Postcolonial Finance

The Political History of 'Risk-Versus-Reward' Investment in Emerging Markets

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Abstract: This article politicises the discourse of emerging markets in global finance. The black-boxed appearance of credit markets easily obscures the significant amount of subjective evaluation and cultural work that underpins capital flows. This article reveals the colonial, masculine, and racial imagination that informs the articulation of emerging markets as geographies of risk and profit. This brings into view the postcolonial nature of contemporary finance and how colonialism's regimes of power and knowledge remain crucial for the reproduction of the global political economy. To illustrate this point, the article highlights the sociality of credit practices. Contrary to their mathematical appearance, credit is a relationship with the future, mediated by social imaginations of trust. Focusing on emerging markets as 'risk-versus-reward' investments, this article examines the long-term colonial histories embedded in modern investment discourses. The article aims to show the continuing relevance this history plays for emerging market economies in modern financial markets and their political economies.

Keywords: creditworthiness, postcolonialism, rationality, risk

My morning routine is much like yours . . . with one subtle difference ... [I] brush my teeth with bottled water. Yeah, bottled water. I don't bother with tap water because I'm currently travelling in Vietnam. Unpleasant parasites live in emerging market water. Last month I was in China. Next month I'll be in Thailand. Diarrhoea-causing devils swim in all three zones. Parasites (from a foreign investor's perspective) also exist in emerging market stocks. Let me explain . . . why I don't

Theoria, Issue 166, Vol. 68, No. 1 (March 2021): 60-86
doi:10.3167/th.2021.6816603 • ISSN 0040-5817 (Print) • ISSN 1558-5816 (Online)

> personally drink the emerging market Kool-Aid. I realise their GDP growth runs circles around those of developed markets. But shadier legal frameworks and poor corporate governance cause their stock markets to lag . . . Such markets promise the world . . . But they perform like a drunken rock climber. They climb. They fall. They climb again. They fall . . . Sometimes they'll soar. But corruption and deception cause parasitic leaks. So I keep my money in a Canadian stock index, a US stock index, a developed world international index and a Canadian bond index. That's something I can drink to. (Hallam 2015)

Published in one of Canada's most-read newspapers, *The Globe and Mail,* Andrew Hallam[1] paints a ghastly picture of emerging markets: do not drink their water; do not invest in them. What sits beneath this message is an image of deception and danger. Much like one cannot see the parasites living in their water, many foreign investors are misled into thinking that their money is safe in emerging market stocks. Corrupt politicians, crony networks, and inadequate regulatory bodies create a distorted image of emerging market credit risk. Hallam (2015) claims to counter the conventional wisdom in investment discourse which postulates that, despite presenting a higher risk to investors, their growing economies will transform this higher risk into a higher reward. Emerging markets have been considered 'the single most important avatar of investment opportunity' (Brown 2009) by many institutional investors in Wall Street (see also Mobius 2015). When the idea of 'emerging markets' as an investment asset first appeared in the 1980s, the International Financial Corporation (IFC) and many other money managers sought to cultivate a geographical imagination 'that suggested progress, uplift, and dynamism' (Van Agtmeal as cited in IFC 2016: 47). This imagination has been accompanied by exotic-erotic scripts that depict emerging markets as 'wild frontiers', places where one can find 'sex and violence' (Sidaway and Pryke 2000).

From the above, emerging markets appear as geographies to be resisted *and* conquered. This article reveals the masculine, colonial imaginations and histories entangled in these representations. It seeks to contribute to what has recently been identified as a 'blind spot' within the discipline of international political economy (IPE): to render visible the long-term, profoundly political, and colonial histories of modern finance (Bhambra 2020; de Goede 2020).

Although the relations between colonialism and capitalism have been well documented, and often acknowledged in IPE, Bhambra (2020) argues that this history is rarely given a central role in our understanding of the contemporary structures in the global economy.

Baucom (2005) shows for instance that the transatlantic slave trade conducted by joint-stock companies was central to the development of insurance schemes and modern banking systems. Challenges such as the specific time horizons of slaving enterprises, their geopolitical pathways, and the vast amount of resources required for these enterprises stimulated new types of lending instruments. Because credit depends on an imagination of value that will materialise sometime in the future, financiers developed a system of collateral whereby slaves were treated as a 'guarantee' if a debtor was unable to settle its debts (Baucom 2005: 89). Thus, not only did credit instruments enable the slave trade via joint-stock companies like the Royal African Charter, nor did it simply enable the purchasing of slaves. Treated as collateral, the transatlantic slave trade turned human beings 'as a species of money' that regarded them, 'on the point of sale in the new world as the account deposits for a network of interest-bearing bonds' (Baucom 2005: 90). Today, the countries from where slaves were extracted – essentially funding the commercial might of imperial powers – are some of the highest indebted countries (Kazi 2020). Private investors from the global North tend to target bonds and stocks in these countries as the 'high risk' they present translates to higher yields, enabling them to reap significant profits. From the 1980s, there has been a vast amount of outflows of public money from the global South in interest payments: nearly 4.2 trillion US dollars, far overshadowing the aid received by these countries (Hickel 2017).

