no. 3 (2015): 391–409; Cornelia Woll, *The Power of Inaction* (Ithaca, NY: Cornell University Press, 2014); Cornelia Woll, "Politics in the Interest of Capital: A Not-So-Organized Combat," *Politics & Society* 44, no. 3 (2016): 373–91; Stephen Bell and Andrew Hindmoor, "Structural Power and the Politics of Bank Capital Regulation in the United Kingdom," *Political Studies* 65, no. 1 (2017): 103–21; Stephen Bell and Andrew Hindmoor, "Taming the City? Ideas, Structural Power, and the Evolution of British Banking Policy amidst the Great Financial Meltdown," *New Political Economy* 20, no. 3 (2015): 454–74; Stephen Bell and Andrew Hindmoor, *Masters of the Universe, Slaves of the Market* (Cambridge, MA: Harvard University Press, 2015).
2. Benjamin Braun, "Central Banking and the Infrastructural Power of Finance: The Case of ECB Support for Repo and Securitization Markets," *Socio-Economic Review* 18, no. 2 (2020): 395–418; Florence Dafe, "Fuelled Power: Oil, Financiers, and Central Bank Policy in Nigeria," *New Political Economy* 24, no. 5 (2019): 641–58; Scott James and Lucia Quaglia, "Brexit, the City and the Contingent Power of Finance," *New Political Economy* 24, no. 2 (2019): 258–71; Manolis Kalaitzake, "Accounting for Success: The Big Four as Allies of Finance in Post Crisis Regulatory Reform," *Business and Politics* 21, no. 3 (2019): 297–326; Manolis Kalaitzake, "The Political Power of Finance: The Institute of International Finance in the Greek Debt Crisis," *Politics & Society* 45, no. 3 (2017): 389–413; Elsa Massoc, "Banks, Power, and Political Institutions: The Divergent Priorities of European States towards 'Too-Big-to-Fail' Banks; The Cases of Competition in Retail Banking and the Banking Structural Reform," *Business and Politics* 22, no. 1 (2020): 135–60; Kevin Young, "Not by Structure Alone: Power, Prominence, and Agency in American Finance," *Business and Politics* 17, no. 3 (2015): 443–72.

3. Charles E. Lindblom, *Politics and Markets: The World's Political Economic Systems* (New York: Basic Books, 1977); Fred Block, "The Ruling Class Does Not Rule: Notes on the Marxist Theory of the State," *Socialist Revolution* no. 33 (1977): 6–28; Claus Offe, "Structural Problems of the Capitalist State: Class Rule and the Political System; On the Selectiveness of Political Institutions," in Klaus von Beyme, ed., *German Political Studies*, vol. 1 (Beverly Hills, CA: Sage, 1974), 104–29; Stephen Gill, "European Governance and New Constitutionalism: Economic and Monetary Union and Alternatives to Disciplinary Neoliberalism in Europe," *New Political Economy* 3, no. 1 (1998): 5–26. It should be recognized that most TSP writings focus upon the structural power of business more generally rather than just finance. Finance, however, has always been pivotal to such formulations, given its centrality to the functioning of any market-based, capitalist economy. Furthermore, as discussions of structural power transitioned into the debate over contemporary globalization, financial actors emerged as the key protagonists of "capital flight" and "disinvestment." In this respect, there is little theoretical slippage when transmuting TSP writings in terms of "the structural power of finance" more specifically.
4. Culpepper, "Structural Power and Political Science in the Post-crisis Era," 406.
5. Pepper D. Culpepper and Raphael Reinke, "Structural Power and Bank Bailouts in the United Kingdom and the United States," *Politics & Society* 42, no. 4 (2014): 427–54; Woll, "Politics in the Interest of Capital"; Woll, *Power of Inaction.*
6. Bell and Hindmoor, "Taming the City," 469.
7. Culpepper, "Structural Power and Political Science in the Post-crisis Era," 406.
8. Culpepper and Reinke, "Structural Power and Bank Bailouts."
9. Woll, "Politics in the Interest of Capital."
10. Bell and Hindmoor, "Taming the City," 458.
11. Woll, "Politics in the Interest of Capital," 374, 387. Woll's emphasis on the role of perceptions pushes her analysis closer to Bell and Hindmoor than to Culpepper. The latter is more cautious about the ability to interrogate "what is going on inside the heads of policymakers" and advocates placing greater emphasis on the identification of strategic structural power. Nevertheless, all coincide on the fundamental point that structural power is "not simply an objective fact given unambiguously by economic structure." See Culpepper and Reinke, "Structural Power and Bank Bailouts," 448–49.
12. David Marsh and Chris Lewis, "The Political Power of Big Business: A Response to Bell and Hindmoor," *New Political Economy* 19, no. 4 (2014): 628–33.
13. Charles Lindblom, "The Market as Prison," *Journal of Politics* 44, no. 2 (1982): 324–36. Note, however, that Lindblom is not blind to the role of ideas, arguing that it is also "our minds" that are "imprisoned." Lindblom, "Market as Prison," 334.
14. Culpepper, "Structural Power and Political Science in the Post-crisis Era," 397.
15. This view is most powerfully expressed in Lindblom's *Politics and Markets* and Offe's "Structural Problems of the Capitalist State."
16. Culpepper, "Structural Power and Political Science in the Post-crisis Era," 399.
17. Patrick Emmenegger, "The Long Arm of Justice: US Structural Power and International Banking," *Business and Politics* 17, no. 3 (2015): 473–93; Henry Farrell and Abraham L. Newman, "Structuring Power: Business and Authority beyond the Nation State," *Business and Politics* 17, no. 3 (2015): 527–52; Bell and Hindmoor, *Masters of the Universe*.
18. See, especially, Woll, "Politics in the Interest of Capital"; and Culpepper and Reinke, "Structural Power and Bank Bailouts."
19. It might be argued that what is primarily "new" within NSP research is the shift to an institutionalist analysis. Much like the shepherding of historical institutionalism into

