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# Financial Regulation and the Performativity of International Order

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**Abstract:**
The evolution of 'International Relations' especially as *scientific* discipline origin in the establishment of universal causal relations between practical events. Causation in this regard roots in theoretical assumptions about the world and it is therefore distinct from its scientific object. In contrast to this and especially in the field of International Political Economy, heterodox debates accentuate how theoretical perspectives can establish their own practices. This performative move of self-creation incorporates two methodological steps.
First, this paper describes the evolution of international political economic relations via two central theoretical perspectives: Realism and Liberalism. Second, out of these performative events, distinctive practices within the field have been created. The example of a history of financial regulation (Basel I, II, and III) marks this practices and it reveals how they – as well as disciplinary perspectives – have been deferred.
Finally, the paper concludes that it is of central importance to look at the interrelation of theory and practices and how they can be described. This process and its inherent performative transformations deliver a non-static and linguistic relation of theory and practice in IPE – not as separated areas but as co-constitutive conceptual understandings. This interrelation questions the perception of international order by challenging standard methodological assumptions legitimately able to generate knowledge.

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## 1. Introduction

It is not just in times of crisis that researching itself becomes evidently problematic. However, crisis or experiencing events that do not follow an assumed logic by theory are inherently a call for adjustments. These can happen through a basic reconfiguration of categories within a theory in order to adopt new series of events. For example, if we want to explain a global political economy and we can see that state agency is not producing its rationalized effects we do not have to throw away the whole concept of agency. We can still hold the assumptions that there are intentionally motivated entities that are able to execute meaningful policies or economic transactions.

In this way standard theories denoted as realist or liberalist share basic assumptions on how it is possible to understand the world. Basically, it is a causal relation between two events induced by agencies that are able to decide along specific interests or motives be it security or weighing up possible outcomes of (cooperative) action. So far nothing in the story is new. Nevertheless, this relation produced a grand debate within the discipline of IR or one might say that the discipline is a very product of this and other theoretical debates (Schmidt 2012; Blair 2011; Curtis/Coivisto 2010; Aalberts/van Munster 2008; Kurki/Wight 2007). International Political Economy shares these schools of thought and to a certain degree also this debate (see for example Ravenhill 2011; Cohen 2008; Gilpin 2001; Strange 1984). It concerns the question what kind of enabling factors are present when it comes to economic interaction. Through this perspective we cannot only see how theories are able to integrate empirical phenomena but, and this will be the task of this paper, how theories shape empirical assumptions as well as theories are conditioned by particular events. Such a relation problematizes standard positivist approaches whereby objectification and generalization built an integral part of the scientific assumption. In order to explain events they have to be connected to other events. In order to observe these events observation and explanation have to be separated. This means that events become specific entities. Specificity here means that these events can be described sufficiently through distinctive properties and qualities. Through such a description they can be connected to other events endued with analogous properties and qualities. This process of specific descriptions of events can be understood as an objectification of such events: They become static and they are integrated within the conditions of possible descriptions. They have no agency themselves anymore but agency has become a property through which the observer is able to describe interactions between empirical events. The observer is not part of the rationalization but he or she is retelling obvious and empirically grounded facts. Consequently, generalization means that the specific interrelation of events cannot just be reduced to a temporal and spatial fix. The assumptions of objectification means also that if there are similar events happening they are also connecting in a similar way. Through generalization we have a universal statement regarding the interrelation of specific events as well as of their outcomes.

In the following two main sections I want to offer a critical understanding of universal, as science based declared, assumptions. The first section, offers a reconstruction of the realist/liberal discussion in IPE using examples of two global economic evolutions (central banking and global financial regimes). This is not meant to repeat introductory textbooks but to indicate where, by objectification and generalization, we cannot go further. The second section then discusses the evolving global financial regulatory framework in response to the recent financial and economic crisis. The narratives show how theoretical and empirical phenomena co-evolve. In this sense, both sides reflect their fundamental inter*dependence*. Finally, we can reformulate a post- or in any case non-positivist approach regarding scientific inquiry within International Political Economy. As it has already been indicated, if scientific approaches change their perspective it goes a long that the world is not only seen in new ways but it challenges the very meaning of global or international order – short: science itself is performativ and creates realities.