This article aims to reveal the postcolonial nature of contemporary finance by examining the colonial history entangled in the discourse of emerging markets. Here, the 'post' in postcolonialism should not be taken as a straightforward temporal marker, a period 'after' colonialism. Instead, it recognises that the world has been 'decisively shaped by colonialism' (Seth 2013: 1) and draws attention to the continued relevance of its structures and relations of power. To illustrate this point, this paper shows how representations of emerging markets as 'risk-versus-reward' investments engender the volatility of their market performance and reproduce their subordination in contemporary global financial markets. The numerical appearance of credit risk assessments obscures not only the extent to which they rely on interpretation but also the political and cultural history that inform these interpretations. From a poststructural perspective of discourse and power, this article argues that perceptions of credit risk of emerging markets are not merely observations of reality. Instead, they are linked to an infrastructure of meanings, technologies, regulations, practices, and institutions that bring these observations into being. Investment advice, commentaries, valuation metrics, credit risk assessments, economic indicators, and other performance measures do not exist in addition to 'real' material financial and economic structures, but are precisely how they materialise (de Goede 2005: 7).

The article is structured as follows. The first section presents a brief explanation of poststructuralism and how it will be used to investigate the politics of power surrounding emerging market discourse in IPE. The second section looks at the masculine, colonial underpinnings of credit as it emerged in seventeenth-century England. Given that credit essentially depends on social imaginations of trust, contemporaries associated this form of wealth creation with gambling, usury, and greed and therefore a threat to the moral virtue of society. Drawing on Marieke de Goede's (2005) work, this section discusses how Daniel Defoe's contribution to this debate created a moral space for finance to flourish on the condition of a gentlemanly ethic, that is, honesty, self-discipline, and foresight. Defoe attributed these virtues to the colonial gentleman, the 'self-disciplined, naturally legitimate ruler and protector of morals' (Hooper 1999: 482). Section three explores how this political identity resonates with contemporary models of rational economic man – *homo œconomicus* – in neoclassical economics, the dominant governmentality of modern finance. The fourth section examines how the colonial history and relations of power entangled in the discourse of emerging markets gets reproduced through the performativity of credit risk metrics such as sovereign credit ratings. The goal here is to reveal the role that rhetoric, ideas, and representation play in understanding the postcolonial nature of IPE.

The Politics and Power of Representation: A Post-Structural Understanding of IPE

As a discipline that seeks to think critically about the structure, hierarchy, and power relations that shape transnational flows of capital, ideas, goods and relations of power, IPE scholars are increasingly paying attention to the impact of global finance on emerging markets. Heterodox IPE scholars have especially been critical of how financialisation in the post-Bretton Woods era engenders uncertainty and volatility in these economic geographies (see Bonizzi 2013). For this article, financialisation refers to the growing influence of capital markets, their intermediaries and processes in contemporary economic and political life (Pike and Pollard 2010). Often placed alongside the dismantlement of the Bretton Woods monetary regime and processes such as the deregulation of financial markets, the rise of monetarism, and the disintermediation and securitisation of credit, financialisation is assumed to have solidified the authority of a small group of private actors, mostly based in advanced countries, over the fiscal affairs of entire nations and societies (Roos 2019). These actors include financiers, big banks, hedge fund managers, index providers, as well as the 'Big Three' Credit Risk Agencies (CRAs), that is, Moody's, Standard & Poor's, and Fitch. While literature on the financialisation of emerging markets is vast and wide-ranging, critical IPE scholars tend to focus on how the deepening of the financial sector impacts main sectors of the economy, firms, households, and banks (Bonizzi 2013). These works produce a wealth of insights that show how financialisation rearticulate and reinforce socio-spatial inequalities on a domestic level and how the volatile demand for emerging market stock reproduce their monetary and financial subordination (Bonizzi and Kaltenbrunner 2019).

Without devaluing these insights, it is nevertheless important to think critically about the shared understandings of finance and emerging markets that inform these analyses. Standard accounts on financialisation, often positioned alongside globalisation, typically invoke a mythical understanding of global finance as a mastering force that undermines national sovereignty and scope for domestic policy intervention (de Goede 2003). Driven by the expansionary ambitions of the market, the dismantlement of the Bretton Woods monetary regime facilitated the teleological unfolding of financial globalisation. Despite being critical of financialisation, heterodox IPE scholars still take the economic and financial domains as unproblematic or material starting points to their enquires, and fail to investigate how knowledge about financialisation, credit risk, and the market has been historically developed (de Goede 2003: 80). As such, they typically call for changes in the regulation of financial markets to mitigate the negative consequences of financialisation (Bonizzi 2013).

Yet, in many ways, calls for greater regulation enable the depoliticisation of the discursive practices and technologies that enable financialisation to take place. This is because a focus on regulation removes questions dealing with the legitimacy of actors like CRAs, index providers, and institutional investors in global finance outside a terrain of contestation by creating a moral and legal space for them to proliferate (de Goede 2005: 123). Both orthodox and heterodox IPE analyses to operate within a restricted view of 'the political' and 'the economic'. Here, economics is seen 'as the science investigating wealth production and distribution under scarcity, where wealth is somehow separate from "politics," and "politics" takes place where the realm of economics stops' (Murphy and Tooze 1991: 24). Moreover, the uncritical deployment of 'emerging markets' not only obscures the historical construction of this category, but also reinforces the norms and ideological assumptions embedded in this discourse.

A poststructural engagement with this literature 'enables us to open the domain of economic and financial reality to political questioning' (de Goede 2003: 91). Instead of viewing financialisation as an unstoppable force that exists 'out there', poststructuralism draws attention the economic and financial discourses that perform it into being. Discourses can be seen as systems of meaning that constitute institutions, practices, and identities in contradictory and disjunctive ways (Fourclough, as cited in Larner 2006: 205). By attaching meaning to social objects and realities, discourses make intelligible ways of being in, and acting towards the world, and of operationalising a particular 'regime of truth' while excluding alternative modes of action. In particular, discourses define those subjects who are authorised to speak and act about a particular phenomenon, as well as the knowledgeable practices they should take

(Milliken 1999: 229). As such, discourses are not merely linguistic phenomena. They regulate, shape, and constrain modes of conduct, possibilities of action and therefore involve the material (de Goede 2005: 19).