comparative politics, the analysis of “macrostructures” such as class and capitalism is thought to be best done through “intermediate level institutions that mediate” their effects. As such, an alternative terminological characterization of the contrast between NSP and TSP frameworks could be “Institutional Structural Power” and “Systemic Structural Power.” See Kathleen Thelen and Sven Steinmo, “Historical Institutionalism in Comparative Politics,” in Sven Steinmo, Kathleen Thelen, and Frank Longstreth, eds., *Structuring Politics: Historical Institutionalism in Comparative Analysis* (Cambridge: Cambridge University Press, 1992), 1–32.

20. Manolis Kalaitzake, “Death by a Thousand Cuts? Financial Political Power and the Case of the European Financial Transaction Tax,” *New Political Economy* 22, no. 6 (2017): 709–26; also Kalaitzake, “Accounting for Success.”
21. On the failure of reforms, see Eric Helleiner, *The Status Quo Crisis: Global Financial Governance after the 2008 Meltdown* (Oxford: Oxford University Press, 2014). On the other issues, see Wolfgang Streeck, *How Will Capitalism End? Essays on a Failing System* (London: Verso Books, 2016).
22. Streeck, *How Will Capitalism End?* Also, Wolfgang Streeck, *Buying Time: The Delayed Crisis of Democratic Capitalism* (London: Verso Books, 2014); Torben Iverson and David Soskice, *Democracy and Prosperity: Reinventing Capitalism through a Turbulent Century* (Princeton, NJ: Princeton University Press, 2019); Dani Rodrik, *The Globalization Paradox: Why Global Markets, States, and Democracy Can’t Coexist* (Oxford: Oxford University Press, 2011).
23. Culpepper, “Structural Power and Political Science in the Post-crisis Era,” 406.
24. See Offe, “Structural Problems of the Capitalist State.”
25. For a prime example of contradictory functionalism, see Michael Burawoy and Erik Olin Wright, “Sociological Marxism,” in Jonathan H. Turner, ed., *Handbook of Sociological Theory* (Boston: Springer, 2001), 459–86.
26. Stephen Bell and Andrew Hindmoor, “The Politics of Australia’s Mining Tax: A Response to Marsh and Lewis,” *New Political Economy* 19, no. 4 (2014): 634–37.
27. Ibid., 634.
28. Bell and Hindmoor, “Structural Power and the Politics of Bank Capital Regulation in the United Kingdom,” 106.
29. This could manifest in various ways, e.g., less demand for government bonds (i.e., less willingness by investors to lend to a government, resulting in higher interest rates for state borrowing), a movement of bank deposits and other assets out of the country, and less provision of credit to domestic firms, among others.
30. I have written previously about how the genuine prospect of triggering a “European Lehman moment” and spreading even further panic across the entire European (indeed, global) financial system was a key driver of EU-level policymaking at this point of the crisis. Nevertheless, as the contradiction expressed by the competing “needs” of financial markets became untenable over subsequent years, one can identify the heightened relevance of ideas with respect to the *instrumental mobilization* of financial elites and their (successful) efforts to influence a Greek debt restructuring that was highly beneficial to their long-run interests. In sharp contrast to the role played by financial structural power, then, in this specific domain of policymaking, both Greek and EU authorities certainly had the capacity to challenge the strategic activity of banking elites, if they had so wished. For a full account, see Kalaitzake, “Political Power of Finance.”
31. See Binyamin Appelbaum, “Effects of 2013 ‘Taper Tantrum’ Linger over Fed Policy,” *New York Times*, January 12, 2019.