## 2. Positivist Interrelations and Performativity

Concepts of performativity are not just part of a resent discussion (see Loxley 2007 for a general overview). In International Relations as well as in International Political Economy, however, it is still en vogue to understand social or material interactions as a dynamic process through which realities are (re)produced or (re)created. In contrast to this, it is not just about describing externalities and thereby connecting these. Beyond that, it offers a perspective, which is in itself part of the phenomenon to be described: Performativity, in this sense, means that description *performs* its own reality. Yet, such a relation implies a fundamental shift of scientific understanding. Hence, it cannot be reduced to another way of telling scientific stories as the very way of science is questioned. Scientific statements of objectification as well as generalization are in themselves performatives. They create a distinctive field wherein other statements can be connected. This leads to a distinctive chain of reasoning producing scientific endeavor. The following two examples try to substantiate the thesis that concepts like generalization and objectification are rather created through specific scientific debates than a precondition for scientific endeavor.

First, I reconstruct the liberal-realist position concerning the first steps of globalization in the $20^{th}$ century. A corner stone, it is assumed, is the creation of US central banking and thereby the foundation of the contemporary predominant economic interactions. Second, I show how this setting leads to a second reference point especially within IPE. The creation and the end of the Bretton-Woods-System mark a common signifier of the discipline. In this way it is steadily reproduced through the economic global history. Both examples pave the way for the first argumentative step, which marks description as a performative and therewith powerful tool of scientific inquiry.

### *2.1 Beginning Financial Globalization*

Interacting central banks in times of crisis was a repeated action during the financial consequences by the bankruptcy of Lehman Brothers in September 2008. Such a systematic globally coordinated intervention of the most important central banks was not without example. On the one The first gold standard after 1914 was accompanied by central bank with the intention to provide stability in order (Eichengreen 1992: 6–7) but it is not clear if cooperation had really to potential to avoid international financial crises in that time (Flandreau 1997: 736). The reason is not just that such specific collaboration had no institutional setting it was also central banking that was not globally present. In the case of the US Federal Reserve System it had first to be created in its basic form in 1913 (Warburg 1914), as it is still present. In the following I want to highlight the context of its appearance. As already touched upon, in this section it is first about highlighting the different rationalization a long liberal and realist theories before we can see performative movements within and through this process. The story of central banking, especially in the US follows then two specific descriptions.

A basic realist narrative starts with an assumption of an external world, which is in the first place a mere presence. The basic liberal assumption might understand the world through rational actors, which can create cooperative institutions. Out of these perspectives central banking can be built upon two rationales. Either the concept of central banking is a consequence necessitated by economic interactions, or the creation of central banking was forced by the interest to enable, enhance or stabilize economic interactions. Following these assumptions the two narratives are reconstructed in order to show that it there are not just opposing logics but that these logics are part of the framework which enables knowledges about the phenomena. How these knowledges are made possible follows in both cases a positivist rational assuming that positivism goes along with the aforementioned concepts of objectification and generalization.

Hence, the liberal story of central banking is based on the two basic facilitations: macroeconomic as well as financial stability. However, before stating that stability in specific area is considered as worthwhile to follow, a case of instability was experienced and associated (in the case of the creation of the FED) with the lack of a central bank. The Bank of England exemplified a useful measure to stop banks going bankrupt. The British example showed a lesser likelihood of failing banks in their financial environment. Congress then decided to establish a federal reserve system shortly before the economic crisis in 1914. The process, however, that led finally to the FED started before. Hence the general logic that a central bank as a solution to unstable financial and macroeconomic conditions has already been exemplified. Today, it seems to be the basic condition of financial globalization or at least the coordinated action of important central banks around the (northern) globe (Goodhart 1985). This normalized structure makes it difficult to assume a world without the governance provision by central banks. This in turn makes it also difficult to abstract from a presence of central banking which might be necessary to compare the efficiency and success of central banking related to its goal. Even further, the abstract goals of stability in financial and macroeconomic terms are quite difficult to deny as meaningful and reasonable motives as they are part of the precondition of economic interactions. Yet, this makes it also difficult to use a positivist understanding in order to explain financial or economic crises within a system already assumed to be a solution to instability and at the same time hard to imagine as not in place.