Poststructuralism problematises the ideal/material dichotomy; instead, discourses are performative and constitute the objects of which they speak. Financialisation, for instance, is performed into being through a range of discursive practices such as financial risk assessments, 'expert' investment advice, stock market valuations, macro-economic policies, corporate governance strategies, and international regulations as outlined by the Bank of International Settlements among others. These discursive practices are based on certain conceptions of risk, profit opportunities, how the value of a stock should be calculated, what the economy entails and how it should be managed in a context of financial globalisation. A government's decision to liberalise its capital account for instance, to attract foreign investment is not the result of some abstract process that exists 'out there'. Instead, by adapting and preparing for financialisation, governments contribute to the very process they claim to be responding to and, by doing so, reify and extend the economic ideas and assumptions embedded in its meaning. The materialisation of financialisation is not the result of a single theory, actor, or institution. For a discourse to be performative, the underlying theories, models, and ideas have to be applied over and over again. It would therefore be a mistake to overvalue particular subjects that perform financialisation into being, such as investors, CRAs, economists, and institutions like the World Bank and IMF, as their actions are reiterated forms of discourse. They are not the sovereign originators of their actions, but learn what to say and speak in codified ways, which implies that 'the codification and ritualisation of that discourse precede and makes possible the subject who speaks' (Butler 2010: 148).

The production of meaning, however, is by no means a neutral process. Meanings do not exist outside regimes of power and truth, which draws attention to how discourses 'rule out' certain ways of interpreting and acting towards real world phenomena (de Goede 2003). Here 'truth' is not something that can be seized or unearthed with the correct methodological tools, but instead the unconscious structures that determine what a society accept as the truth, 'the techniques and procedures accorded value in the acquisition of truth; the status of those charged with saying what counts as true' (Foucault 1978: 132). In other words, the epistemological field that renders certain statements about the economy or the marketplace possible, 'them and none other in their place' (Foucault 1991: 59).

The mathematical appearance of modern financial discourses is rooted in the Enlightenment's unconditional belief in the scientific method to generate 'truth' (Porter 1995). This method of knowledge acquisition necessitates a special kind of scientific asceticism and the ability to adhere to the principle of mechanical objectivity. Mechanical objectivity 'implies personal restraint' (Porter 1995: 4), a following of the rules that 'should make it impossible for personal biases or preferences to affect the outcome of an investigation'. The use of numbers, contrary to words, to translate scientific inquiries into a written form is assumed to be the most transparent, accurate reflection of affairs. This will enable rational, calculative decision-making and ensure the stability of the financial system.

Yet the mechanical, numerical language that describe financial markets obscure the series of political, subjective translations that go into the production of financial knowledge. Petry and others (2019) for instance, alludes to how processes of index production are inherently subjective activities whereby index providers like MSCI and FTSE Russel use their discretion in determining whether certain countries should be categorised as frontier or emerging as well as their weighting within indices. While this is a characteristically secretive process, an investigation into the historical and political discourses that underpin the construction of emerging markets reveals how colonial imaginations of risk, rationality, and profit are reproduced through these classifications.

The Sociality of Credit

As a sphere of activities marked by the creation, buying, and selling of credit (Germain 1997, 17), financial activities depend on social imaginaries of trust. An etymological inquiry of 'credit' highlights its socially constructed nature (de Goede 2005). C*rédit,* as used by the French in the sixteenth century, meant 'belief' and 'trust'. In commercial matters, credit pertains to respect and trustworthiness, meaning 'the acknowledgement of merit', and/or the 'confidence in the ability and intention of a purchaser or borrower to make payment at some future time' (Online Etymology Dictionary 2017). This engagement with the future, which is radically uncertain, takes place in a discursive framework that defines conceptions of trust, credibility, and truth. In seventeenth-century England, a context that saw the unprecedented emergence of credit instruments, notions of trust, honesty, truth, and solvency were considered properties of the English gentleman (de Goede 2005). Contrary to women, servants, and non-Europeans, the English gentleman was recognised as the quintessential 'truth-teller' and therefore more creditworthy (Shapin 1994). This connection should also be read alongside the emergence of the scientific method, whereby the gentility according to Shapin (1994: 42) 'was a massively powerful instrument in the recognition, constitution and protection of truth'.

The masculine, gentlemanly conception of creditworthiness parallels the discursive framework through which finance became conceived as a rational, stable system in seventeenth- to eighteenth-century England. During this time, England witnessed the large-scale introduction of credit instruments, including the inauguration of credit money – paper – as a means of payment, and is often regarded as a period that accelerated financial innovation (see de Goede 2005). Contrary to debt instruments that existed before this, credit money is detached from a direct relationship to any actual commodities (Boyer-Xambeu et al. cited in Ingham 1999: 87). Paper money, bills of exchange and promissory notes 'existed as pure debt; that is to say, *they were no longer based directly on goods, but rather on promises*' (Ingham 1999: 87, emphasis added).