32. It might be claimed, however, that governments have the capacity to mobilize discursive and communicative practices more or less expertly to tamper down financial panic *in the aftermath* of a backlash.
33. Hay develops a similar model for generating alternative scenarios concerning the role of ideas in tax competition between states, though with key differences in construction and interpretation. See Colin Hay, "Globalization's Impact on States," in John Ravenhill, ed., *Global Political Economy* (Oxford: Oxford University Press, 2020), 282–310.
34. Bell and Hindmoor, "Structural Power and the Politics of Bank Capital Regulation in the United Kingdom," 110.
35. Notice, here, that this implies the *instrumental* exploitation of capital flight fears by financial actors—which is present in the case of UK bank capital reform. However, there is no strict necessity for this condition to be in place. It is perfectly possible to conceive of policymakers challenging their own ideational precepts regarding the threat of capital flight, over time, in effect, calling bluff on their own preconceptions about structural power.
36. Bell and Hindmoor, "Structural Power and the Politics of Bank Capital Regulation in the United Kingdom," 114.
37. By labeling these policies functional, I do not discount the possibility that over a different time frame, and for different purposes, these policies might be considered dysfunctional. This perspective is an important component of the "contradictory functionalism" framework I advance further below.
38. The following description of limits and selections builds upon several theoretical pieces by Erik Olin Wright. See, in particular, Erik Olin Wright, "Reconsiderations," in Ian Steedman, ed., *The Value Controversy* (London: Verso, 1981), 136–38; and Erik Olin Wright, Andrew Levine, and Elliott Sober, *Reconstructing Marxism: Essays on Explanation and the Theory of History* (London: Verso, 1992), 147–51.
39. Offe, "Structural Problems of the Capitalist State."
40. See Wright, "Reconsiderations," 137.
41. This is a simplified representation for the purposes of illustration. Sophisticated works on both sides occasionally trespass onto the other's core explanatory domain. For instance, Marxist versions of TSP scholarship, while primarily focused on how anticapitalist measures are repressed and systematically filtered out of the policymaking agenda, have often sought to explain concrete policy outcomes. See, e.g., Stephen Gill, *American Hegemony and the Trilateral Commission* (Cambridge: Cambridge University Press, 1991). Similarly, Bell and Hindmoor go the furthest of all NSP authors to escape the confines of new institutionalist thinking and incorporate an analysis of the "wider structures" that constrain actors and policy options. See Stephen Bell and Andrew Hindmoor, "Masters of the Universe but Slaves of the Market: Bankers and the Great Financial Meltdown," *British Journal of Politics and International Relations* 17, no. 1 (2015): 1–22.
42. A similar—but less system-orientated and nonfunctionalist—take on this is Bachrach and Baratz's infamous notion of the second "face" of power. Peter Bachrach and Morton S. Baratz. "Two Faces of Power," *American Political Science Review* 56, no. 4 (1962): 947–52.
43. For a discussion, see Offe, "Structural Problems of the Capitalist State."
44. Of course, in delimiting the scope of their investigation, NSP research also holds normative implications with respect to policy debates concerning the boundaries of the possible. See, e.g., Woll, "Politics in the Interest of Capital," 386–87.
45. Offe, "Structural Problems of the Capitalist State," 108–13.
46. For an extended discussion on the notion of relative autonomy, see Fred Block, "Beyond Relative Autonomy: State Managers as Historical Subjects," *Socialist Register* 17 (1980): 227–41.