This complicates not only economic analysis of specific interrelations; it poses also a challenge to a political approach regarding the financial system. Looking at a national level, a presumed condition of a central bank is its independence from "short-term political pressures". The normalized reason for this connects the political system with a moral assumption that financial sustainability of state budgets cannot be secured by democratically legitimized political institutions. Quite interesting indeed for itself, it directs also to a specific rationalization of basic economic conditions more connected to eternal truths than an enlightened condition. The law like evidence that independent central banks are more successful in avoiding crisis or in establishing stability questions the very essence of democratic values related to modern individuality. The liberal financial system, then, is based upon an approach, which is based on a guiding logic. Looking at the international or global level (national geographies might be less important as specific authorities of specific central banks) another perspective opens up, which will be touched more closely in the next section when global financial regulation since the 1980s are discussed.

In order to spot the international level in the early 20$^{th}$ century I just want to highlight possible interactions before it comes to the Bretton-Woods Gold Standard after the Second World War. Here, central banks still functioned as proxies of governments in a state of competition. Such a 'realist' perspective is the other side of the story. Before we had institutionalized procedures to interact on the global level or central bank governance beyond the national borders (or a so called 'post-national constellation'), it was a political question either to establish a central bank or not. From today's perspective, even if there are voices calling for an end of the

Federal Reserve System in the US, it seems normal to have an institution independently stabilizing macroeconomic relations and financial interactions.
The bank of England gave a first well-known example of a function as lender of last resort. The so-called south see bubble created a situation where it was not appropriate to let a private company going bankrupt. A state agency had to rescue the company and the distinctive necessity of a central bank had been created. It was a state agency employed as facilitator for trade and finance. In this position it enabled to transcend national borders. It still is a connector between nations and thereby deeply associated with sovereign acting nations even if the central bank is able to act independently from government demands. Credit creation and the exclusive allowance to print money is not just influencing trade relations or the exchange of money. Central banks enacted the power to (co-)decide about the range of unemployment, productivity, as well as the value of goods and services related to other currencies even though bound by rules and monitored by democratic institutions.
As mentioned, it can be perceived as quite ironic that the functioning of democratic market economies is deeply related to independent central bank this means also independence from people's votes. However, the early examples of Central Banking quite show that there might be some efficiency in terms of the stabilization of economic conditions not just within but also beyond national borders. The creations of the Federal Reserve System was an answer to volatile economic times wherein bank runs seemed to be quite reproducible. The lender of last resort function, meaning to provide commercial banks with credit lines if asked and possibly securitized, was just one task. Another assignment was state financing especially in the state of war and here exemplified by the entry to the Second World War.
This story provides us with several links to liberal and realist thinking which differ substantially in the association of means and ends. Nevertheless both stories are framed along causal relationships of historical facts are institutionalized conditions within their respective framework. Central banking as stabilizer of the economy is a liberal project when it comes to the facilitation of trade connected with the improvement of the lives of Americans. From the outer perspective resilient financial conditions can also enable an expanding state budget exemplified especially through the funding of wars via central bank money creation.

### *2.2 Events of Bretton-Woods*

The following phenomena are representations of the Bretton-Woods system. Here it is again not to say that the BrettonWoods system was not important for the evolution of the global economic system until now. It is also not about to narrate (again) the whole story of establishment and failure: Here, I just want to highlight some arguments from each perspective (liberal and realist). It is about how its advantages and disadvantages have been reasoned. And, thereby, it is about how this debate created the reality wherein the Bretton-Woods theme could and can be placed.

The condition for the Gold Standard, as a global institution, points to the beginning of the 19th century, when international trade became a central focus of international interactions (Knafo 2013; Callaroti 2005). Partly through technical innovations the productive center of a rising global trade was Great Britain (already having basic structures of central banking). Around the beginning of the next century a long with the rising demand for a central bank in the US, the focus of international trade was broadened through the economic ascent of the United States and Japan. Industrial (mass) production was the indicator of this transition to a global economy (Dannreuther/Petit 2006).