At the time of their introduction, many conceived these depersonalised debt instruments as morally suspicious (Hoppit 1990). The concepts of promise and pledge underlying credit money assumedly subjugated England to the whims and fancies of its emerging financial elite, the 'Monied Interest'. Contrary to Britain's traditional elite, the 'Landed Interest', this class of elites obtained their wealth not through the production of tangible commodities, but the stock market. Critics argued that this form of wealth, 'created out of nothing', fostered greed, self-interest, gambling, and vanity (de Goede 2005). The term 'stock-jobbing' with clear overtones of self-interest and corruption freely circulated to describe any kind of activity in the stock market. Stock-jobbers referred to stock brokers or middlemen in the City of London and opponents of credit typically portrayed them as evil, effeminate individuals who are corrupting the morals of society by encouraging practices like gambling, usury, and excessive ambition for luxuries (Hoppit 1990).

With some recognising the commercial benefits of credit, and critics emphasising moral decay, finance became the focus of political struggle and satirical debate during this period (de Goede 2005; Hoppit 1990). These debates took place through various press outlets like pamphlets, newspapers, novels, and other literary works. The 'paper wars' peaked between 1698 and 1734 and several legendary British authors participated, most notably Johnathan Swift, Alexander Pope, and the focus of this article, Daniel Defoe (Pocock 1975: 426). Whereas Swift and Pope condemned credit practices, Defoe's personification of finance as 'Lady Credit', an 'inconstant, often self-willed but persuadable woman' put forward a new idea of morality in which the nascent credit structures would be able to flourish (Pocock 1975: 454). Defoe articulated an idea of rational conduct in the market place that precedes the birth of economic man that is typically associated with the work of Adam Smith. Based on an image of the English gentleman, Defoe's formulation of rationality has many similarities with *homo œconomicus,* specifically in neoclassical economics, the dominant theory informing the assumptions of modern financial practices.

Gendering Uncertainty: Lady Credit and Fortuna

As a 'female inconstant', Defoe highlights the porous, yet malleable nature of the financial system. This is a pattern of representation that, though not absolute, nevertheless forms part of an older practice of gendering feminine that which is devalued. The use of sexual metaphors and female allegorical 'figures of disorder' enables the feminisation credit and especially the porous foundation of the financial system (Ingrassia 1998). Such descriptions of credit entailed 'many associations of negative and stereotypically female qualities [like] avaricious sexuality, emotional instability [and] hysteria' (Ingrassia quoted in de Goede 2005: 26). Defoe therefore engaged in a tradition of public sexual discourse that preserved a long misogynist culture in society. Merchant (1989) also alludes to how seventeenth- and eighteenth-century conceptions of the scientific method assumed a distinct sexual character. She shows how Francis Bacon constructed Nature as a female with irrational, unknown 'secrets' that had to be subdued and mastered by the male scientific mind through 'relentless interrogation' (Merchant 1989: 170). The accumulation of knowledge, obtained through the scientific method, combined with mechanical technologies have enabled discoveries such as printing, gunpowder, and navigation 'helps us to think about the secrets locked in nature's bosom . . . They do not . . . merely exert a general guidance over nature's course; *they have the power to conquer and subdue her, to shake her foundations*' (Bacon as cited in Merchant 1989: 172, emphasis added). Thus, though she is potentially dangerous, with the masculine scientific mind, Nature is a female that can be 'known' and mastered.

Defoe's personification of finance as Lady Credit follows a similar portrayal to that of Bacon, namely that she can be helpful to society on the precondition of a masculine ethic. When Defoe introduces Lady Credit in his *Review of the State of the English Nation* (1706), he emphasises all the irrational, fantastical, passionate, and irresponsible elements of the credit-based economy:

> Money has a younger Sister, a very useful and officious Servant in Trade . . . Her name in our Language is call'd CREDIT . . .
>
> This is a coy Lass, and wonderful chary of her Self; yet a most necessary, useful, industrious creature: she has some Qualification so particular, and is so very nice in Conduct, that a World of Good People lose her Favour, before they well know her Name; others are courting her all their days to no purpose, and can never come into her Books.
>
> If once she be disoblig'd, she's the most difficult to be Friends again with us, of any thing in the World and yet she will court those most, that have no occasion for her . . .
>
> 'Tis a strange thing to think, how absolute this Lady is; despoticky she governs all her Actions: If you court her, you lose her, or must buy her unreasonable Rates; and if you do, she is always jealous of you, and Suspicious; and if you don't discharge her to a Tittle of your Agreement, she is gone . . . . (Defoe 1706: 17–18)

In this introduction, Defoe displays Lady Credit's ambiguous character to us through a range of stereotypical, unpleasant feminine characteristics. While she is fundamentally good-natured, nice, and useful, she can also be jealous, suspicious, and stubborn if you do not treat her well. She is also a 'coy Lass', a young, shy girl: attractive and innocent, yet mature enough to know how to use her attractiveness, coquettishly inviting the public men to play. In stereotypical feminine fashion, she lavishes her attention on those who have of so much money that they 'have no occasion for her', while ignoring those who 'are courting her all their days' (de Goede 2005, 25). Her character develops haphazardly in Defoe's writings. Sometimes, she appears as an innocent lady – a virtuous virgin – and at other times a spoilt flirt (Sherman 1996: 41–45). She displays various degrees of sexual activity, ranging from a 'whore' who 'will lie with any Body that has Money to supply her insatiable Cravings' (Defoe 1711), to a passive victim that is always in danger of being raped. These conflicts allude to the ambiguous and more importantly, malleable character of Lady Credit, which will eventually allow the gentleman to master her.