47. On the globalization literature, see Stephen Gill and David Law, "Global Hegemony and the Structural Power of Capital," *International Studies Quarterly* 33, no. 4 (1989): 475–99; also, Duane Swank, "Politics and the Structural Dependence of the State in Democratic Capitalist Nations," *American Political Science Review* 86, no. 1 (1992): 38–54.
48. David Vogel, "The Power of Business in America: A Re-appraisal," *British Journal of Political Science* 13, no. 1 (1983): 19–43.
49. David Vogel, "Political Science and the Study of Corporate Power: A Dissent from the New Conventional Wisdom," *British Journal of Political Science* 17, no. 4 (1987): 385–408; David Vogel, *Fluctuating Fortunes: The Political Power of Business in America* (New York: Basic Books, 1989).
50. Culpepper is fully aware of the traditional role played by structural power in seeking to pinpoint "unobservable limitation[s] on policy possibilities," but considers it "hard to falsify with the techniques currently available to political scientists." He continues: "Structural power theorists should not ignore agenda-setting. But the further away one moves from direct political consequences of business exercise of influence, the more difficult it becomes to identify clearly the causal effect of structural power. Given existing standards of evidence in the discipline, agenda-setting is most likely to be demonstrated by showing empirically how the potential for business action closed off expressly contemplated policy possibilities, of which there is an observable record." Culpepper, "Structural Power and Political Science in the Post-crisis Era," 394.
51. See Jonas Pontusson, "From Comparative Public Policy to Political Economy: Putting Political Institutions in Their Place and Taking Interests Seriously," *Comparative Political Studies* 28, no. 1 (1995): 120. It is possible to consider "structures" at the lower, mesolevel of abstraction, which refers concretely to "institutions." This analysis would take into account, inter alia, varieties of capitalism and national growth models, as well as the impact of varying national institutions such as the legal system, educational policy, the cultural practices of state agencies, etc. By embedding itself within this framework, NSP research, in effect, takes these institutions as synonymous with social structures. By contrast, structures in the TSP perspective are pitched at the higher level of systemic abstraction—i.e., macrostructures—and are focused on the capitalist mode of production (or market-based societies in non-Marxist variants) and the power relations derived from class dynamics (or based upon Weberian or stratification models of class in non-Marxist variants).
52. Lindblom, *Politics and Markets*, 173.
53. Ibid., 179–80.
54. Ibid., 194–98.
55. Ibid., 202.
56. Ibid., 179.
57. Charles Lindblom, "Why Government Must Cater to Business," *Business and Society Review*, Fall, no. 27 (1978): 5–6.
58. Andrew Glyn, *Capitalism Unleashed: Finance, Globalization, and Welfare* (Oxford: Oxford University Press, 2007).
59. On the shift of left-wing parties toward support for the financial sector in advanced economies, see John W. Cioffi and Martin Höpner, "The Political Paradox of Finance Capitalism: Interests, Preferences, and Centre-Left Party Politics in Corporate Governance Reform," *Politics & Society* 34, no. 4 (2006): 463–502.
60. Wolfgang Streeck, "The Crises of Democratic Capitalism," *New Left Review* 71, September/October (2011): 5–29.
61. Mark Blyth and Matthias Matthijs, "Black Swans, Lame Ducks, and the Mystery of IPE's Missing Macroeconomy," *Review of International Political Economy* 24, no. 2 (2017):

203–31. Blyth and Matthijs explicitly frame their analysis in terms of shifting their focus away from "microfoundations" and toward "macro-effects," in an effort to bring IPE back into engagement with system-level, rather than agent-level, outcomes.