Trading beyond national borders, however, was predominantly based on bilateral not multilateral agreements. Such a system however posed some difficulties regarding exchange rates, standards, and customs duties (Cerny 1997; Helleiner 1995; Baud/Durand 2012). One of the prior Gold Standards was meant to overcome such difficulties before it has broken apart with the beginning of the First World War. A similarly dense economic interdependence between nations was only reestablished in the 1970s. The Bretton-Woods system itself, then, was created after the Second World War led by the Gold Dollar peg and allowing for more stable exchange rates on international markets (Eichengreen 2009). The disruption of this international order (represented by the International Monetary Fund, the World Bank and the GATT agreement) in the 1970s gave way for a new still present currency system of floating exchange rates.

The argument regarding performativity is to highlight the interrelation of liberal as well as realist assumptions of the interaction procedures within the global economic system. On the one hand side, the realist assumptions highlights the actor perspective of individual nations; on the other hand side, the liberal view acknowledges the transnational relations calling for institutions meant to facilitate economic interaction. As realists promote the power association and the self-securing aspect of state (Gilpin 2001: 5; for a discussion see Walker 1987), liberal understandings might focus rational decisions pursuing absolute advancement of individual and hence democratic well-being (Doyle 1983: 206; for a discussion see Snidal 1984). Economic, political or financial measures meant to balance or reverse a negative impact of global interaction can just be described if causality is presupposed, which in turn presumes concepts of generalization and objectification. The accumulation of resources, exchange rates or balance of payments surpluses, these sets of arguments can be included into a rational and causal theoretical model understanding facts as depending serial functions against an already present co-dependency.

The notion of *embedded liberalism* (Ruggie 1982) might in turn be applied in analogous way to realist structures regarding the still present national system as well as the inside/outside divide deeply interrelated with the concept of sovereignty (for a discussion see: Walker 1992). The co-constitution of global politics and national entities legitimized through political necessities in terms of either realist or liberal assumptions give way to look for a third logic especially not based on preconditions like causality (for critical reflections see Ruggie 1995; Kratochwil 2007; Kurki 2008; Kessler 2012).

Then, the problem to describe new or evolving orders, retreats of basic concepts or revolutionary developments is less a historical condition, as it might be seen as exactly a story of irregularities. In contrast stability as well as instability are just understood in there equal potential to actualize themselves in contrast to each other. The value then of a stable economic order can only be measured along its contradiction to an unstable order. Hence, both concepts are deeply related to each other. The institutional setting of this relation can be seen as related to specific theoretical assumptions on how world can be understood. This means that the Bretton-Woods System, its failure and evolution can be explained through causal interference. And such causalities can be structured a long different logics allowing for different connectivities between certain values marked as facts based on the theoretical underpinning. In this regard, the history of the Bretton-Woods System (the Gold Standard, the multilateral institutions) reflects not only an interaction between such logical chains.

The reason for the transition of the Dollar Gold peg to floating exchange rates is just one example of such a chain, which gains meaning through its contextual theoretical setting. A liberal approach might connect this ‘fact’ to fast economic expansion, high transaction costs, or inflationary financial policies. A realist might find its connection through the basic value of securitizing national interest irrespective of a global environment and social consequences. As it is quit clear none of these explications holistically *re*present actual reality or causal interrelation. But what both strategies can do is to include the event into a causal framework where specific actions make sense as they can be connected to other phenomena or other causal relations. On the one hand side, the event can be included into global financialization as money expansion is not restricted via material logics (a value attached to some*thing* like gold). On the other hand side, the event can be connected to a national interest which then might be to use the currency in order to gain relative (economic) advantage versus other currency systems.

Both logics provide the integrating feature even if the relation might not be assumed beforehand. What is missing, however, is how this relation feeds back into the respective frameworks and how both logics, through their rationalizations, constitute new source for connectivity.

### *2.3 Empirical-Theoretical Interrelations Part 1*

Both cursory examples of the evolution of state bound institutions and explanations of global interrelations try to underline the fragility of causal relations. They are deeply connected to specific frameworks wherein they can make sense in specific way. However, the argument also presents how causal relations give a specific image of the world and how the resulting abstractions form the ground for further investigation. This means, and it will be further highlighted in  the following section, that a basic condition of what is assumed to be present is related to these frameworks. Moreover, they cannot be thought apart of each other. Performativity in this sense represents not just a steady reconstitution of reality and what are believed to be the very mechanisms how to connect within the world. The notion of performativity highlights also that the conditions to do so are inherently unstable as they are themselves subject to an interrelation of theoretical frameworks. These settings in mind, the next section tries to reconstruct the process of financial regulation.