Lady Credit's inconsistent and malleable essence, according to Pocock (1975: 453) is a reincarnation of the ancient goddess Fortuna. The goddess of chance and luck, Fortuna has a long lineage in the history of political thought, ranging from Aristotle to Boethius, Dante, Boccaccio and ultimately Machiavelli (Cioffari 1947). Identified as a female, Fortuna was typified as fickle, capricious and unpredictable, and although man could attempt to honour and please her, he was never guaranteed success (Pitkin 1984). Her symbol is the wheel, which signifies the means 'by which men are raised to power and fame and then suddenly cast down by changes they cannot predict or control' (Pocock 1975: 38). The wheel's movement and Fortuna's character shifts from capriciousness to inexorability in Christian writings, especially in the thought of Boethius, who pits Fortuna against virtue (Pitkin 1984: 140). Here, Fortuna becomes the enemy of prudence, rationality, and calculability. In *Divine Comedy,* Dante portrays Fortuna as a true goddess, appointed by the 'Master of the Universe' to distribute goods across society, thus leaving no possibility of human defence against her actions.

This divinity changes in Boccaccio's *Decameron,* substituted by an image of the goddess as mischievous and cunning. Machiavelli extends Boccaccio's depiction of Fortuna as a cruel, cunning and 'unstable goddess' who 'often sets the undeserving on a throne to the deserving never attains' (Machiavelli 1989 [1532]: 746). The significance of Machiavelli's characterisation of Fortuna is that she loses all of her god-like qualities and 'what remains is the image of fortune as a woman, mostly in juxtaposition to autonomous human effort, often explicitly to *virtú'* (Pitkin 1984: 153). This is an important break from earlier representations in that Fortuna's humane demeanour implies the possibility to control and dominate her. In *The Prince,* Machiavelli (1989 [1532]: 90) compares Fortuna to a potentially destructive river that can nevertheless be tamed by proper precautions, namely proper risk management.

> I compare Fortune with one of our destructive rivers which, when it is angry, turns the plains into lakes, throws down the trees and the buildings . . . everyone yields to its fury and nowhere repel it. Yet though such it is, we need not therefore conclude that when the river is quiet, men cannot take precautions with both embankments and dykes, so that when waters rise . . . their fury is neither so wild not so damaging. The same things happen about Fortune. She shows her power where *strength and wisdom do not prepare to resist her,* and directs her fury where she knows that no dykes or embankments are ready to hold her. (emphasis added)

Thus, instead of letting Chance govern the activities of men, man must show virtuosity and anticipate the cunning forces of Fortuna. This sentiment re-emerges in Defoe's discussion on the mastering of Lady Credit's capricious nature. As noted in his introduction of Lady Credit, those who pretend to 'have no occasion' for her, will eventually master her (Defoe 1706: 17–18). In other words, those who can practise self-control – the sources of which are the Machiavellian virtues of knowledge, skill, and foresight. To 'tame' her fickle nature and mitigate the threat of moral decay, 'regular structures' of honour and mutual trust should underpin credit practices. '[I]f you will entertain this Virgin' writes Defoe, 'you must act upon the Principles of Honour, and Justice; you must preserve Sacred all the Foundations, and build regular Structures upon them . . . If this not observ'd, Credit will not come' (quoted in Pocock

1975: 455). Referring to the gentility, Defoe believes that an honourable marriage can secure Lady Credit's reputation, especially if she agrees to 'marry without a potion' the 'Young Man full of Application, sober, sensible and honest, that lays his Bones to his Work, and his Head to his Business' (Shapin 1994: 52). In his *Compleat English Gentleman* Defoe (1890 [1729]: xxi) describes the English gentleman as 'a person *Born* (for here lies the Essence of Quality) of some known, or Ancient Family; whose Ancestors have at least from some time been rais'd above the Class of Mechanicks'. Finance can therefore only be respected when it exists in union with the gentleman who is blessed with virtues of strength, anticipation and self-control – qualities that enable him to *'resist her temptations',* to act rationally (de Goede 2005: 33, original emphasis). Rationality therefore implies self-discipline: '[I]f the gentleman we are treating of can not govern himself, how should we expect any good oeconomy in his household?' (Defoe 1890 [1729]: 244).

Defoe argues that meticulous bookkeeping is the way to self-mastery and good government. The combination of calculation, anticipation and planning in bookkeeping fosters an ethical relationship to the self, enable accountability and ultimately the mastering of Lady Credit (de Goede 2005: 35). Bookkeeping requires the tradesman to 'cast up his books' and is therefore a mechanism through which man obtain undistorted, truthful reflection of his state of affairs. This requires the tradesman to adhere to the principle of mechanical objectivity: 'the honesty and self-restraint required to foreswear judgement, interpretation . . . the testimony of one's senses' as well as 'the taut concentration required for precise observation and measurement, endlessly repeated around the clock' (Daston and Galison 1992: 83). Scientific asceticism was best displayed by members of the gentility, who are able to control their passions and wilfully abnegate the self.

Lady Credit and the Colonial Other: The Historical Geography of Rationality

It is important to point out that this image of the English Gentleman as rational, tempered, moral, and educated was shaped not only through the exclusion and repression of the feminine, but also the colonial Other. Indeed, this masculine type was formed through the international politics of colonialism. Here, the production 'scientific' knowledge about human nature, biology, medicine, and the economy articulated a sense of self for the English gentleman through a process of negation with the Other (Hooper 1999). It is within these discourses that the English gentleman has been identified as civilised, disciplined, innovative, and hard-working. This gave rise to a global, racialised hierarchy of masculinities that sustained European imperialism and continues to have a cultural legacy today (Hooper 1999: 482).