62. Robert Boyer, "Is a Finance-Led Growth Regime a Viable Alternative to Fordism? A Preliminary Analysis," *Economy and Society* 29, no. 1 (2000): 111–45.
63. Natascha Van der Zwan, "Making Sense of Financialization," *Socio-Economic Review* 12, no. 1 (2014): 99–129.
64. Kevin Young and Stefano Pagliari, "Capital United? Business Unity in Regulatory Politics and the Special Place of Finance," *Regulation & Governance* 11, no. 1 (2017): 3–23.
65. The kind of functional explanation elaborated upon here draws heavily from the work of Erik Olin Wright and Gerald A. Cohen and their engagement with authors such as Jon Elster and Arthur Stinchcombe. For an in-depth discussion of the structure and scientific validly of such an explanation, see, in particular, Gerald A. Cohen, *Karl Marx's Theory of History: A Defence* (Princeton, NJ: Princeton University Press, 2000), chaps. 9 and 10; Wright, Levine, and Sober, *Reconstructing Marxism*, chaps. 2, 4, and 7; Erik Olin Wright, *Understanding Class* (London: Verso Books, 2015), chap. 3; Mark Kirby, "An Interview with Erik Olin Wright," https://www.ssc.wisc.edu/~wright/kirby_wright.pdf; Arthur Stinchcombe, *Constructing Social Theories* (New York: Harcourt, Brace, & World, 1968), chap. 3, sec. 2; Jon Elster, *An Introduction to Karl Marx* (Cambridge: Cambridge University Press, 1986), chap. 2.
66. It should be pointed out that while Elster is one of the leading opponents of functional explanations in general, he accepts that Cohen provides a plausible, sophisticated form of functional explanation that escapes the typical pitfalls of naive functionalism. Elster's primary rebuttal is that better and more convincing explanations can be provided through "microfoundations" or methodological individualism. For discussion and counterarguments, see Jon Elster, "The Case for Methodological Individualism," *Theory and Society* 11, no. 4 (1982): 453–82; Gerald A. Cohen, "Reply to Elster on Marxism, Functionalism, and Game Theory," *Theory and Society* 11, no. 4 (1982): 483–95.
67. None of this would necessarily preclude, however, the adoption of various policy selections that also work in favor of finance as part of the bias pattern.
68. Stephen Gill, "European Governance and New Constitutionalism: Economic and Monetary Union and Alternatives to Disciplinary Neoliberalism in Europe," *New Political Economy* 3, no. 1 (1998): 5–26.
69. This point mirrors the reasoning of Wright, Sober, and Levine with reference to the fishing rituals of Trobriand Islanders. See *Reconstructing Marxism*, 157.
70. On the specific topic of contradictory functionalism, see Kirby, "An Interview with Erik Olin Wright."
71. See Burawoy and Wright, "Sociological Marxism," 474–77.
72. Hans-Jürgen Bieling, "Shattered Expectations: The Defeat of European Ambitions of Global Financial Reform," *Journal of European Public Policy* 21, no. 3 (2014): 346–66; Manuela Moschella and Eleni Tsingou, "Regulating Finance after the Crisis: Unveiling the Different Dynamics of the Regulatory Process," *Regulation & Governance* 7, no. 4 (2013): 407–16; Daniel Mügge, "Policy Inertia and the Persistence of Systemic Fragility," *Political Quarterly* 85, no. 4 (2014): 413–16; Daniel Mügge, ed., *Europe and the Governance of Global Finance* (Oxford: Oxford University Press, 2014); Geoffrey Underhill, "The Emerging Post-crisis Financial Architecture: The Path-Dependency of Ideational Adverse Selection," *British Journal of Politics and International Relations* 17, no. 3 (2015): 461–93.
73. Helleiner, *Status Quo Crisis.*

74. Kees van Kersbergen, "Comparative Politics: Some Points for Discussion," *European Political Science* 9, no. 1 (2010): 49–61. See pp. 56–57.
75. Culpepper and Reinke, "Structural Power and Bank Bailouts"; Woll, "Politics in the Interest of Capital."
76. With respect to the possibility of definancialization, compare Streeck's notion of an "interregnum" with Wright's notion of the deteriorated conditions for class compromise, in a globalized economy, dominated by finance. Streeck, *How Will Capitalism End?*, 35–46; Wright, *Understanding Class*, 175–250.

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