## 3. Financial Regulation as a Story of Performativity

The two examples presented above prepare the ground for this section. On the one hand side, the reconstructed debate related the beginning of the 20th century presents a first step of the present international economic order. It stated that theory was not just a describing or explaining part of the scientific endeavor but it was part of its creation. On the other hand side, this logic was further substantialized by the story of Bretton-Woods. Here, however, we could see a compliment. It was in fact a discussion of economic perspectives, which have been the basic reasoning in the political debate. Theory, as experienced in the time before, was guiding the political negotiations.

Now, I want to turn to a more recent development of financial regulation. Even if realist reasoning in economics is, one could say, out of date. Both logics are still present in the general political discourse represented in media and reports. The following examples indicate the proceeding technical character of economic relations in the financial area. Thereby, it produces a shift of how a political debate can be understood and where the debate is to be located.

### *3.1 Basel I and II and the Production of Global Finance*

This part is about the creation of the Basel Committee on Banking Supervision as a forum for international central banking and as an answer for the quest for coordination of financial interrelations across national borders. Within the history of recent financial regulation the concentration lies on formulating not just single rationalities but also to establish an overall structure of regulation (Farrell/Newman 2010).

The beginning of the institutionalization of global financial regulation is marked by global financial crisis. The Bank for International Settlements (BIS) was created at the end of the 1920s to have a forum of information exchange and central bank coordination (Helleiner 1992: 43). However, the BIS and its tendency to *laissez-faire* policies were not able to prohibit the following financial and economic crisis in the 1930s. Dominance was acquired by quite the opposite, which was to "make finance the 'servant' and not the 'master' of political and economic life" (Helleiner 1995: 318). Politics and economics wanted to structure the market and not to let it structure its own rules and by this possibly destroy itself. Nevertheless, the BIS survived and financial regulation came back under its organizational umbrella. In 1975, the Cooke Committee announced the Basel Concordat which expressed jurisdictional rules to structure international banking markets (Helleiner 1995: 332). Earlier, the dominant agreement had been a bilateral accord between the USA and the United Kingdom. The Basel Concordat was discussed by the G-10 represented within the BIS. It came to prominence with the debt crisis in 1982 and entailed responsibility allocation of central banks for their national banking market, how they should cope with banking default, and how responsibility between international banks and central banks is allocated. This agreement was enhanced in 1988 then called Basel I. The financial system was to be more effective and means had to be created in order to better analyze banking risks. The dominant notion was a two-tier approach of capital and by this a standardization of risk by capital ratios (Kapstein 1989: 329–44). Therefore, the agreement entailed an effort to define capital and risk and what a sustainable relation ought to look like internationally (King/Sinclair 2003: 349).

The generic problem of this regulation was to define capital and thereby triggering a performatively advancing process. Not like a self-fulfilling prophecy but rather it established a repeated situation where the general risk structure was just deferred (MacKenzie/Millo 2003) which was to be abandoned by a supplement to Basel I brought forward in 1996. By defining a minimum capital the first problem was to categorize different kinds of capital and their relation to risks undertaken by banks within different investment fields or financial products. As the Basel Accord defined the minimum capital requirements, consequently, it thereby created the incentive to redefine the capital structure by banks. This meant that they have been 'forced' to change their investment structure by innovating new financial products (MacKenzie 2005: 567). This was generated by inventing new strategies of combining, repackaging, and securitizing investment products. Thus, banks used the possibility to invest their money more efficiently. They could reduce their minimum capital requirement by changing their financial products related to the capital definitions by the Basel Accord and thereby possibly concentrating a pool of high risk capital whereupon the minimum capital ratio could be too little (Jones 2000).