British and French imperialists imagined the 'Orient' as an exotic, sensual, and feminised world, while Africa was associated with savagery. This geographical imagination has much in common with the representation of emerging markets as 'exotic places' that are 'colourful and unpredictable' and 'thrive in the strangest . . . wilder places of the world' (Mobius, as quoted by Sidaway and Pryke 2000: 196). Akin to Lady Credit, the English gentleman should be vigilant in these spaces, as the extreme climates and morally compromised people might seduce him to act irrationally. Hallam's depiction of drinking water in emerging market countries, for instance, as being 'unsafe', infested with parasites and corrupt politicians is a colonial discourse that has been termed *tropicality* (Arnold 2000).

Tropicality dramatises the difference between Europe's temperate climates and the tropical, warm climates of Africa, Asia, and Latin America as zones where disease, putrefaction and decay ran rampant. Characterised by a sense of *otherness,* topicality is based on a belief in the intrinsic 'inferiority' of warm climates in non-European spaces, which gives rise to a kind of primitivism, idleness, and moral and physical weakness of human inhabitants (Arnold 2000). The tropics were also associated with a particularly malevolent nature: unrelenting climate (drought and flood), tempestuous weather (storm and typhoon), violent landscape (natural disasters), dangerous wildlife (the abode of fierce predators), and deadly disease (plague and pestilence) (Bankoff 2001: 21). By contrast, the temperate climates of Europe stimulated industry, innovation, self-hygiene, and moral and physical strength. Thus, the tropics were rendered 'unsafe' to colonial voyagers for two reasons: the unrelenting, violent climate that facilitates the spread of disease and the moral ambiguity of non-Western peoples, specifically Native women, to seduce colonial visitors (Hooper 1999). Consider, for instance, the following excerpt from James Johnson's influential treatise on the effects of tropical climates on European constitutions, which always leads to degeneracy and disease:

> The monotony of life, and the apathy of mind, so conspicuous among Europeans in hot climates, together with the obstacles to matrimony, too often lead to vicious and immoral connexions with Native females, which speedily sap the foundation of principles imbibed in early youth. (Johnson, as cited in Livingstone 2002: 75)

Yet, akin to Lady Credit, the tropics can be mastered through the scientific method. With the elaboration of germ theory and the realisation that bacteria and climate are not responsible for disease, the development of Western medicine to 'cure' the region's inherent dangers rendered these spaces progressively safer (Bankoff 2001). This image of salvation foregrounds the English gentleman's civilising mission to the non-Western world:

> England, the great chief of the commercial world, possesses a power that enforces a grave responsibility . . . the force to civilise. She is the natural coloniser of the world . . . America, sprung from her loins . . . Of later date, and still more rapid in development, Australia rises, a triumphant proof of England's power to rescue wild lands from barrenness; to wrest from utter savagedom those mighty tracts of the earth's surface . . . a darkness to be enlightened by English colonisation (Baker as cited in Jarosz 1992:107).

We find evidence of this civilising mission in Defoe's *Robinson Crusoe* (1719), which tells the story of a colonial voyager who got stranded on an island near the Venezuelan coast after a stormed wreaked his ship. This voyage formed part of a series of adventures into the 'new economic world' located in the South Seas. Whilst Crusoe is stranded on the island, he rescues a prisoner from native cannibals, and makes this prisoner his servant. Crusoe also names this servant Friday, teaches him English, and converts him to Christianity. He teaches him the tools and mechanisms that enabled him to survive on the island, and attribute these 'civilised' skills to God's deliverance. Because God did not leave him stranded without these implements of civilisation, Crusoe was able to master the island, instead of being subdued by it.

Indeed, Christianity served as a primary justification for expanding the British empire (Fleck 1998). Christianity signified light, civilisation, morality, grace, contrary to the darkness that beleaguered, for instance, the African continent. ‘The doors of this dark continent’ writes Albert Lloyd, ‘are wide open for the reception of Christianity . . . which alone shall drive away the darkness’ (Lloyd as cited in Jarosz 1992: 107). By converting the Other into a vision of its own, the colonial gentleman not only benefits from the wealth African territories offer, but also mitigate danger by normalising a particular set of values (Said 2003).

Yet, there is a limit to this process of conversion. For instance, in Daniel Defoe’s *Robinson Crusoe* (1719), the main character constantly doubts Friday’s belief and acceptance of Christianity (Fleck 1998). He experiences great difficulties in educating Friday about the nature of the devil, which leads him to conclude that Friday is not a true Christian like himself. This revelation enables Crusoe to maintain a difference between himself and Friday. As such, although Friday could attempt to adhere to the standards of civilisation and Christianity set out by Crusoe, he will ultimately fail, which will ensure his difference vis-à-vis the colonial ‘master’. Friday’s ‘failed’ Christianity embodies the ambivalence Bhabha (1994: 86) identifies with colonial mimicry:

> . . . colonial mimicry is constructed around an *ambivalence;* in order to be effective, mimicry must continually produce its slippage, its excess, its difference . . . almost the same, *but not quite* . . . The success of colonial appropriation depends on a proliferation of inappropriate objects that ensure its strategic failure, so that mimicry is at once resemblance and menace. (emphasis in original)

Thus, as long as Crusoe and the colonisers can claim that Friday and the colonial Other has yet to receive the necessary revelation and become true Christians, imperial expansion can continue unimpeded (Fleck 1998: 85). In modern finance, the articulation of difference between advanced and emerging markets similarly enables investors’ search for profits, given the high returns they receive for investing in these ‘risky’ geographies. It is my contention that perceptions of volatility, uncertainty, and credit risk in emerging markets are not only rooted in colonial imaginations of danger and chaos, but also crucial for investors’ ongoing returns. In a context of intensifying financialisation, credit risk technologies therefore play a significant role in the reproduction of historical inequities.

Postcolonial Finance: The Geopolitical Imagination of *Homo Œconomicus*

Defoe's personification of finance as Lady Credit, whose fickle nature can be mastered through the masculine virtues of self-control, knowledge and foresight articulates finance as a rational, stable system where crises, excessiveness and greed are located in the aberrant domain of mad, irrational behaviour. The stable functioning of finance is contingent on the rational, calculative, honest, and disciplined conduct of market participants.

This depiction resonates significantly with contemporary discussions on the 'international financial architecture' (IFA). The IFA can be defined as the 'collective governance arrangements for promoting the stability of the financial system' (Elson 2010). A prominent theme driving discussion about the IFA relates to how to ensure the accuracy and transparency of information, based on the assumption that unreliable data and information cause market instability (Best 2010). Here the market is seen as an ensemble of *homo œconomicus* – rational economic men – who use all information at their disposal to make calculative, disciplined decisions. Based on Robert Lucas's 'Rational Expectations Hypothesis', this depiction of *homo œconomicus,* akin to the English gentleman, displays a sense of scientific asceticism that enables him to not only assemble the necessary data to make calculative decisions, but also identify lucrative investment opportunities.

In free, competitive markets, information tends to be correct and transparent, which enables equilibrium price formation and the efficient allocation of capital. According to Fama's (1965: 56) 'efficient market hypothesis' an efficient market is one 'where there are large numbers of rational, profit-maximisers actively competing, with each trying to predict future market values of individual securities, and where important current information is almost freely available to all participants'. Assuming no interference from any planning agency, free markets generate prices that accurately reflect market fundamentals, ensure the efficient allocation of capital and, in the long-term, 'natural' equilibrium (Arrow and Debreu 1954). Market instabilities are therefore the result of informational asymmetries, caused by corrupt politicians, greed, and moral hazard that leads to a miscalculation of risk.

As Hallam's (2015) commentary suggests, the geopolitical imagination of emerging markets as uncertain, irrational, and volatile means that investors tend to perceive them as less creditworthy. Contrary to the efficient functioning of advanced markets, information about emerging market stocks tend to be incorrect, 'the flow of information is not rapid, or the price is not adjusted to the information' (Alam et al. 2007). Moreover, unlike the temperate, calculative demeanour of politicians in advanced markets, emerging markets are beleaguered with corrupt and crony politicians that generate a significant amount of uncertainty. For instance, Paudyn (2014: 18) points out that the Big Three CRAs have characterised the Brazil, Russia, India, China, and South Africa (BRICS) grouping as 'hotbeds of ideological temperaments', necessitating a stricter application in the calculation of sovereign creditworthiness.

This calculation assesses a government's capacity and willingness to repay its financial debt obligations in full and on time. While the assessment of *ability* depends on quantitative data such as economic growth estimates, debt burdens, and gross domestic product (GDP), *willingness* is much more uncertain and involves an attempt to come to terms with the trustworthiness of a government. Here representations of emerging markets as ideological, uncertain and irrational increases their 'political risk' score, which significantly lowers the overall credit rating (Paudyn 2014). Standard & Poor's has even set a rating limit of not above investment grade should signs of unwillingness emerge, regardless of debt bearing capacity (Paudyn 2014: 124). Since a government can always choose to default on its debt obligations, the determination of willingness particularly engages with cultural representations of people, history, and space in the imagination of trust. The following excerpt taken from Mosley's (2003: 102) interview with the asset management company, Investec captures this sentiment:

> Politics are much more important [in developing countries] than in developed markets . . . Who governs matters in these markets . . . It's hard to know what a government will do . . . There are not necessarily clear priorities for these governments; there are so many issues; it's hard to know how they will prioritise . . . The problems experienced in the developing world are totally non-existent in the developed world.

Without claiming that these concerns about emerging markets are unfounded, it is necessary to critically investigate the geographical imagination that informs these concerns, which is based on a binary framework that assumes transparency, certainty, and rationality in advanced markets. Given that financial transactions always depend on some form of interpretation, the binary representation of places, people, and uncertainty significantly influence investors' decisions in the marketplace and ultimately the economic growth and welfare of emerging market countries.

To further illustrate the significance discourse, rhetoric, and colonial tropes play in understanding financial market dynamics, consider the following example. In August of 2013, financial analysts from Morgan Stanley coined the term 'fragile five' to describe the economies of South Africa, Brazil, Indonesia, Turkey, and India. An etymological enquiry of 'fragility' reveals how colonial and racial imaginations of trustworthiness and rationality are captured in modern credit practices. Fragility refers to a state of physical weakness, of being 'easily broken', and stands in contrast to strength and reliability. However fragility also conveys a sense of moral weakness, and in the 1510s for instance it was defined as being 'liable to sin' (Online Etymology Dictionary 2020). In other words, they threaten the reputation of Lady Credit due to their inability to act in an honest, rational and disciplined manner when they are confronted with promises of wealth.