With further discussions and the ongoing implementation procedure, shortcomings of the regulation measures became more evident. The static configuration of risk related to capital had problems to adopt temporal changes. It supported pro-cyclical tendencies. Unintended and disadvantageous systematic effects were recognized which led to unequal market conditions for banks (Decamps et. al 2004: 133). Revised regulatory measures were demanded and a new package was on the way: Basel II.

The differentiation of capital to tiers stayed the same as within the accord before. The main difference from the previous version was to treat capital differently, to add guidelines on capital supervision, and disclosure procedures were to be improved (Illing/Paulin 2005: 163–64). These improvements were made up in the three pillars of the second accord (King/ Sinclair 2003: 351; Power 2005: 582). Again there were first, rules for minimum capital standards; second, supervisory modalities, and third, disclosure procedures. Even though each pillar has its distinct theme, they also work together to enrich transparency and information procedures. Therefore, capital definitions, and risks were meant to become standardized techniques of global financial regulation. The pillars are also interwoven regarding risk-management since rating, rating procedure, and supervision of ratings are interrelated (Lindquist 2004: 508).

Especially concerning the reframed risk management, the capital portfolio now had to be rated in order to have a transparent risk-assessment. If risk is changing in time, the capital ratio has to be changed, too. Dynamic regulatory instruments were incorporated into risk evaluation but by this means another problem was generated. The procyclicality of this approach endorsed economic downturn because risk rating tended to be devalued meaning that a bank had to rise capital in order to meet the regulatory framework (Catarineu-Rabell et al. 2005: 538). By rising capital, lending has to be limited in the midst of an economic downturn when capital would be needed to invest. In contrary, an economic upturn, if the risk is reduced banks need less capital to secure their assets, leads to higher lending affinity underscoring economic prospect (King/Sinclair 2003: 349).

The quality of ratings decided what kind of capital ratio was to be assigned to the rated financial product. Therefore, rating agencies came into the center not just of regulation but they themselves became part of the policy procedure of financial regulation (King/Sinclair 2003: 358). For banks (paying rating agencies for their rating services), a logic of high rating with high profit evolved to reach the ideal of having low capital involvement and high relational profits. The other way around, if ratings changed to the worse over time, a bank would have high capital demands (Catarineu-Rabell et al. 2005: 539; Best 2008: 370). Hence, ratings are deeply related to the kind of capital and how banks are to structure their capital/

asset relations apart from the given minimum requirements for distinctive kinds of capital. Rating-policy thus changed the inner structure of and financial products themselves. Regulation, which was meant to cope with crisis experiences with the Basel I framework, created a new and unregulated market space. The trading of subprime mortgage securities as repacked financial products led to a new global financial crisis. The Basel II Accord could not prepare the international banking system for almost break down and individual bankruptcy (Morris/Shin 2008: 230). The lender of last resort, central banks or states respectively, had to put enormous amounts of money into the system to sustain its operation. The minimum capital/asset ratios had not hindered the financial system to collapse. Deposit insurance schemes meant to stop bank runs had not been in place for investments in financial innovations like MBSs or CDSs (for a larger discussion on the so called 'shadow banking system see Pozsar et al. 2012).

### *3.2 Regulating Financial and Economic Crisis: Basel III*

Again in the time of crisis global financial regulation had to be renewed even if the old framework had just been implemented. The development of the Basel Accords was in order to give markets the possibilities to work without falling into financial or economic crisis. The G-20 wanted to "tame" the markets (Helleiner et al. 2010: 8). At least in the beginning phase of the reworking of global financial regulation the political purpose was to have control over markets by defining borders wherein market could play its game and not hurting the outer space. Compared to its predecessor, Basel II was a highly complex framework but it was not in the position to secure the global financial system from collapse. Nevertheless, Basel III is meant to improve the known concepts. Hence and primarily, capital buffers have been enlarged; procyclicality of regulation measures are to be reduced; and supervision instruments are to be empowered. A new approach was to systemically categorize important banks assigning higher capital ratios to them (BIS 2013).