According to Morgan Stanley's analysts, the 'fragile five' countries have become too dependent on unreliable foreign investments to finance their domestic economies (Kuepper 2017). Their state of fragility comes after the United States Federal Reserve Bank (FED) announced that it will raise interest rates and reduction to its bond-buying programme. Prior to this, in the wake of the 2008/09 global financial crisis, the FED carried out a series of large-scale purchases of government and asset-backed securities to lower longer-term interest rates and provide additional stimulus to the economy. This 'highly accommodative monetary policy' strengthened market participants' tolerance for risk, which enabled a large amount of 'hot money' to flow into emerging market assets (Colombo 2013). However, because investors are uncertain about how emerging markets will respond to the FED's tapering measures, they withdrew their money and re-invested it into advanced economies. The 'fragile five' currencies were especially implicated in this currency run, which resulted in widening budget deficits, weakened currencies, and contractions in economic growth (Kuepper 2017). Here it is important to emphasise that it was the *assumption* of uncertainty that engendered emerging economies' fragility in global capital markets. In other words, their subordinate, 'fragile' position in the global political economy is continuously performed into being.

Perceived as a higher credit risk, emerging market investments are priced at a lower rate and/or require substantial risk premium to create the possibility of high reward (Lee 2003: 65). Given the hypermobility of modern financial capital, the geographical imagination of risk and reward means that the investment horizon in emerging markets is characteristically short-termist and pro-cyclical. As a cluster of asset classes to or from which mobile portfolio capital may be attracted or repelled precisely because of the high rewards/risks priced into their purchase, emerging markets are extremely vulnerable to investor sentiment as the example above illustrates (Lee 2003: 66). Risk-loving investors tend 'to play emerging markets' by favouring these assets when aversion to risk is low, and remove their investments, often dramatically quickly, when aversion grows. This tends to exacerbate a slowdown in growth in emerging markets, which in turn increases credit risk and makes the cost of borrowing more expensive (Lee 2003). A recent report shows, for instance, that debt repayments in many African countries far surpass the government's budget on health (Kazi 2020). As a result, the financing of public goods and social welfare that could, in theory, make a country 'advanced' become significantly undermined.

The political economy of sovereign creditworthiness furthermore limits emerging market governments' ability to grow their economies through fiscal measures that stimulate demand and employment. Instead, governments are encouraged to reduce their credit risk by implementing budgetary reforms that convince creditors of their ability to honour their debt obligations. These include austerity measures that reduce the government's budget deficit, favourable investment regimes that ensure the mobility of capital and securing the autonomous powers of the central bank to minimise the risk of political interference in monetary and fiscal policy (Grabel 2000). In many instances, these austerity measures have led to large-scale social unrest and protests amongst those who must bear the brunt of austerity. CRAs however, perceive these upheavals as a default risk for governments and businesses, especially in emerging markets, which often leads to downgrades. This tends to be followed by massive outflows of investments, thereby facilitating the creation of conditions that render emerging markets volatile/fragile (Paudyn 2014). The performativity emerging market credit risk metrics reiterates and reproduce the colonial power relations upon which contemporary financial markets are based: both between states and their societies.

Conclusion

This article sought to shed light on the postcolonial nature of the modern global political economy. Focusing on financial markets, this article investigated the masculine, colonial imagination that informs the representation of emerging markets as geographies of risk and reward and how these representations engender historical inequalities between the global North and the global South. Adopting a post-structural lens, the article emphasised the sociality of credit and the extent to which it depends on discourses of trustworthiness and truth. Discourses, as bodies of knowledge, information, and stories, are not neutral. They are always articulated at particular sites and through particular relations of power. This paper showed how discourses of creditworthiness are embedded in a political identity of the English gentleman, and articulated through a differentiation and negation with the feminine and colonial Other. The discussion of Daniel Defoe's personification of finance as Lady Credit, whose irrational, fickle being can be mastered by the masculine virtues of the English gentleman – honesty, scientific asceticism, and self-control – represent a formulation of rationality reminiscent of contemporary models of *homo œconomicus* . Embedded in this notion of rationality is a global, racialised hierarchy of masculinities that depict geographies and people outside the horizon of the West as effeminate, uncivilised, yet exotic and potentially lucrative. These imaginations and identities were articulated in scientific journals of anthropology, biology, medicine and can also be found in novels and travel diaries. Far from being merely reflections on society, the economy, and nature, these colonial discourses also produced and managed new knowledge and subjectivities (de Goede 2005: 26). The second part of this article reveals the continuing legacy of colonialism's racialised hierarchy of masculinity and its resonances with contemporary models of rational economic man. Akin to the English gentleman, neoclassical *homo œconomicus* is an embodiment of rational behaviour, based on his ability to make knowledgeable, calculable decisions in the marketplace and remain disciplined when confronted with Lady Credit's promises of wealth. This ensures the transparency of information and the efficient, stable functioning of the market. The geographical imagination of rationality, shaped by long-term histories of colonialism, takes place through the categorisation of advanced/emerging/frontier markets. This article has focused on advanced/emerging markets and shows how colonial imaginations of danger, uncertainty, and backwardness underpin conceptions of emerging market credit risk. Yet, akin to Lady Credit, emerging markets are also potentially lucrative, and investors target this asset class as sources of short-term profit. This engenders the volatility of their market performance and economic growth, thereby reiterating the unequal politics of power between the global North and global South. By revealing the masculine, colonial history locked into the credit risk assessments of emerging markets, this analysis reveals the need for scholars of political economy to question how modern financial practices are built on, but also reproduce colonial relations of power and knowledge.

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Note

1. Andrew Hallam is an investment speaker and the author of *Millionaire Teacher* (2017), which peaked as the number one Personal Finance book in the United States, based on Amazon copies.

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