Again the new regulations dynamically changed the field to be regulated. Higher capital ratios means that capital is absorbed from the credit market and could thereby directly impact the real economy. . Further, new hierarchies of favored financial products are created depending on their capital ratio, as capital can be freed by restructuring the investment portfolio. There are also systematic effects. If global regulation on minimum capital is increased, a lot of banks will need money at the same time. Above all, if the minimum capital ratio is an important regulation issue to regain trust in financial institutions, a race to the top can be triggered. Banks want to be trustworthy by taking out other banks with higher capital ratios measured according to the Basel III framework. (for a discussion on this relation see recent debates relating to the interbank offering rates, e.g. FSA 2013) In contrast to this criticism stands that the new capital ratios of Basel III would be more a decorative surface then a real answer to systemic risk dangers in global finance. Lobby groups of large banks, foremost of the US and UK, buffered regulation demands. Yet, a closer look might reveal that the capital ratio of Lehman Brothers had already met the Basel III standards before its collapse. If these regulation measures fundamentally change the order of global finance, if it is rather an evolution or maybe just to cover up single interests by weak instruments is to be discussed (Helleiner et al. 2010: 15).

In any case, the role of ratings has been and stays important to financial regulation. Its immanent role persists as well as an economical logic that they are paid by the seller of rated products. The rating agencies decide by their judgment if a financial product fits into the capital ratio strategies of investors and banks. But there is also another aspect, which is not directly covered by regulatory measures, i.e. a social foundation of financial order by "trust and confidence" (Sinclair 2009: 452). Without the perspective of a regular future, it seems real regulation is to be secondary.

### *3.3 Empirical-Theoretical Interrelations Part 2*

The historical analysis tries to put these phases into context. First, we saw the introduction of global financial regulation by putting standardizations into place, which were highly controversial between their main initiators, the states. The first Basel Accord implemented the playing field for more liberal financial movements. The reformulation of this accord led to the Basel II agreement and marked a highly complex definition of capital requirements to strengthen individual banks not to default (Helleiner 2002). Everything was concentrated on making each institution safe, that it could not be hurt on the playing field whereas its rules became more and more concretely expressed.

Second, the re-regulation of Basel II to its successor Basel III was mainly concerned with making the framework more dynamic and more robust to external shock. The individual player was not the main concern anymore. After the financial crisis in 2008, systemic risks had to be considered (Morris/Shin 2008: 232). The contextualized historical structure moved remarkably from a creation of international agency by the first regulation framework to a problematization of individualization by the second and finally to reconsideration of structuration of the international financial field. The last idea is to be taken under consideration in the following section: How are agencies, objects and strategies possible within the field of global financial regulation?

## 4. Conclusion: A Non-Positivist Approach to IPE

Dynamics are driven by possibilities of arbitrage by investing in different geographical locations not anymore solely defined by state borders but by "meta-geographical" restructured spatial orders (Darel 2002). This means in times of information flows spatiality is not anymore measured by distance but by the availability of information and hence actualized technological know-how.

During this process new institutions but also new crisis dynamics evolved (Helleiner et al. 2007). In line with the notion of 'globalization' these dynamics of institutionalization as well as destabilization focus on a distinctive process of homogenization. The adaptation of similarly framed policies around the globe in response of competition forces is driving this integration even if profits from this process are neither clear for a participating entity nor for a restructured global space (Epstein 2003: 159–160; Graz 2012). In this respect, International Relations as a discipline should propose a differentiated understanding of its own categories related to this crisis phenomenon implying a performative framework to reveal dynamics of changing categories (for a discussion on evaluation practices in this regard see Lamont 2012). In this case the concentration lies on a historical evolution of financial markets based on its regulation. It is a process implying temporal, spatial and agency related conceptions. All of these epistemological fields are based on a distinctive language referring to nations (or jurisdictions respectively), their interrelations or their symbolic representations.

These epistemological spaces and borders are neither restricted to financial categories or concepts nor to the field of International Relations. How representations of the world are seen via financial relations and regulations imply how political conceptions as statehood, sovereignty or the international itself are performed. A widely accepted view within the study of economies might be that installing procedures meant to enable symmetric distributed information about economic relations is a realization of transparency. Another view would be that a concept of ambiguity is a basic condition of functioning market relations (Best 2005: 46). What these perspectives share is that only distinctive practices and their iterations establish the ground on which later on can be referred to. An example of this performance within global finance is the evolution of global financial regulation seen as steps, which create the demand for further regulation and thereby new narratives of how international order is being constructed.

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